MINNESOTA BIENNIAL BUDGET

FY 2008-2009 Governor's Budget Recommendation

Presented by
Governor Tim Pawlenty
To the 85th Legislature

Volume 1

(A – G)

FY 2008 – 2009 Governor's Budget Recommendations

Volume 1

Recommendations for the following agencies:

- Accountancy, Board of
- Administration, Department of
- Administrative Hearings Office
- Agriculture Utilization Research Inst
- Agriculture, Department of
- Amateur Sports Commission
- Animal Health, Board of
- Arch/Eng, Board of
- Arts Board
- Asian-Pacific Minnesotans Council
- Attorney General
- Barber/Cosmetologist Examiners Board
- Behavioral Health and Therapy Board
- Black Minnesotans Council
- Boxing Commission
- Campaign Finance and Public Disclosure Board
- Capitol Area Architectural Planning Board
- Chicano Latino Affairs Council
- Chiropractic, Board of
- Commerce, Department of
- Corrections, Department of
- Court of Appeals
- Dentistry, Board of
- Dietetic and Nutrition Practice Board
- Disability Council
- Education, Department of (K-12)
- Emergency Medical Services Regulatory Board
- Employee Relations, Department of
- Employment and Economic Development, Department of
- Enterprise Technology Office
- Explore Minnesota Tourism
- Finance, Department of
- Gambling Control Board
- Governor's Office

➲ Designates that this item is a change item

Agency Purpose

The Board of Accountancy was established in 1909 and is mandated by M.S. 326A. The board is responsible for ensuring that persons engaged in public accounting meet and maintain the qualifications and standards required to competently practice public accounting in the state of Minnesota. The board fulfills its mission through the following:

- administering the Uniform Certified Public Accountant examination;
- issuing and renewing individual certificates to certified public accountants and registered accounting practitioners and their firms; and
- regulates the profession.

At A Glance

Biennial Budget for FY 2006-07 $974,000.
Recovers all its costs through fees.

Business Functions:
- Licenses over 17,000 Certified Public Accountants and registered accounting practitioners. Online renewals are in place.
- Reviews and processes over 3000 applications to sit for the Uniformed Certified Public Accountant examination biennially; and
- Issues fines and penalties based on board authorized disciplinary action.

The board has a staff of four full-time employees.

Core Functions

The board regulates the practice of public accounting by enforcing its rules and applicable laws on ethics and by monitoring continuing, professional education requirements, quality review and investigating complaints. The Board also follows M.S. 214, which generally governs boards and commissions charged with regulating certain occupations in Minnesota.

Operations

The board is comprised of seven certified public accountants, and two public members. In April of 2005 the Board's administrative services were combined with the Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience and Interior Design. Three full-time equivalent employees assist the executive secretary with licensing, investigation, exam preparation, and other duties.

The Department of Commerce provides administrative support to the Board. Its duties include processing payroll and personnel transactions, allotting, encumbering, and disbursing funds, and maintaining the Boards accounting records.

The Department of Finance provides standard financial reports for the Board. The executive secretary is responsible for reviewing the financial reports and working with the Department of Finance to resolve any discrepancies. According to M.S. 214.06 and M.S. 326A, the Board is required to collect sufficient fees to recover both its direct and indirect costs. The Department of Finance works with the Board to ensure that fees charged recover Board costs.

Key Measures

The Board will be implementing an updated database in March of 2007 that will provide a method of tracking and length of time for delivery of services to the public.

The Board's online services provide license verifications within 24 hours of a request and the board's online data allows applicants to obtain their forms and statutes 24 hours a day.

Online renewals can be made, processed and a license issued within 48 business hours.

The Board's Ethics (complaints) Committee and Board Staff complete most cases within a 90-day window and will be tracked with our revised database for trends on a time line.

Budget

The board's biennial budget for FY 2006-07 is $974,000. This funding is through a direct appropriation from the state's General Fund. The board recovers all of its costs through the collection of fees for licensing, disciplinary action, and examinations.

Contact

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Visit our web site at: www.boa.state.mn.us for information on licensing, examinations, Continuing Professional Education (CPE) requirements, rules and statutes, forms, and newsletters.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	487	487	487	487	974
Recommended	**487**	**487**	**493**	**499**	**992**
Change		0	6	12	18
% Biennial Change from 2006-07					1.8%
Expenditures by Fund					
Direct Appropriations					
General	403	719	493	499	992
Total	**403**	**719**	**493**	**499**	**992**
Expenditures by Category					
Total Compensation	249	283	304	325	629
Other Operating Expenses	154	436	189	174	363
Total	**403**	**719**	**493**	**499**	**992**
Expenditures by Program					
Accountancy	403	719	493	499	992
Total	**403**	**719**	**493**	**499**	**992**
Full-Time Equivalents (FTE)	**4.1**	**4.5**	**4.5**	**4.5**	

	Dollars in Thousands			
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**487**	**487**	**487**	**974**
Subtotal - Forecast Base	**487**	**487**	**487**	**974**
Change Items				
Compensation Adjustment	0	6	12	18
Total Governor's Recommendations	**487**	**493**	**499**	**992**

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$6	$12	$12	$12
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$6	$12	$12	$12

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
			Dollars in Thousands		
Non Dedicated Revenue:					
Departmental Earnings:					
General	767	760	760	760	1,520
Total Non-Dedicated Receipts	**767**	**760**	**760**	**760**	**1,520**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**767**	**760**	**760**	**760**	**1,520**

PAGE

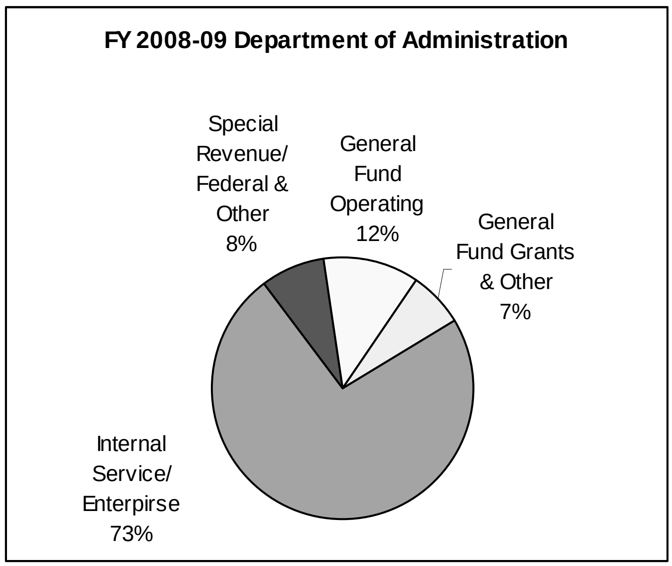
➲ Designates that this item is a change item

January 22, 2007

The 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Administration's budget recommendation for the FY 2008-09 biennial budget. This budget consists of $51 million from the state's General Fund and $222 million from other funds, and is an 8.5% increase from FY 2006-07. As the graphic indicates, approximately 19% of the overall budget is from the general fund. The general fund amount is split between operating funds and other non-operating funds/grants. New initiatives will account for about 4% of Administration's budget and facilitate activities that improve state government as an enterprise.

The Department of Administration offers a wide range of services that focus on providing the organizations and people it serves with cost-effective products, services, advice, and expertise. The Department's 487 employees, working in 16 divisions, serve state agencies, constitutional offices, political subdivisions, the legislature, government employees, and citizens. Major responsibilities include the strategic sourcing of state goods and services; project management for state building construction; state lease management and planning; maintenance and operations of the State Capitol, grounds and other buildings in the capitol complex; mail and warrant processing; business consulting and training; risk management and insurance; data practices expertise and advice; vehicle leasing and fleet management; office supplies; recycling; and energy management. The department is home to the State Demographic Center; Land Management Information Center; the State Archeologist; the Developmental Disabilities Council; and the System of Technology to Achieve Results (STAR) program.



The department is also the lead state agency for the Governor's Drive to Excellence state government enterprise reform initiative. This initiative seeks to refocus state government as a unified entity serving all citizens, rather than an amalgamation of independent entities serving individual constituencies. Specific goals include:

- Create more 'one-stop shop' opportunities for easier access to state services.
- Increase the electronic delivery of government services.
- Streamline state government by creating shared services.
- Optimize the size of state government by leveraging state worker retirements.
- Save money through more efficient, effective service delivery.

During the budget preparation process, the department evaluated its service and product offerings as they relate to the Pawlenty Administration's goals and principles and the department's mission of helping its customers succeed. Planning emphasized supporting enterprise progress, fulfilling statutory responsibilities, realizing legislative mandates, and providing citizen value. The cornerstone of the department's budget is delivering the most effective, efficient, and economical government possible.

The resulting budget reflects:

- Continuing the delivery of core services, as outlined above, that assist state agencies in achieving their missions.
- Monitoring of division operational goals through the reporting of specific service delivery measurements and continual review and analysis of business processes.
- Developing and implementing cost efficiencies that benefit state government through strategic sourcing, lease negotiations, energy management, construction project management, and other services.
- Focusing on government effectiveness and the promotion of opportunities that improve state operations, including real estate management, enterprise product standards, and enterprise fleet management.

The department's key change items, which concentrate on government effectiveness, include:

- Implementation of a *Real Property Enterprise System* that will provide the state with a web-enabled, state-hosted, shared system that facilitates critically needed enterprise-wide Real Property portfolio management, resulting in more effective and efficient property management and decision-making.
- Preparation and promotion of the 2010 Census to ensure a full and accurate count of Minnesota's citizens, and expanding the state's capacity to promote Minnesota's interests with the Census Bureau. An accurate Census count is critical for assuring that the state is fully represented at the federal level and that it will receive its fair share of federal resources in the next decade.
- The assignment of salary adjustments to divisions that have inadequate funds for delivering core customer services. With this change, the department will be able to continue to provide construction project management and real estate management services to state agencies.
- Completion of a statutorily required study to determine whether minority- and female-owned small businesses located in Minnesota receive their fair share of the state's business opportunities. Updated information is required to lawfully continue awarding preferences to Minnesota's minority- and female-owned small businesses. Additionally, data from the study will be used to develop "fair share objectives" required by the federal government as a condition of receiving certain federal grant dollars.
- An energy management re-commissioning program that will assist state agencies with improving energy efficiency in state-owned buildings, with the potential added benefit of offsetting higher energy costs.
- Implementation of a *Small Agency Resource Team* to consolidate and streamline the human resources and financial management activities for small agencies, boards, and councils resulting in timely, consistent, and professional services.
- Creating the Office of Grants Management to provide leadership and direction for standardizing state grants management policies and procedures. This will foster consistent, streamlined interaction between executive agencies, funders, and grantees and will lead to greater program oversight, accountability, and transparency.
- A two-year pilot project that is anticipated to reduce the state's professional/technical expenditures for all agencies by a multiple of the money appropriated for the initiative. Funding will provide for three temporary staff to assist agencies in negotiating contract costs as well as consolidating redundant contracts and training staff to avoid legal pitfalls. Program results will be measured and documented and if the strategy is successful, as expected, the department will work with the Department of Finance to develop a model in future biennia that is self-funded through the savings.

We look forward to working with the 2007 Legislature in the coming months.

Sincerely,

Dana B. Badgerow

Dana B. Badgerow
Commissioner

Agency Purpose

The mission of the Department of Administration (Admin) is to help its customers succeed. Admin assists agencies in achieving their organizational and strategic goals by offering valuable services, products, advice, and expertise. Admin strives to reduce costs by working across government; to be recognized for its innovation and efficiency; and to offer an environment in which people thrive and enjoy their work. Among its fundamental strategic objectives is to develop and foster an "enterprise" vision for state government as envisioned by the state of Minnesota's Drive to Excellence. Admin provides strategic leadership and operational support for the Drive to Excellence.

Admin has changed significantly over the past biennium as a result of Drive to Excellence initiatives. On 7-1-2005, the Office of Technology and InterTechnologies Group were spun-off from Admin to become the Office of Enterprise Technology (OET), a new state agency headed by a state chief information officer appointed by the governor. Also, in 2005, the Building Codes and Standards Division of Admin was transferred to a consolidated Construction Codes and Licensing Division in the Department of Labor and Industry.

At A Glance

- Oversees more than $1.8 billion annually in state purchasing.
- Manages over 450 building projects valued at $260 million.
- Manages 890 state leases and 3.7 million usable square feet of leased space.
- Maintains the State Capitol and state buildings and grounds in the Capitol area.
- Provides population statistics, pyramids, and maps through the Datanet online information service.
- Processes 20.5 million pieces of mail and 3.3 million warrants and checks annually.
- Serves as state government's in-house management consulting and training organization, and the state's central clearinghouse on data practices.
- Operates as the state's internal insurance company, providing property and casualty insurance coverage.

Core Functions

Admin provides a diverse range of business management, administrative, and professional services, and a variety of resources to government agencies and the public. The agency strives to assure that its customers have the facilities, tools, resources, and information necessary for achieving their objectives.

Operations

Admin serves state agencies and constitutional officers, political subdivisions, the legislature, government employees, and citizens. The agency's operations are categorized into three general areas:

⇒ ***State Facilities Services*** manages the state's real property, comprising land, buildings, and physical plant; provides services related to the construction, maintenance, and repair of about 30 million square feet of state-owned building space; leases buildings; manages Capitol Complex parking; coordinates recycling and energy conservation efforts; and serves as the state architect. In May 2005, the Building Codes and Standards Division of Admin was transferred by Executive Order to a consolidated Construction Codes and Licensing Division in the Department of Labor and Industry.

⇒ ***State and Community Services*** includes a variety of services and information resources for state and local governments, the business community, and the public. These include vehicle leasing and fleet management; risk management; information policy analysis; demographic and census information; geographic information systems; mail; the state archaeologist; Minnesota's Bookstore and the State Register; Office Supply Connection; and administrative support for the Environmental Quality Board. Two programs of state and community services have changed. The Municipal Boundary Adjustments Office was transferred in 2005 to the Office of Administrative Hearings, and the General Fund appropriation for the Local Planning Assistance Center was eliminated effective 7-1-2005, effectively terminating that service.

⇒ ***Admin Management Services*** consists of six business units. Materials Management is responsible for enterprise strategic sourcing strategy and initiatives, goods and services purchasing, professional and technical contracting oversight, and surplus property acquisition and disposal. Management Analysis and Development Division is state government's in-house business consultant. The Governor's Council on Developmental Disabilities advocates for persons with disabilities and families of persons with disabilities. The System of Technology to Achieve Results (STAR) program coordinates awareness of assistive technology for persons with physical disabilities. Financial Management and Reporting is the agency's budgeting and accounting office and performs state fiscal agent functions. Human Resources manages the agency's human capital needs and supports several other agencies, including OET. Management Services also encompass the operations of the Office of Commissioner, including executive management and legislative and communications functions.

Key Performance Measures
The agency has established three fundamental management goals:

⇒ Reduce the cost of government services and products available to government agencies.
⇒ Enhance customer relationships by reducing response times and increasing customer interaction to better understand customer needs.
⇒ Increase the effectiveness and efficiency of services available through the agency while enhancing the quality of life of Minnesotans.

Details about how the agency is performing in relation to these goals are available on the governor's department results web site, www.departmentresults.state.mn.us.

Budget

Admin is funded through a variety of sources including general, special revenue, federal, gift, and internal services/enterprise funds.

⇒ General Funds are primarily used for operations with statewide significance, including functions such as procurement, energy management, resource recovery, building construction, information policy analysis, coordination and documentation of geographic data, central mail delivery, and pass-through grants. The Minnesota Legislature appropriates these funds.
⇒ Special Revenue Funds are fee based and include: land management information services, parking, and the state employee commuter van service.
⇒ Federal and gift funds comprise the smallest segment of the agency's funding. The Developmental Disabilities Council and the STAR program secure federal funds through the U.S. Department of Health and Human Services and the U.S. Department of Education. Gift funds are donations accepted for the Governor's Residence Council.
⇒ Internal service/enterprise funds are the largest source of funds for the agency. Internal service funds come through fees charged primarily to state agencies for internal support services including insurance, fleet management, consulting, sale of office supplies, mail services and the leasing of facilities under the custodial control of Admin. These activities prepare annual business plans and develop rate structures for product and service offerings. Enterprise funds are generated through fees charged to governmental entities, citizens, and businesses through the bookstore, surplus property, and cooperative purchasing of products and services.

At the beginning of FY 2007, the agency had 487.75 full-time employees.

Contact

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	Dollars in Thousands				
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	25,848	20,375	20,375	20,375	40,750
Recommended	**25,848**	**20,375**	**27,626**	**22,679**	**50,305**
Change		0	7,251	2,304	9,555
% Biennial Change from 2006-07					8.8%
Expenditures by Fund					
Direct Appropriations					
General	19,970	21,203	27,626	22,679	50,305
Statutory Appropriations					
General	19	1,091	1,090	0	1,090
Misc Special Revenue	4,808	11,244	9,911	9,710	19,621
Federal	2,755	3,234	1,960	1,623	3,583
Risk Management	10,646	11,965	12,621	13,397	26,018
Gift	41	11	5	5	10
Plant Management	37,999	49,507	44,408	45,377	89,785
Documents And Publications	1,501	1,727	1,810	1,871	3,681
Management Analysis	1,551	1,755	1,828	1,903	3,731
Central Motor Pool	13,376	12,537	13,653	14,156	27,809
Central Stores	6,571	7,081	7,259	7,420	14,679
Materials Distribution	7,027	7,710	7,805	7,962	15,767
Central Mailing	8,452	8,231	8,494	8,759	17,253
Total	**114,716**	**137,296**	**138,470**	**134,862**	**273,332**
Expenditures by Category					
Total Compensation	29,013	30,668	32,362	33,635	65,997
Other Operating Expenses	69,311	85,064	87,177	82,498	169,675
Capital Outlay & Real Property	1,118	399	17	0	17
Local Assistance	3,532	3,479	2,824	2,639	5,463
Other Financial Transactions	11,742	18,000	16,430	16,430	32,860
Transfers	0	(314)	(340)	(340)	(680)
Total	**114,716**	**137,296**	**138,470**	**134,862**	**273,332**
Expenditures by Program					
State Facilities Services	45,162	64,105	63,747	59,039	122,786
State And Community Services	44,101	45,978	47,153	49,065	96,218
Administrative Mgmt Services	15,622	17,276	17,727	16,915	34,642
Fiscal Agent	9,831	9,937	9,843	9,843	19,686
Total	**114,716**	**137,296**	**138,470**	**134,862**	**273,332**
Full-Time Equivalents (FTE)	**467.3**	**497.1**	**504.5**	**505.2**	

Dollars in Thousands	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**20,375**	**20,375**	**20,375**	**40,750**
Technical Adjustments				
Current Law Base Change		(547)	(547)	(1,094)
Subtotal - Forecast Base	**20,375**	**19,828**	**19,828**	**39,656**
Change Items				
Real Property Enterprise System	0	5,579	1,134	6,713
Energy Conservation Re-Commissioning	0	250	250	500
Census Prep, Promotion and Liaison	0	60	240	300
Office of Grants Management	0	250	250	500
P/T Contract Savings Negotiations Unit	0	285	276	561
Small Agency Resource Team (SMART)	0	250	250	500
Targeted Group Disparity Study	0	850	0	850
AMPERS Public Radio Equipment Grants	0	100	100	200
Compensation Adjustment	0	174	351	525
Total Governor's Recommendations	**20,375**	**27,626**	**22,679**	**50,305**
Fund: GENERAL				
Planned Statutory Spending	**1,091**	**1,090**	**0**	**1,090**
Total Governor's Recommendations	**1,091**	**1,090**	**0**	**1,090**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**11,244**	**9,911**	**9,710**	**19,621**
Total Governor's Recommendations	**11,244**	**9,911**	**9,710**	**19,621**
Fund: FEDERAL				
Planned Statutory Spending	**3,234**	**1,960**	**1,623**	**3,583**
Total Governor's Recommendations	**3,234**	**1,960**	**1,623**	**3,583**
Fund: RISK MANAGEMENT				
Planned Statutory Spending	**11,965**	**12,621**	**13,397**	**26,018**
Total Governor's Recommendations	**11,965**	**12,621**	**13,397**	**26,018**
Fund: GIFT				
Planned Statutory Spending	**11**	**5**	**5**	**10**
Total Governor's Recommendations	**11**	**5**	**5**	**10**
Fund: PLANT MANAGEMENT				
Planned Statutory Spending	**49,507**	**44,408**	**45,377**	**89,785**
Total Governor's Recommendations	**49,507**	**44,408**	**45,377**	**89,785**
Fund: DOCUMENTS AND PUBLICATIONS				
Planned Statutory Spending	**1,727**	**1,810**	**1,871**	**3,681**
Total Governor's Recommendations	**1,727**	**1,810**	**1,871**	**3,681**
Fund: MANAGEMENT ANALYSIS				
Planned Statutory Spending	**1,755**	**1,828**	**1,903**	**3,731**
Total Governor's Recommendations	**1,755**	**1,828**	**1,903**	**3,731**
Fund: CENTRAL MOTOR POOL				
Planned Statutory Spending	**12,537**	**13,653**	**14,156**	**27,809**
Total Governor's Recommendations	**12,537**	**13,653**	**14,156**	**27,809**
Fund: CENTRAL STORES				
Planned Statutory Spending	**7,081**	**7,259**	**7,420**	**14,679**
Total Governor's Recommendations	**7,081**	**7,259**	**7,420**	**14,679**

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: MATERIALS DISTRIBUTION				
Planned Statutory Spending	7,710	7,805	7,962	15,767
Total Governor's Recommendations	7,710	7,805	7,962	15,767
Fund: CENTRAL MAILING				
Planned Statutory Spending	8,231	8,494	8,759	17,253
Total Governor's Recommendations	8,231	8,494	8,759	17,253

Program Description

The purpose of State Facilities Services (SFS) is to manage the land and buildings under the custodial control of the Department of Administration; provide leasing and land acquisition/disposition; professional project management for planning, design, and building construction; maintenance and repair of facilities under the custodial care of Admin; energy and recycling services; and leadership to other state agencies and public entities. Through a variety of participatory planning processes, agency long-term capital needs are identified and prioritized, with the overall goals of providing high quality, healthy, cost-effective, and serviceable facilities.

Budget Activities Included:

⇒ State Architect's Office
⇒ Plant Management
⇒ Real Estate Management

Further detail on each of these budget activities is included in subsequent pages of this budget document.

	Dollars in Thousands				
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	3,058	3,058	3,058	3,058	6,116
Subtotal - Forecast Base	3,058	3,058	3,058	3,058	6,116
Governor's Recommendations					
Real Property Enterprise System		0	5,579	1,134	6,713
Energy Conservation Re-Commissioning		0	250	250	500
Compensation Adjustment		0	165	262	427
Total	**3,058**	**3,058**	**9,052**	**4,704**	**13,756**
Expenditures by Fund					
Direct Appropriations					
General	3,023	3,128	9,052	4,704	13,756
Statutory Appropriations					
General	19	1,091	1,090	0	1,090
Misc Special Revenue	4,117	10,243	9,178	8,958	18,136
Federal	4	134	19	0	19
Gift	0	2	0	0	0
Plant Management	37,999	49,507	44,408	45,377	89,785
Total	**45,162**	**64,105**	**63,747**	**59,039**	**122,786**
Expenditures by Category					
Total Compensation	15,298	15,950	17,047	17,681	34,728
Other Operating Expenses	20,425	33,434	33,793	28,468	62,261
Capital Outlay & Real Property	1,107	399	17	0	17
Other Financial Transactions	8,332	14,636	13,230	13,230	26,460
Transfers	0	(314)	(340)	(340)	(680)
Total	**45,162**	**64,105**	**63,747**	**59,039**	**122,786**
Expenditures by Activity					
State Architects Office	2,330	3,908	3,556	2,025	5,581
Plant Management	42,457	59,817	54,175	55,424	109,599
Real Estate Management	375	380	6,016	1,590	7,606
Total	**45,162**	**64,105**	**63,747**	**59,039**	**122,786**
Full-Time Equivalents (FTE)	**275.0**	**292.0**	**297.2**	**297.3**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$5,579	$1,134	$1,151	$1,151
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5,579	$1,134	$1,151	$1,151

Recommendation

Following the direction established in Executive Order 05-06 the Governor recommends:

⇒ $5.579 million to purchase and implement a web-enabled, state-hosted, shared system that facilitates critically needed enterprise Real Property portfolio management and improves information reporting and decision-making. Applied Data Systems, Inc. (ADSI) will be engaged to implement the competitively selected enterprise ARCHIBUS/FM and VFA Facility Condition Assessment applications for the state's portfolio. Dedicated staff and other state resources are also required throughout the implementation period.

⇒ $1.134 million in FY 2009 and $1.151 million in both FY 2010 and FY 2011 for funding for software subscriptions and technical support expenses.

Background

Property is one of the state's largest investments. Comprehensive, accurate information is vital for its fiscally-responsible management. Currently 22 agencies own property and each has its own real property information management methods and tool(s). State property is tracked using 10 disconnected automated systems and various manual spreadsheets. These databases are incomplete and make enterprise management and decision-making impossible. Furthermore, multiple-entry of data and redundant searching for information results in a tremendous loss of time. The most significant benefit of a consolidated, enterprise-wide property system is the cost savings it will provide to the state of Minnesota.

The land that will be managed within the property system is land associated with buildings. Specific-use lands managed by the departments of Natural Resources (wetlands, parks, lakes) and Transportation (roads, right-of-ways) will continue to be handled within their agencies.

A key driver of this project is the need for a full facility condition assessment (FCA) to benchmark current conditions of state facilities and preserve and manage them for the future. A FCA system (owned by VFA) will be implemented along with the ARCHIBUS/FM modules. (**Appendix A** - Drivers of Cost Savings and Benefits; all appendices are online at http://www.admin.state.mn.us/documents/Real_Property.pdf)

Typical payback periods average less than 12 months following implementation. An average three-year ROI of greater than 100% can be expected, within a range of 77% to 287%. (**Appendix B** - How VFA's FCA will Help)

Executive Order 05-06 authorized the formation of a multiple-agency project steering team which gathered enterprise-wide system requirements and conducted a comprehensive request for proposal (RFP). The team's recommendation is to implement the ARCHIBUS/FM and FCA applications as an enterprise solution to be shared among all custodial agencies, and hosted by the Office of Enterprise Technology.

The state has realized savings within four agencies using ARCHIBUS/FM modules (Departments of Administration, Corrections and Human Services, and the Veterans Home Board) through streamlined, documented, and standardized facility practices that provide a comprehensive solution to critical services including public health, welfare, and safety. Examples include:

- $2.4 million in construction remodeling dollars granted by the Federal Veterans Administration to the Veterans Homes Board, based on a space deficiency analysis, which represented a 171% return on that agency's total ARCHIBUS investment;

- 800% increase in work order documentation, accountability, and efficiency at Human Services;
- $250 million of previously undocumented Minnesota Corrections Facilities assets have been identified, enabling these assets to be tracked, managed, and appropriate work scheduled; and
- $91,900 in cost savings through multi-agency participation in state of Minnesota ARCHIBUS User's Group (SMAUG) activities.

Other benefits of further implementing ARCHIBUS/FM as an enterprise-wide management system include:
- Leveraged enterprise contracts via consistent drawings, standards, and preventive maintenance routines;
- Collaborative statewide support network through the existing Minnesota ARCHIBUS Users Group;
- Reduced manual search times of as high as 40% of a worker's time;
- Enriched decision-making and performance measures - The state cannot manage what it doesn't measure, and it cannot measure if it does not track property information;
- Retained knowledge from retiring workers entered into a permanent document storage bank;
- Increased customer service with rapid work prioritization and assignment and electronic resolution tracking;
- Simplified compliance with regulatory requirements through accurate data collection and reporting;
- Better risk management by creating tangible value for all real property held by the state; and
- More mobile workforce with the capability to link with other portable wireless tools, such as PDAs. (**Appendix C** – Details of Enterprise–Wide Management System Benefit)

By proactively managing state facilities using an enterprise-wide system, resources will be effectively utilized, facilities information streamlined, assets preserved, costs managed, and decisions made based on actual data.

Relationship to Base Budget

The $5.579 million is a one-time appropriation for purchasing and implementing a Real Property System. Ongoing funding will be needed to operate and maintain the system. Existing budgets will be evaluated during system implementation to determine required funding. (**Appendix D** for Existing System Expenditures). Operating funds of $1.134 million in FY 09 and $1.151 million in later years will be needed to operate and maintain the system.

Key Measures

Streamlined workflows - SMAUG has enhanced workforce productivity by streamlining on-demand and preventive maintenance workflow. Previously, a typical maintenance workflow consisted of a 3-part paper work request sent in three separate directions. It was then followed up with a series of phone calls, pages, and data entry into spreadsheets. On average, a typical work request required 20+ minutes of paperwork and processing. With the adaptation of a customized work request form, this was reduced to three minutes or less. The combined four SMAUG agencies process 7,600+ work requests per month using the new workflow, equating to a savings of:
- 7,600 work requests per month x 17 minute time savings = 129,200 minutes saved per month
- 129,200 minutes / 60 minutes per hour = 2,153 hours of available labor from existing labor force per month
- 12+ additional full time staff redirected to address other asset management duties.
- Using the enterprise system, other agencies will realize this same workflow efficiency.

Further confirmation of expected savings can be seen in **Appendix E –** Reported Savings from Other Orgs.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Hardware	$0	$949	$966	$966	$966	$966
Software	758	185	185	185	185	185
Services	4,421	0	0	0	0	0
Training	400	0	0	0	0	0
TOTAL	**$5,579**	**$1,134**	**$1,151**	**$1,151**	**$1,151**	**$1,151**

Statutory Change - Not Applicable

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$250	$250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$250	$250

Recommendation
The Governor recommends $500,000 for the Department of Administration's (Admin) Energy Conservation Re-commissioning Program for the FY 2008-09 biennium. The Governor expects this program will help state agencies offset increasing energy costs due to rising prices.

Background
State government is a major consumer of energy. Energy conservation is an effective means for reducing state costs related to increases in energy prices. The Governor's Executive Order 05-16 requires state agencies to demonstrate the benefits of energy conservation to other governmental entities and organizations. Energy conservation re-commissioning identifies mechanical equipment and control inefficiencies and implements no cost or low cost energy conservation opportunities in selected buildings within state-owned facilities and Minnesota State Colleges and Universities.

Energy Management Services will obtain a preliminary list of buildings that would benefit most from re-commissioning from the Building, Benchmarking and Beyond (B3) data and work in partnership with state agencies and utility companies to determine the buildings selected for re-commissioning. The requested funding will be used to generate a re-commissioning study report and implement the energy conservation opportunities identified. It is estimated that this funding will enable Admin to re-commission 20 to 25 buildings over the biennium.

The immediate benefit of this program would be reduced energy consumption for the state agencies participating in the program. Additional benefits of this program are improved indoor air quality, increased life expectancy of building systems, conservation of natural resources, reduction of the state's reliance on foreign oil, and increased occupant comfort. Energy conservation re-commissioning offers excellent paybacks. Results of past re-commissioning projects confirm that re-commissioning can typically translate into reductions of energy consumption of five to 15%.

Relationship to Base Budget
Participating state agencies will realize a reduction in energy consumption immediately after the implementation of energy efficiency improvements. This will help the state agencies to offset increasing energy costs due to rising energy prices.

Key Measures
A five to 15% reduction in baseline electric and/or thermal energy consumption will be realized in re-commissioned buildings.

Reduction in energy consumption shall be measured using appropriate meters when cost effective. Reasonable engineering calculations will be performed when direct metering is not cost effective. Electrical energy shall be measured in units of kilowatt hour (kWh) and heating energy shall be measured in Million British Thermal Unit (MMBTU).

Statutory Change: Not Applicable

Activity Description

The State Architect's Office (SAO) delivers professional architectural, engineering, and construction resource services designed to improve the physical facilities of Minnesota government in accordance with: M.S. 16A.69, 16A.632, 16B.05, 16B.24, 16B.30, 16B.305, 16B.31, 16B.32, 16B.325, 16B.33, 16B.335, 16B.35, 16C.08, 16C.095, 16C.10, 16C.14, 16C.32, 16C.33, and 16C.34.

Population Served

SAO customers are state agencies with custodial control over facilities, and the occupants of and visitors to those facilities.

Activity at a Glance

SAO provides planning, design, and construction resource services:

- for over 20 state agencies;
- for almost 5,000 state buildings;
- for over 450 active remodeling/repair projects, and several major new buildings, all of which require the processing of over 300 pay requests and 100 contracts monthly; and
- for 100 hazardous materials surveys and over 100 abatement projects annually.

Services Provided

Services provided by SAO include:

- managing building design and construction, including contract administration, predesign, designer selection and oversight, and construction and post-construction administration for new/addition, remodeling, and asset preservation building projects;
- assisting with project planning and assessment;
- managing the Capital Asset Preservation and Replacement Account;
- managing hazardous materials surveys and abatement projects;
- assisting state agencies with Capital Budget preparation;
- managing predesign program by maintaining the Predesign Manual and reviewing/approving submittals;
- providing oversight of the statewide Facility Condition Audit;
- providing staff support and Admin's member for the State Designer Selection Board (SDSB);
- developing and maintaining Building Design Guidelines, with a checklist for consultant use;
- providing leadership for the State Facilities Management Group (SFMG); and
- managing "Buildings, Benchmarking, and Beyond" (B3) State Sustainable Design Program.

Historical Perspective

SAO provides a centralized resource for comprehensive and consistent architectural, engineering, and hazardous building materials management services to support state agency facility needs. The process of building design and construction has become increasingly complex from both a systems and technology standpoint as well as from the users' performance expectations. Increased technology and regulatory needs, including safety codes, building codes, health regulations, indoor air quality, sustainability, and environmental regulations also have a significant impact on this process. SAO continues working toward the integration of all of these so that project scope, cost, and schedule requirements are met in a consistent and high-quality manner. Toward this end, SAO has developed a consultant procedure manual, standardized forms, project initiation procedures, design criteria, and related information, all of which are available on the SAO web site (see address below).

Key Measures

FY 2006 accomplishments include:

- completion and full occupancy of new $134 million state lab and Freeman office building for the co-location of the departments of Health and Agriculture;
- completion and full occupancy for new $100 million Andersen office building for the Department of Human Services;
- completion of multi-phased abatement, renovation, and upgrade of the Veterans Service building while continuing to provide full building access and services for the occupants;
- implementing an interactive web-enabled master design roster application process that provides a current list of consultants for use by all state agencies;

- promoting use of open market requisitions (OMR) and master contracts, eliminating use of professional/ technical contracts for 75% of SAO projects;
- employing new technology to streamline distribution of professional/technical (PT) solicitations and construction bidding documents; and
- providing web-accessible recordings of SDSB meetings for the public.

Activity Funding

SAO receives a General Fund appropriation. Funding for projects that SAO manages is from general obligation bonds, General Funds, federal funds, matching grants, and gift funds. SAO also assists agencies with repair and restoration projects that are funded in agency operating budgets.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Compensation Adjustment		0	103	181	284
Total	**0**	**0**	**103**	**181**	**284**
Expenditures by Fund					
Direct Appropriations					
General	1,811	1,903	1,947	2,025	3,972
Statutory Appropriations					
General	19	1,091	1,090	0	1,090
Misc Special Revenue	500	782	500	0	500
Federal	0	130	19	0	19
Gift	0	2	0	0	0
Total	**2,330**	**3,908**	**3,556**	**2,025**	**5,581**
Expenditures by Category					
Total Compensation	1,672	1,721	1,790	1,825	3,615
Other Operating Expenses	658	1,788	1,749	200	1,949
Capital Outlay & Real Property	0	399	17	0	17
Total	**2,330**	**3,908**	**3,556**	**2,025**	**5,581**
Full-Time Equivalents (FTE)	**19.7**	**19.7**	**19.6**	**19.6**	

Activity Description

Plant Management (PMD) delivers consistent, quality services to ensure cost-effective, clean, safe, and environmentally sound buildings, grounds, and operations in accordance with M.S. 16B.24, 16B.32, 16C.143, 16C.144, 16B.58 and 115A.15 and Minnesota Session Laws 2001, chapter 212, article 1, section 3 and as amended by Minnesota Session Laws 2002, chapter 398, section 8.

Activity at a Glance

Plant Management maintains:

- 4.3 million square feet;
- 21 buildings;
- 23 monuments/memorials;
- 30 parking facilities;
- 1,945 tons of material recycled in FY 2006;
- 50 million square feet served by Energy Management; and
- 498 permits issued for public use of state Capitol and grounds.

Population Served

The majority of PMD's customers are state agencies and the legislature. Non-state agency customers include visitors and event participants, as well as:

- organizations leasing space or needing parking; and
- federal, regional, and local units of government requesting resource recovery services.

Services Provided

Services provided by PMD include:

- housekeeping, engineering, building management, refuse removal, grounds maintenance, snow removal, trade and repair services, and environmental and fire/life/safety systems;
- maintenance of ceremonial grounds, monuments, and memorials as a showplace for all Capitol Complex tenants, visitors, and Minnesota citizens;
- operating the State Recycling Center to prepare recyclables for market and administering the state Government Resource Recovery Program providing waste reduction and recycling assistance and education;
- conducting energy efficiency improvements in state-owned buildings;
- collecting energy usage data in all public buildings for establishing energy efficiency benchmarks;
- implementing energy forward pricing for state agencies to manage energy price risks;
- moving, equipment rental, and delivery services; and
- maintaining and managing parking facilities and contracts and providing alternative transportation services.

Historical Perspective

PMD ensures that all facilities are operated, repaired, and maintained in a cost-effective manner to preserve the integrity of the state's assets and provide a safe and comfortable environment for building tenants. As part of this goal, PMD maintains an Asset Preservation Program outlining necessary repairs for facilities. Failure to address deferred maintenance, due to limited funding, will cause serious structural damage, deterioration, and reduction in the life expectancy of buildings.

Key Measures

Service delivery accomplishments include the following:

⇒ *Leases* provided well-maintained facilities and supported a quality environment for building tenants through building tours, facility condition audits, and computer-assisted facilities management program.

⇒ *Resource Recovery Program* continued to meet or exceed the 60% recycling goal in the Capitol Complex in FY 2005 and FY 2006 as required by M.S. 115A.15.

⇒ *Energy Management* saved state agencies $337,397 in FY 2005 and $145,661 in FY 2006 through negotiated pricing for natural gas and fuel oil.

⇒ *Energy Management* completed state agency energy retrofit projects in FY 2005 of 344,000 square feet resulting in annual reduction of 1,422,073 kWh.

Activity Funding

PMD's internal service fund (ISF) is made up of three activities: Leases, Repair and Other Jobs, and Materials Transfer. The predominant customers are state agencies located in custodial control buildings that pay for space through lease rental rates. The goal of the ISF is to set rates as close to break-even as possible, while maintaining two-month working capital funds. Expenditures include salaries/benefits, utilities, operating expenses, bond interest, and building depreciation.

Full-time employees, as of 7-1-2006 were 238 for Leases, 12 for Materials Transfer, and two for Repair and Other Jobs.

PMD does not have a loan from the General Fund nor proposed investment in technology or equipment of $100,000 or more.

Operating Losses/ Increases in Retained Earnings:
Retained earnings for the Lease activity increased in FY 2005 due to lower than anticipated expenses in utilities and salary savings due to staff vacancies and decreased in FY 2006, as planned. These changes in retained earnings will be reflected in Lease rates for FY 2008 and FY 2009.

Retained earnings for the Repair and Other Jobs activity increased in FY 2005 and FY 2006 due to higher than anticipated billable hours.

Retained earnings for the Materials Transfer activity increased in FY 2005 and FY 2006 due to an increase in billable hours.

History of Rate Changes:

Fiscal Year	2002	2003	2004	2005	2006	2007
Leases	4.54%	2.96%	(8.16%)	0.00%	(4.79%)	4.61%
Repair and Other Jobs	1.90%	2.26%	30.00%	5.00%	10.41%	0.00%
Materials Transfer	0.31%	4.70%	0.59%	0.00%	1.90%	0.00%

The increase in Lease rates in FY 2007 reflects return to normal rates following a one-time downward adjustment of the Stassen rate in FY 2006.

The change in Repair and Other Jobs rates is due to the planned return of positive retained earnings in previous years. Because rates were considerably lower than break-even, a rate increase was needed in FY 2006 to prevent the continued reduction of retained earnings.

The change in Materials Transfer rates is due to the general inflation of expenses.

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as FY 2006, the five largest Lease customers will pay 0.23% more in FY 2007. The five largest customers are the departments of Human Services, Health, Minnesota Historical Society, Public Safety, and Transportation.

Assuming the same volume and mix of goods/services as FY 2006, the five largest Repair and Other Jobs customers will pay the same amount in FY 2007. The five largest customers are the departments of Administration, Public Safety, Minnesota Historical Society, Office of Enterprise Technology, and Employee Relations.

Assuming the same volume and mix of goods/services as FY 2006, the five largest Materials Transfer customers will pay the same amount in FY 2007. The five largest customers are the departments of Administration, Human Services, Office of Enterprise Technology, Pollution Control, and Health.

In addition to the ISF, this activity is funded by a General Fund appropriation and revenue from several fees.

With the recent addition of offices and laboratories in the Capitol area, the Cedar Street ramp was constructed and two existing facilities (Lot Q and Centennial Ramp) were expanded to accommodate the increased parking demand. Costs associated with these projects are being recovered through parking rates.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Energy Conservation Re-Commissioning		0	250	250	500
Total	**0**	**0**	**250**	**250**	**500**
Expenditures by Fund					
Direct Appropriations					
General	837	845	1,089	1,089	2,178
Statutory Appropriations					
Misc Special Revenue	3,617	9,461	8,678	8,958	17,636
Federal	4	4	0	0	0
Plant Management	37,999	49,507	44,408	45,377	89,785
Total	**42,457**	**59,817**	**54,175**	**55,424**	**109,599**
Expenditures by Category					
Total Compensation	13,327	13,914	14,885	15,469	30,354
Other Operating Expenses	19,691	31,581	26,400	27,065	53,465
Capital Outlay & Real Property	1,107	0	0	0	0
Other Financial Transactions	8,332	14,636	13,230	13,230	26,460
Transfers	0	(314)	(340)	(340)	(680)
Total	**42,457**	**59,817**	**54,175**	**55,424**	**109,599**
Full-Time Equivalents (FTE)	**250.9**	**267.9**	**272.7**	**272.8**	

Activity Description

This activity provides real estate services to state agencies statewide that result in obtaining quality, efficient, and cost-effective property that meets the state's needs; and selling state surplus real property in a manner that maximizes a return to the state of Minnesota. Real Estate services are provided in accordance with M.S. 16B.24, 16B.25, 16B.26, 16B.31, 16A.28, 16B.281, 16B.282, 16B.283, 16B.284, 16B.285, 16B.286 and 16B.287.

Activity at a Glance

The Real Estate Management Division:

- maintains a total of 890 leases of nonstate-owned and state-owned real property;
- currently leases 3.7 million useable square feet of nonstate-owned space and other real property at an annual cost of $58.6 million;
- leases 2.2 million useable square feet of state-owned space under the custodial control of the Department of Administration to state agencies; and
- executes leases for approximately 63% of nonstate-owned space and 37% of state-owned space to state agencies through the Department of Administration.

Population Served

The activity provides direct real estate services to approximately 100 state agencies, divisions, boards, and councils. The public is served in the spaces provided to agencies conducting their operations and providing state services. Properties and spaces are provided for offices, workforce centers, residential facilities, emergency services, training, environmental services, laboratory testing, probation offices, driver vehicle services, health programs, licensing centers, and public records storage.

Services Provided

The activity:

- identifies state-owned and nonstate-owned real property that efficiently and functionally meets agencies space needs;
- negotiates and drafts leases of state-owned and nonstate-owned real property to house state agencies in quality spaces at the most economical rent;
- provides space programming and monitoring of leasehold improvement construction in compliance with terms and conditions of leases;
- manages leases to assure compliance with terms and conditions including resolving day-to-day issues;
- provides relocation assistance including budgeting, preparing capital budget requests, managing budgets, processing relocation requests, and coordination;
- generates revenue by leasing state-owned real property temporarily not needed for state use, such as antenna space on communications towers;
- oversees building project financial analysis;
- assists agencies in site selection and oversees the due diligence process (appraisals, surveys, inspections, environmental assessments, and geo-technical reports);
- negotiates acquisition of real property;
- develops strategic plans for the disposition of state surplus real property, maximizing return to the state including obtaining appraisals, coordinating re-use studies, environmental assessments, master plans, and working with stakeholders (e.g., agencies relinquishing property, local units of government, Minnesota Historical Society, and neighborhood associations) on relevant issues;
- develops and issues easements and permits, and transfers custodial control of real property between agencies; and
- maintains databases of leases, floor plans, space management inventories, and state-owned land inventories for internal and external use.

Historical Perspective

In general, life-cycle cost analyses on owning and leasing real estate have shown that it is more economical to own than to lease facilities. Case-by-case life-cycle cost analyses of owning and leasing facilities have been historically used and will continue to be used to determine the most economic manner of providing space for state agencies.

Consolidation and co-location of agencies remains a priority. The result of these efforts has been to conserve resources by sharing space, equipment, and staff. Consolidation and co-location also offer the public the ability to obtain products and services and to conduct more than one transaction at a visible, accessible, easily identifiable location. Consolidation and co-location also facilitate transportation pools that lead to conserving resources, better accessibility, reducing pollution, and controlling parking development costs.

Key Measures

Measure: Negotiate state leases of nonstate-owned property so that increases in rental rates do not exceed an average of 2% per year.

Performance	**FY 2006**	**FY 2007 (Est)**
Percentage	1.09%	2.0%

Activity Funding

This activity is funded through a General Fund appropriation.

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ADMINISTRATION DEPT
Program: STATE FACILITIES SERVICES
Activity: REAL ESTATE MANAGEMENT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Real Property Enterprise System		0	5,579	1,134	6,713
Compensation Adjustment		0	62	81	143
Total	**0**	**0**	**5,641**	**1,215**	**6,856**
Expenditures by Fund					
Direct Appropriations					
General	375	380	6,016	1,590	7,606
Total	**375**	**380**	**6,016**	**1,590**	**7,606**
Expenditures by Category					
Total Compensation	299	315	372	387	759
Other Operating Expenses	76	65	5,644	1,203	6,847
Total	**375**	**380**	**6,016**	**1,590**	**7,606**
Full-Time Equivalents (FTE)	**4.4**	**4.4**	**4.9**	**4.9**	

Program Description

State and Community Services (SCS) offers a variety of services and information to state and local units of government as well as the citizens of Minnesota. The services and information provided reflect the mission of the Department of Administration to help its customers succeed.

Budget Activities Included:

⇒ Information Policy Analysis
⇒ Risk Management
⇒ Communications Media
⇒ Travel Management
⇒ State Demographer
⇒ Land Management Information Center
⇒ Environmental Quality Board
⇒ Office of the State Archaeologist

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,921	3,012	3,012	3,012	6,024
Technical Adjustments					
Current Law Base Change			(547)	(547)	(1,094)
Subtotal - Forecast Base	2,921	3,012	2,465	2,465	4,930
Governor's Recommendations					
Census Prep, Promotion and Liaison		0	60	240	300
Total	**2,921**	**3,012**	**2,525**	**2,705**	**5,230**
Expenditures by Fund					
Direct Appropriations					
General	2,803	3,248	2,525	2,705	5,230
Statutory Appropriations					
Misc Special Revenue	662	806	733	752	1,485
Federal	88	378	53	0	53
Risk Management	10,646	11,965	12,621	13,397	26,018
Gift	2	5	5	5	10
Documents And Publications	1,501	1,727	1,810	1,871	3,681
Central Motor Pool	13,376	12,537	13,653	14,156	27,809
Central Stores	6,571	7,081	7,259	7,420	14,679
Central Mailing	8,452	8,231	8,494	8,759	17,253
Total	**44,101**	**45,978**	**47,153**	**49,065**	**96,218**
Expenditures by Category					
Total Compensation	6,275	6,397	6,053	6,368	12,421
Other Operating Expenses	37,818	39,581	41,100	42,697	83,797
Local Assistance	9	0	0	0	0
Other Financial Transactions	(1)	0	0	0	0
Total	**44,101**	**45,978**	**47,153**	**49,065**	**96,218**
Expenditures by Activity					
Information Policy Analysis	427	425	425	425	850
Risk Management	10,646	11,965	12,621	13,397	26,018
Communications Media	16,962	17,488	18,006	18,493	36,499
Travel Management	13,473	12,633	13,749	14,252	28,001
State Demographer	439	471	514	694	1,208
Land Management Information	1,365	1,993	938	903	1,841
Environmental Quality Board	596	795	699	700	1,399
Office Of State Archaeologist	193	208	201	201	402
Total	**44,101**	**45,978**	**47,153**	**49,065**	**96,218**
Full-Time Equivalents (FTE)	**90.6**	**91.9**	**86.4**	**87.6**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$60	$240	$260	$180
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$60	$240	$260	$180

Recommendation

The Governor recommends $60,000 in FY 2008 and $240,000 in FY 2009 to prepare and promote the 2010 Census. Funding is essential to ensure a full and accurate count of Minnesota's residents in April 2010 and expand the State Demographer's capacity to promote Minnesota's interests as the state liaison with the Census Bureau, which will become increasingly important as the American Community Survey replaces Census estimates as a basis for federal policy and funding decisions.

Background

The census, conducted every decade, provides population estimates used to allocate billions of dollars in federal funds to states and localities for programs ranging from Medicaid to highway aid. Leading up to the 2000 Census, funds appropriated to the State Demographer to promote the census helped Minnesota achieve the most complete count of any state in the nation. Emphasis was placed on difficult to enumerate areas and populations, including reservations, group quarters, and even vacation destinations for retirees. Staff also monitored initial census returns and identified areas of potential undercount while Census 2000 was still in process.

The investment paid off: the U.S. Census Monitoring Board estimated Minnesota's undercount as one of the lowest in the nation – 0.29% compared with a national average for states of 1.18%. An analysis of eight major federal programs with funding allocations directly affected by the census estimated a cost to state and local governments of more than $2,913 per uncounted person between 2002 and 2012. The analysis was limited to social service programs, the largest of which was Medicaid. The estimate did not include federal funds related to housing, transportation, economic development block grants, and other programs that allocate funds based upon population. Still, if Minnesota's undercount had been "average" rather than exceptionally low, Minnesota would have lost more than $41 million in federal aid between 2002 and 2012.

An incomplete count in 2010 also can have serious political consequences for Minnesota. The census is the definitive basis for apportioning congressional seats to states and for defining congressional and legislative district boundaries. The U.S. House of Representatives has a fixed number of seats to apportion among the states. Using a one-person/one-vote guide, the 435 seats are apportioned among the states so that each member of the House represents a district containing about the same number of residents. Every decade, some states gain seats and others lose them, based upon census results. Census Bureau estimates of state populations projected to 2010 show that Minnesota will be the "cusp" state, losing its 8th congressional seat by 3,600 people to Florida. This initiative will actively promote the full count that Minnesota will need to retain this congressional seat.

Accurate and complete census data also underpin the efficient and effective operation of state and local programs and ensure that state funding allocations based upon population are equitable and appropriately targeted. Undercounts are most prevalent in areas containing populations that need services – areas with minorities, immigrants, and the elderly – whether they are located in urban areas or rural areas. Errors from the 2000 Census continue to cause funding problems for some cities and state programs. By proactively supporting and promoting the 2010 Census and by continuing as a strong Minnesota liaison to Census Bureau programs such as the American Community Survey that now supplement the Census, the State Demographer will continue to provide and interpret data used to identify where public resources can effectively serve Minnesotans.

This funding will also help preserve the State Demographer's capacity to function as a strong liaison with the Census Bureau and provide data, information, and analysis to help inform Minnesotans.

Relationship to Base Budget

The funding request for Census promotion will cover activities that will begin in FY 2008 and extend into FY 2011. Based upon a similar initiative for the 2000 Census, it will fund temporary staff for outreach and promotion, production of promotional materials, and travel expenses.

Key Measures

⇒ Evidence that Minnesota ranks among states with the lowest estimated undercount in the 2010 Census.
⇒ Implementation of comprehensive web portal to data, reports, and maps about Minnesota's population.
⇒ Customer satisfaction scores based on standardized feedback of "Good to Excellent" as measured by a "Quality of Service" score greater than 4 on customer satisfaction surveys, which uses a 5-point scale where 4 = Good and 5 = Excellent.

Statutory Change: Not Applicable

Activity Description

The Information Policy Analysis Division (IPAD) is where government entities, private sector organizations, the legislature, and citizens come for answers to data practices questions; consultation on data practices issues; help with public policy development; assistance in understanding and complying with complex legislation regulating information; dispute resolution services as they relate to data practices appeals; and assistance in exercising rights regarding access to information, protecting privacy, and challenging inaccurate or incomplete data.

Activity at a Glance

On average, over the last five years, IPAD has annually:

- Issued 66 advisory opinions;
- Answered 4,780 inquiries from government entities;
- Resolved questions or requests for assistance from 2,144 citizens; and
- Provided 1,544 consultations to private and public attorneys.

IPAD receives inquiries by U.S. mail, e-mail, phone, and personal contact.

For the period 1-1-2005 through 6-30-2006, IPAD's web site had 164,376 visits.

Both the Minnesota Legislature and the federal government have either enacted statutes or promulgated extensive rules that deal with a variety of information-related issues. These statutes and rules include, among others, the Minnesota Government Data Practices Act, the federal Family Educational Rights and Privacy Act and related rules, M.S. 144.335 (the Medical Records Act), the federal Health Insurance Portability and Accountability Act of 1996 and related rules, the federal Freedom of Information and Privacy Acts, the Minnesota Official Records Act and the Minnesota Open Meeting Law Act. Historically, the executive branch and the legislature informally agree that expertise concerning these and other related laws should be available at no charge to government entities and citizens. As a General Fund activity, IPAD offers that expertise to government entities and citizens through a variety of functions and services.

Population Served

IPAD serves personnel of state and local government entities, private citizens, private sector organizations, public and private attorneys, and the legislature.

Services Provided

IPAD provides the following services to the population served: answering questions about rights under and requirements of various information laws; consulting on difficult information policy issues; providing staff services to the commissioner of Administration in performing statutory duties that include issuing data practices and open meeting law advisory opinions, acting on appeals to challenges to government data, acting on applications for temporary classification of data, and requests to make new uses of data; preparing and distributing training, model compliance, and informational materials; developing, updating, and operating a publicly accessible web site that contains all advisory opinions and all informational materials prepared by the division; offering training to state and local government entities; offering information sessions to citizens; providing training materials to enable government entities to do their own training; assisting citizens with answers to their inquiries and advice on how to exercise their rights; and working with the legislature, citizens, private sector groups, and state and local government agencies on the development of new information policy laws and changes to existing laws.

Historical Perspective

The Minnesota Government Data Practices Act was enacted in 1974. Since that time, M.S. Chapter 13 has grown through many revisions and additions as data practices discussions evolve. Issues of information policy, such as data privacy, fair information practices, identity theft, security breaches, and the need for government-computer-based systems to comply with the law continue to receive widespread attention. Statewide responsibility for establishing and maintaining the infrastructure that assists government entities and the public in dealing with these issues has been assigned to the commissioner of Administration and delegated to IPAD.

Key Measures
IPAD focuses on the speed in which a customer receives a response, because timeliness is critical to effective service and increasing awareness and use of IPAD's web resources.

Two key measures of IPAD's effectiveness:

⇒ The first measure is the response time for an informal inquiry by phone or e-mail. From 1998 to 2003, IPAD set a goal that 85% of all inquiries received would receive a response by the end of the next business day. In FY 2003, the goal was changed to 90%. In FY 2004, the goal was raised to 95% which has been consistently exceeded.

⇒ The second measure quantifies the success of IPAD's outreach efforts to increase awareness and use of IPAD's web resources. Since FY 2006, the goal has been to increase usage by 5% each quarter. The objective of this measure is to provide 24-hour web resources to IPAD customers reserving critical staff resources for more complex customer inquiries. IPAD has consistently met this goal in FY 2006.

Activity Funding
This activity is funded through a General Fund appropriation.

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	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	427	425	425	425	850
Total	**427**	**425**	**425**	**425**	**850**
Expenditures by Category					
Total Compensation	383	377	376	376	752
Other Operating Expenses	44	48	49	49	98
Total	**427**	**425**	**425**	**425**	**850**
Full-Time Equivalents (FTE)	**4.9**	**4.5**	**4.5**	**4.3**	

Activity Description

The Risk Management Division (RMD), operating under legislative authority of M.S. 16B.85, provides three major areas of service to state agencies, boards, bureaus, commissions, and political subdivisions:

- manage the Risk Management Fund (RMF), which operates as the state's internal insurance company providing property and casualty insurance coverage;
- purchase commercial insurance to meet agencies' needs when the placement of the insurance in the RMF may not be appropriate; and
- provide risk and insurance management consulting services on a wide variety of issues.

Activity at a Glance

- Serves over 100 state agencies, departments, boards, commissions, and political subdivisions;
- Property values insured total $9.3 billion;
- Insure 14,350 vehicles; and
- Currently manage an open caseload of approximately 300 claims.

Population Served

State of Minnesota agencies, departments, boards, bureaus, and commissions, as well as political subdivisions.

Services Provided

The RMD, through its fund, offers five major lines of insurance: auto liability, auto comprehensive and collision, general liability, property, and boiler and machinery. The RMD also offers other miscellaneous lines that provide coverages that meet specific agency needs. Reinsurance is purchased to provide protection to the RMF against catastrophic or annual aggregation of property and extra-territorial liability losses.

When unique types of coverage are required, the RMD assists state agencies with purchasing appropriate insurance if self-insurance of the risk is not deemed appropriate for the RMF.

The RMD has an Advisory Committee made up of representatives from state agencies, academia, and the private sector.

In March of 2005, the RMD assumed responsibility, from the Attorney General's Office, for claim adjustment on uninsured tort claims. As of 6-30-2006, the open case load was 250 claims.

Historical Perspective

The legislature created the RMD in 1986 in response to the hard casualty insurance marketplace and the expectation that the state might not have been able to obtain auto liability insurance. The RMD started 1-1-1987.

In 1988, the first commercial general liability insurance was underwritten by the RMF. In 1994, automobile comprehensive and collision insurance was offered. In 1996, the RMF started to offer a full line of property and casualty insurance coverage with the creation of Minnesota State Colleges and Universities (MnSCU) and in response to their desire to have a comprehensive insurance program. Since that time, there has been a growing list of clients, which is now expanded to include political subdivisions.

The most critical issue facing the RMF is the continued retention of its customers during a very tight budget period and outside competition for the business lines other than auto liability. To maintain the viability of the fund pool, it is important that RMD do everything it can to retain its business by continuing to provide excellent customer service, delivering a superior product, and being price competitive with the marketplace.

Key Measures

The goal of the RMF is to provide insurance at a lower cost than the traditional insurance market. One measure is to compare industry overhead to the RMF. Over the past five years, the performance has been as follows:

Fiscal Year	2002	2003	2004	2005	2006 (Est)
Industry Average Operating Expense Ratio	30.5	30.2	29.9	30.3	30.0
RMD Operating Expense Ratio (lower is better)	17.0	17.4	14.9	14.0	14.6

The RMD operating expense ratio to the industry over the last five years is at an average of 1.9:1. That is, for every $1.90 the industry spends on operating expenses, the RMD spends $1.00.

Activity Funding

RMD operates as an Internal Service Fund, charging fees based on insurance options requested by customers. RMD had 11 full-time employees on 7-1-2006.

There are no anticipated loans from the General Fund, or proposed investments in technology or equipment of $100,000 or more.

Operating Losses/Increases in Retained Earnings:
Retained earnings decreased by $594,300 in FY 2005, primarily due to adverse auto liability experience with large losses and five fatalities.

Dividends represent the return of premium for superior loss and expense experience. Premiums collected are invested by the State Board of Investment (SBI). The difference between premium and investment, less deductions for losses incurred and administrative expenses, equals the amount of funds that are eligible for dividend declaration. In the event of unsatisfactory experience, it is possible that no dividend would be declared.

In FY 2006, the Advisory Committee approved a dividend payment of $1,361,289. The RMF has returned more than $11 million in dividends to policyholders over the last 18 years.

History of Rate Changes:

Fiscal Year	2002	2003	2004	2005	2006	2007
Rate Change (by line)						
Auto Liability	.00%	(11.64%)	.00%	.01%	7.47%	8.24%
Auto Physical Damage	3.86%	.00%	.00%	.00%	.00%	1.37%
General Liability	.00%	(6.12%)	.00%	.00%	.00%	.00%
Property	.00%	191.31%	.00%	.00%	(21.05%)	.00%
Other	.00%	00%	.00%	.00%	.00%	.00%
Rate Change Average	1.46%	27.10%	.00%	.00%	(13.80%)	2.37%

Factors contributing to changes in premium rates:

- loss experience variation;
- increased claim potential due to additional volume;
- increased need to be proactive in risk management, loss control, and computer security; and
- fluctuations of the reinsurance marketplace (e.g. in FY 2003, reinsurance costs increased 286%).

Impact of Rate Changes:
Assuming the same volume and mix, the five largest customers will pay almost the same as in FY 2006. The five largest customers in FY 2006 were MnSCU and the departments of Administration, Natural Resources, Transportation, and Human Services.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Risk Management	10,646	11,965	12,621	13,397	26,018
Total	**10,646**	**11,965**	**12,621**	**13,397**	**26,018**
Expenditures by Category					
Total Compensation	836	864	898	932	1,830
Other Operating Expenses	9,810	11,101	11,723	12,465	24,188
Total	**10,646**	**11,965**	**12,621**	**13,397**	**26,018**
Full-Time Equivalents (FTE)	**11.4**	**11.5**	**11.5**	**11.5**	

Activity Description

The Communications Media Division provides a variety of publishing, retail, and distribution services to state and local government through three major businesses: Minnesota's Bookstore, Central Mail, and Office Supply Connection. Division work is outlined in several sections of Minnesota Statutes: Chapter 14 *(State Register)*, 16B.49 (Central Mail), 16B.51 and 16B.52 (Minnesota's Bookstore), and 16C.03 (Office Supply Connection).

Activity at a Glance

- ♦ Minnesota's Bookstore will serve more than 70,000 customers during FY 2007.
- ♦ Central Mail will generate more than $800,000 in postage savings during FY 2007 through its automated mail services.
- ♦ Electronic orders via Office Supply Connection's web site now account for more than 57% of eligible purchases.

Population Served

- ♦ State government
- ♦ Local government
- ♦ School districts and higher education entities
- ♦ General public (Minnesota's Bookstore)

Services Provided

Minnesota's Bookstore provides services to the general public and state agencies through:

- ♦ Minnesota's Bookstore – a centralized publishing house for state agency-produced materials located in the Williams Hill Business Center at 660 Olive Street in St. Paul (the bookstore handles online, phone, mail, and fax orders and also operates a walk-in location that is open to the public 8 a.m. - 5 p.m. Monday - Friday);
- ♦ the state of Minnesota Mailing List Service – a centralized production and distribution outlet for the sale of selected state public licensing data to a national customer base; and
- ♦ the *State Register* – the state's official publication of record.

Central Mail provides mailing services that include metering and processing of all outgoing federal mail for agencies within the boundaries of St. Paul. Central Mail operates from the Transportation building at 395 John Ireland Boulevard in Saint Paul. This unit also provides inter-office services to all state agencies within Saint Paul including distributing federal mail for the Capitol Complex. Central Mail also provides addressing and inserting services (internal service fund – predominant customers are state agencies) resulting in reduced postage costs to state agencies. During FY 2006, Central Mail helped generate more than $800,000 in postage savings through in-house bar coding and ink-jet addressing. Central Mail and the Office of Enterprise Technology have entered into a partnership to provide one-stop printing and mailing services to state agencies.

Office Supply Connection (OSC) sells office supplies to the three branches of state government through two programs: an in-house warehouse consisting of approximately 1,000 commonly used products located at 321 East Grove Street in St. Paul and a non-stocked office supply contract of approximately 3,000 products (known as First Choice) under an Enterprise program developed by a Drive to Excellence Team.

Historical Perspective

State agencies within the boundaries of St. Paul are required to use Central Mail for handling and processing of outgoing mail. This centralized operation allows small and large agencies to collectively achieve postage savings through the use of Central Mail's bar-coding and ink-jet addressing equipment and also helps to realize operational efficiencies such as staffing, equipment, and space. Since January 2006, executive branch agencies have been required to obtain office supplies from OSC with some exceptions. The increased volume of goods purchased, resulted in the average percentage discount for non-stocked (First Choice) products to increase from 46% to 52% off list price, resulting in significant savings to all customers.

Key Measures

The division's measurable objectives include:

⇒ Increasing the number of Minnesota's Bookstore online orders by 10% during FY 2006. The actual percentage increase for FY 2006 was 14.3%.

⇒ Automating at least 90% of all state agency permit and metered letter mail during FY 2006. For FY 2006, the actual figure was 91.6%.
⇒ Increasing the amount of OSC online orders by 5% during FY 2006. The actual percentage increase for FY 2006 was 8.2%, although the more important trend is the percentage of online orders in relationship to the total number of orders (46.5% during FY 2004, 50.9% during FY 2005, and 57.3% during FY 2006).

Activity Funding

Virtually all funding for the Communications Media Division comes from the products and services it sells to its customers and operates through internal service and enterprise funds. The only General Fund appropriation for FY 2007 is used to operate the mail delivery portion of Central Mail. Total full-time employees in the division are 34.5 as of 7-1-2006.

The Communications Media Division does not have a General Fund loan or any proposed investment in technology or equipment of $100,000 or more.

Minnesota's Bookstore is projected to generate annual revenue of approximately $182,000 for the *State Register* during FY 2007. The revenue is generated from state agencies publishing material as well as a small number of enhanced electronic subscribers. Minnesota's Bookstore and the Mailing List Service are projected to generate approximately $1.6 million in revenue during FY 2007. Most of this revenue is from the general public. The number of FTEs within Minnesota's Bookstore is 11.5.

Operating Losses/Increases in Retained Earnings: FY 2006 retained earnings for the *State Register* increased by $7,000. Minnesota's Bookstore retained earnings decreased by $51,000 during FY 2006.

History of Rate Changes (State Register):

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	4.92%	5.97%	8.90%	0.00%	0.00%	0.00%

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2006, the *State Register's* largest customers (Administration, Human Services, Natural Resources, Transportation, and Pollution Control Agency) will pay no more in FY 2007 since rates did not change.

Central Mail is projected to generate annual revenue of approximately $815,000 for addressing and inserting and $7.45 million to offset postage expenses. The number of FTEs within Central Mail is 12.9.

Operating Losses/Increases in Retained Earnings: FY 2006 retained earnings for Central Mail increased by $194,000 during FY 2006.

History of Rate Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	7.70%	5.90%	0.00%	0.00%	1.40%	0.00%

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2006, Central Mail's five largest customers (Human Services, Public Safety, Public Employee Retirement Association, Revenue, and Health) will pay no more in FY 2007 since rates did not change.

OSC is projected to generate annual revenue of approximately $7.2 million during FY 2007 from state agencies and local government. The number of FTEs within OSC is 10.1.

Operating Losses/Increases in Retained Earnings: FY 2006 retained earnings for OSC increased by approximately $85,000.

History of Rate Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	0.00%	0.00%	(0.82%)	0.82%	See note	0.00%

Note: During FY 2006, OSC changed its pricing structure from discount off list price to a cost plus model on non-stock inventory. No pricing changes were made on stocked inventory.
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Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2006, OSC's five largest customers (Transportation – Central Office, Health, Education, Corrections – Stillwater, and Commerce) will pay less based on the new contract pricing.

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ADMINISTRATION DEPT
Program: STATE AND COMMUNITY SERVICES
Activity: COMMUNICATIONS MEDIA

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	438	449	443	443	886
Statutory Appropriations					
Documents And Publications	1,501	1,727	1,810	1,871	3,681
Central Stores	6,571	7,081	7,259	7,420	14,679
Central Mailing	8,452	8,231	8,494	8,759	17,253
Total	**16,962**	**17,488**	**18,006**	**18,493**	**36,499**
Expenditures by Category					
Total Compensation	2,111	2,033	2,115	2,200	4,315
Other Operating Expenses	14,852	15,455	15,891	16,293	32,184
Other Financial Transactions	(1)	0	0	0	0
Total	**16,962**	**17,488**	**18,006**	**18,493**	**36,499**
Full-Time Equivalents (FTE)	**36.5**	**35.5**	**35.4**	**35.4**	

Activity Description

The Travel Management Division (TMD) supplies vehicles to state programs for use in the conduct of official business. TMD also supplies vehicles to political subdivisions. TMD supplies support services for these vehicles including maintenance, fuel, and insurance.

Activity at a Glance

- Provides state programs and political subdivisions with long-term rental vehicles and vehicle support services including fuel, insurance, and maintenance/repair.
- Assists state agencies and political subdivisions with fleet management planning, implementation, and ongoing review.
- Coordinates with other state agencies to implement consistent, cost effective fleet management practices throughout the state.

Population Served

TMD provides vehicles to all branches of state government and to political sub-divisions including cities, counties, and school districts.

Services Provided

TMD operates a long-term rental program providing a wide variety of passenger vehicles and light trucks. These vehicles are packaged with vehicle services to provide a complete, easy to use transportation solution.

Historical Perspective

TMD was established in 1961 to help state agencies effectively meet transportation needs. It has grown and evolved over the years to more effectively address the changing needs of state government. TMD has expanded the types of vehicles provided, moving into a greater variety of light trucks. Vehicle life cycles are now tailored to better meet varying customer work requirements.

Key Measures

TMD strives to keep state fleet equipment in good operating condition and available for use. TMD has tracked vehicle out-of-service time over the last year. TMD vehicles have been available for use over 98% of the time.

Activity Funding

Travel Management operates as an internal service fund. No money is appropriated to TMD from the state's General Fund.

As of 7-1-2006, TMD had nine full-time employees.

General Fund Loans:
General Fund loans are used to refinance master lease loans so that the repayment schedules work within the division's cash flow constraints. The division purchases new vehicles on a regular replacement schedule throughout the year. Cash flow issues arise due to the need to pay for the purchase of fleet vehicles when received, but receiving reimbursement for use of the vehicle over an extended period of time. TMD's General Fund loan balance as of 6-30-2006 is $3.5 million with payments scheduled through March 2007.

Operating Losses/Increases in Retained Earnings:
FY 2006 retained earnings increased by approximately $1.417 million. Increased retained earnings are used to improve cash flow and reduce General Fund debt.

History of Rate Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	6.0%	3.5%	5.7%	5.4%	4.3%	3.5%

Vehicle rates are calculated on an individual vehicle basis, taking into account acquisition cost, fuel economy, and life cycle. This rate structure offers TMD customers flexibility in managing vehicle expenses. It closely resembles private long-term rental programs. Rates are designed to charge fairly for many different vehicle types, sizes, and uses. Along with improving customer service, this enables TMD to keep better pace with costs in the automotive industry.

Existing long-term rental vehicle rates were raised an average of 3.5% beginning in July 2006.

More information concerning TMD long-term rates can be found on the TMD web site and in the FY 2007 TMD Business Plan.

Impact of Rate Changes:
Assuming the same volume and mix of services as used in FY 2006, TMD's customers will pay approximately 3.5% more in FY 2007. TMD's five largest customers are the departments of Human Services, Public Safety, Corrections, Health, and Minnesota State Colleges and Universities.

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ADMINISTRATION DEPT
Program: STATE AND COMMUNITY SERVICES
Activity: TRAVEL MANAGEMENT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Misc Special Revenue	97	96	96	96	192
Central Motor Pool	13,376	12,537	13,653	14,156	27,809
Total	**13,473**	**12,633**	**13,749**	**14,252**	**28,001**
Expenditures by Category					
Total Compensation	721	796	824	855	1,679
Other Operating Expenses	12,752	11,837	12,925	13,397	26,322
Total	**13,473**	**12,633**	**13,749**	**14,252**	**28,001**
Full-Time Equivalents (FTE)	**11.2**	**12.1**	**12.3**	**12.3**	

Activity at a Glance

- ♦ Prepares annual population and household estimates for counties, cities, and towns outside the Metropolitan Council region.
- ♦ Plans for 2010 Census data for legislative and congressional redistricting.
- ♦ Projected high school graduates for the Minnesota Higher Education Office.
- ♦ Prepares reports and articles on demographic change and education, housing and housing prices, income, migration, foreign-born population, and aging.
- ♦ 139 presentations made in FY 2006.
- ♦ Serves in federal/state leadership positions giving Minnesota input on technical matters involving federal demographic programs.

Activity Description

The State Demographer provides demographic services as outlined in M.S. 4A.02. The State Demographic Center collects and analyzes demographic data; makes estimates and projections of population and population characteristics; identifies and monitors population trends; identifies demographic issues of potential policy implication; reviews and comments on estimates and projections made by other governmental organizations; aids the legislature in preparing the census data plan for redistricting and related purposes; and provides demographic data and information to the public. The State Demographic Center also serves as the state liaison to the U.S. Census Bureau.

Beginning in FY 2008 and continuing through FY 2011, the State Demographic Center will be preparing for and promoting the 2010 Census. The State Demographic Center will work with the Census Bureau to correctly specify geographic boundaries of cities and special enumeration areas, review and comment on initial census results, assist local governments in their review of results, promote census related jobs, and identify potentially difficult to enumerate populations. Additional efforts will include promoting the Census and responding to questions and concerns about the 2010 Census.

Allocation of funds for many federal and state programs as well as Congressional reapportionment and Congressional and legislative redistricting depend on the outcome of the Decennial Census. Forecasts indicate that Minnesota could lose one Congressional seat after the 2010 Census. Funding for a number of federal programs, ranging from transportation to housing, will depend on the quality of the 2010 Census count. The State Demographic Center will work to achieve a complete count for Minnesota in the 2010 Census.

Population Served

The State Demographic Center serves state elected officials, state government departments and agencies, legislators, local governments and local government officials, private citizens, and private sector organizations.

Services Provided

Major service categories include:

- ⇒ Prepare annual population and household estimates of counties, cities, and townships.
- ⇒ Prepare or review other estimates, as needed, including estimates of school districts for community education purposes, estimates for municipal boundary changes, and other special estimates.
- ⇒ Periodically prepare population and related projections for the state and specific areas of the state.
- ⇒ Act as liaison with the U.S. Bureau of the Census.
- ⇒ Continuously monitor demographic data and trends and prepare reports.
- ⇒ Work with the U.S. Census Bureau and legislature on the data for 2010 redistricting.
- ⇒ Provide demographic and related information on request.

Historical Perspective

The Minnesota State Demographer was created in 1973 by statute. Over the last 30 years, the State Demographic Center has provided early identification of critical trends and their implications on subjects such as aging, rural population decline, workforce supply issues, K-12 enrollment, higher education enrollment, infrastructure needs, changing diversity, state government workforce, housing and households, revenue collections, people with disabilities, and structural issues in the state budget.

Annual population and household estimates made by the State Demographic Center are a major component in a number of state government programs and funding formulas, including local government aid, transportation aid, levy limits, and community education levy. Population estimates and projections are also used to site and size major government infrastructure investments including roads, water treatment, schools, and other facilities.

Key Measures

- ⇒ Estimates prepared accurately and delivered in a timely manner.
- ⇒ Information provided accurately in a timely manner.
- ⇒ Projections and trend analyses providing critical information to state government operations.
- ⇒ Reports, articles, and presentations on demographic trends and their implications informing decision-making in Minnesota.

Activity Funding

The program operates through a General Fund appropriation.

Contact

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Census Prep, Promotion and Liaison		0	60	240	300
Total	**0**	**0**	**60**	**240**	**300**
Expenditures by Fund					
Direct Appropriations					
General	439	471	514	694	1,208
Total	**439**	**471**	**514**	**694**	**1,208**
Expenditures by Category					
Total Compensation	388	399	418	568	986
Other Operating Expenses	51	72	96	126	222
Total	**439**	**471**	**514**	**694**	**1,208**
Full-Time Equivalents (FTE)	**4.7**	**4.8**	**5.2**	**6.8**	

Activity Description

The Land Management Information Center's (LMIC) mission is to benefit the state by providing services and products that promote the effective and efficient use of geographic data and information technology. LMIC serves as a focal point for Geographic Information Systems (GIS) within Minnesota, coordinating many of the state's GIS activities and providing geospatial data services, geography-oriented decision support tools, and project consulting services that help organizations benefit from GIS and other geospatial technologies to improve their effectiveness. LMIC is authorized by M.S. 4A.05, subd. 2 and supports and receives advice from the Minnesota Governor's Council on Geographic Information, authorized through Executive Orders since 1991.

Activity at a Glance

During FY 2006, LMIC supported the state with:

- 220,000 user sessions providing maps, reports, data, and information about the state;
- 37,000 downloaded GIS data sets;
- 62,000 web requests for GIS metadata;
- 1,100 software and data CD's customized for non-technical GIS users and educators; and
- 33 contracts for GIS project services.

Population Served

LMIC serves the entire state's population, primarily by supporting business functions of state agencies and local units of government. LMIC also provides services to federal agencies, non-government organizations, educators, private citizens, and the state's elected officials.

Services Provided

LMIC offers GIS services and products in four key areas. These areas include:

Geospatial Technology Coordination: LMIC functions as the state's coordinating organization for geographic information technology. In this role, LMIC promotes coordinated solutions to applying geospatial technology within Minnesota by developing, promoting, and implementing technology standards; representing the state on the National States Geographic Information Council; serving as the state's liaison with the U.S. Geological Survey and other federal agencies; supporting coordination among local units of government; and staffing the Minnesota Governor's Council on Geographic Information. Although LMIC does not have explicit legislative authority for its coordination role, it has served in this capacity for almost 30 years.

Geospatial Data Services: LMIC functions as the state's steward of publicly funded spatial data. In this role, LMIC is responsible for organizing, safeguarding, and improving the value of these public investments by ensuring their availability and supporting their effective use. The Geographic Data Clearinghouse emphasizes services that promote widespread access to data maintained by state agencies through web portals that serve as One-Stop Shops. By offering efficient solutions to data acquisition, the Clearinghouse supports organizations throughout Minnesota, reducing their costs of operation while supporting their effectiveness.

Decision Support Systems: LMIC offers web services and software that provide interactive data retrieval, mapping, and analytical functions that assist thousands of users – policy makers, professionals, educators, students, and the public – by efficiently analyzing and displaying information to meet operational and strategic business needs. Desktop GIS software extends the benefits of geospatial technology to a non-technical audience. It is distributed to government and educational institutions, resulting in significant cost savings. Many programs are being converted to web-based services to extend their benefits to a broader audience.

Geospatial Project Services: The Project Services Bureau was established to assist state agencies and other government clients with the design and implementation of projects that use GIS to meet their analysis, planning, and decision-making needs. While the first three listed areas rely on general funds, the work of the Service Bureau is entirely funded by project revenues. During FY 2006, LMIC conducted 30 projects with a total contract value of $625,000.

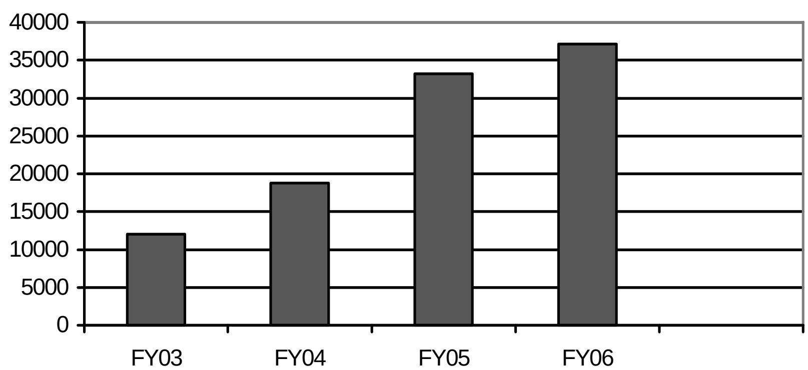
Historical Perspective

LMIC was created in 1978 to promote the development and introduction of technology for mapping and analyzing the use of land and natural resources within the state. As the state's first organization devoted to using geographic information systems, LMIC served all of the state's GIS needs for some time. LMIC's role has evolved as the technology has been adopted by many state agencies and local governments. Rather than serving as a centralized GIS program, LMIC focuses on coordination of geospatial technology, promoting access to standardized geospatial data, developing GIS-based decision support tools that help organizations improve their effectiveness, and consulting with other agencies that need assistance with GIS technology. LMIC is recognized within the state and around the nation for leadership and creativity in the GIS field.

Key Measures

The Minnesota Geographic Data Clearinghouse serves as the state's principal source for geographically referenced data, which organizations use with mapping and GIS technology to support their activities. LMIC and the departments of Natural Resources, Transportation, and Pollution Control Agency, along with the Metropolitan Council, are major providers of data through the Clearinghouse. In FY 2006, users downloaded 86,648 data files from Clearinghouse partners, including 37,150 directly from LMIC. The value of staff time saved through these Clearinghouse services is estimated at more than $8.5 million.

GIS Datasets Distributed by LMIC



Datanet is an integrated online warehouse of socioeconomic data, complemented by mapping and visualization functions, designed to inform policymakers, professionals, and the public about state issues. During FY 2006, Datanet use exceeded 116,000 user sessions and 1.1 million hits, an increase of more than 25% over FY 2004.

LMIC's Project Service Bureau is supported by a revolving fund and depends entirely upon revenues to meet its budget obligations. Low demands in FY 2004 produced a $150,000 revenue decline that jeopardized its financial health. Since then, operating expenses have been reduced, demand for services has increased, and revenues have rebounded.

Activity Funding

LMIC is funded by a General Fund appropriation for GIS coordination, geographic data clearinghouse services, and maintaining decision support services. In addition, activities are supported by federal grants, contracts for services, and product sales. This hybrid funding structure provides a base level of support to sustain core functions while encouraging entrepreneurial behavior that has characterized LMIC since its creation.

Contact

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Technical Adjustments					
Current Law Base Change			(547)	(547)	(1,094)
Subtotal - Forecast Base	0	0	(547)	(547)	(1,094)
Total	**0**	**0**	**(547)**	**(547)**	**(1,094)**
Expenditures by Fund					
Direct Appropriations					
General	712	915	258	258	516
Statutory Appropriations					
Misc Special Revenue	565	700	627	645	1,272
Federal	88	378	53	0	53
Total	**1,365**	**1,993**	**938**	**903**	**1,841**
Expenditures by Category					
Total Compensation	1,166	1,188	698	711	1,409
Other Operating Expenses	190	805	240	192	432
Local Assistance	9	0	0	0	0
Total	**1,365**	**1,993**	**938**	**903**	**1,841**
Full-Time Equivalents (FTE)	**14.1**	**14.6**	**8.8**	**8.7**	

Activity Description

The Environmental Quality Board (EQB) draws together the Governor's Office, five citizens and the heads of nine state agencies in order to develop policy, create long-range plans, and review proposed projects that would significantly influence Minnesota's environment. The Minnesota Legislature established the EQB in 1973 M.S. 116C to:

- ensure compliance with state environmental policy;
- oversee the environmental review process;
- coordinate environmental agencies and programs;
- study environmental issues;
- convene environmental congresses; and
- advise the governor and the legislature.

The board was also given water planning and coordination duties in 1983.

Activity at a Glance

In FY 2006, EQB:

- Completed rulemaking on environmental review rule revisions.
- Initiated a second phase of rulemaking on further revision to the EQB rules.
- Published new online guidance documents for citizens, local government, and consultants.
- Published 26 issues of the EQB Monitor, the state's official newsletter for notification of environmental review documents and environmental hearings.
- Addressed 1,150 calls for technical assistance and processed 55 citizen petitions, 204 environmental assessment worksheets, 17 alternative urban areawide reviews, and 18 environmental impact statements.
- Produced guidance on JOBZones and the environment in conjunction with the Clean Water Cabinet.
- Initiated *Water Sustainability 2030* in conjunction with the Clean Water Cabinet, Department of Natural Resources, and others to estimate water demand to the year 2030 and compare expected demand with known supplies.
- Adopted *Protecting Minnesota's Waters: Priorities for the FY 2005-07 Biennium* and submitted it to the governor and legislature.

Population Served

The EQB represents the long-term environmental and economic interest of all Minnesota citizens, including those involved with or affected by development requiring environmental review and those interested in the coordination and development of plans and policies for the protection and management of the state's water resources.

Services provided

The EQB provides the public with an accessible forum for raising and discussing state environmental policies and decisions. The EQB oversees the statewide environmental review program (M.S. 116D.04-.06), including the preparation of environmental impact statements, environmental assessment worksheets, alternative urban areawide reviews, and generic environmental impact statements.

The board coordinates state water planning activities and develops the state water plan and biennial policy reports to the governor and legislature (M.S. 103A.204 and .43 and 103B.151).

The board also has authority concerning the release of genetically modified organisms (M.S. 116C.91-.98), the designation of state critical areas (M.S. 116G), the study of significant interagency environmental issues (M.S. 116C.04), and the convening of environmental congresses to exchange information and ideas about environmental improvement (M.S. 116C.04).

Historical Perspective

The EQB was established in 1973 as the state's environmental coordinating body. Over the last 30 years, EQB has undertaken a broad range of environmental studies, from barge fleeting to animal agriculture, forestry, urban development, copper-nickel mining, genetically modified organisms, land use management, and sustainable development.

Major changes came to board programs in 1980 (decentralization of environmental review), 1983 (addition of water planning duties), 1987 (environmental review and siting requirements for large natural gas and petroleum product pipelines), 1995 (siting of large wind energy conversion systems), and 2005 (transfer of energy facilities siting to the Department of Commerce and the Public Utilities Commission).

The Department of Administration provides the board with the staff needed to carry out its statutory responsibilities.

Key Measures

⇒ Timely and informed management of state environmental review functions.
⇒ Improved coordination, policy development, and priority setting for water and other strategic environmental issues.
⇒ Strategic involvement of citizens and other stakeholders in the development and exercise of public policy.

Activity Funding

EQB programs are supported by a General Fund appropriation.

Contact

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	Current		Governor's Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	596	785	689	689	1,378
Statutory Appropriations					
Misc Special Revenue	0	10	10	11	21
Total	**596**	**795**	**699**	**700**	**1,399**
Expenditures by Category					
Total Compensation	526	575	566	568	1,134
Other Operating Expenses	70	220	133	132	265
Total	**596**	**795**	**699**	**700**	**1,399**
Full-Time Equivalents (FTE)	**6.2**	**6.8**	**6.8**	**6.8**	

Activity Description

The Office of the State Archaeologist (OSA) helps manage the state's archaeological resources, including sites and data under provisions of the *Field Archaeology Act* (M.S. 138.31-138.42) and the *Private Cemeteries Act* (M.S. 307.08). In addition to federal legislation addressing cultural heritage resource management, state statutes including the *Outdoor Recreation Act* (M.S. 86A) and the *Minnesota Environmental Rights Act* (M.S. 116B) also speak to issues of archaeological resource management.

OSA reviews under these statutes are critical to preserving Minnesota archaeological resources and controlling impacts to public and private development costs. The processes involve the identifying, evaluating, and, in some cases, preserving archaeological sites, including unplatted burial sites over 50 years old.

Held annually each spring, Minnesota Archaeology Week is a key component of the OSA's public participation and education programming. The OSA assumes the lead role in organizing, coordinating, and promoting this statewide series of events that celebrate Minnesota's archaeological heritage. In 2006, an estimated 2,700 individuals attended Minnesota Archaeology Week activities.

Activity at a Glance

Key activity statistics related to OSA program for FY 2006 include:

- Reviewed/licensed 269 archaeological projects;
- Evaluated/accepted 290 site data forms;
- Completed 31 burial site investigation cases; and
- 2,700 participants attended Minnesota Archaeology Week.

Population Served

OSA clients include, but are not limited to: local, state, and federal agencies; representatives of Minnesota's tribal communities; builders and development associations; cultural resource management firms; county historical societies; private homeowners; professional and avocational archaeologists; local heritage preservation commissions; educators and school districts; and other public and private agencies and individuals.

Services Provided

Major service categories include data management; consultation; licensing and project review; compliance enforcement; research; and information dissemination. Both integrated and interdependent, these program services function as a whole. As an example, the scheduling, cost, and progress of both public and private development projects depend on accurate and timely consultative services, which in turn require comprehensive data management, information dissemination, and research capabilities.

Historical Perspective

The State Archaeologist was created in 1963 by the *Field Archaeology Act*. In 1996, Executive Reorganization Order 175 established OSA as a division within the Department of Administration. OSA is currently administered as a unit of the Office of Geographic and Demographic Analysis.

Recent studies by the Management Analysis Division and the Office of the Legislative Auditor explored alternative funding options for the OSA. The Office of the Legislative Auditor's April 2001 OSA program evaluation report concluded that *"... the Office of the State Archaeologist should continue to receive its funding primarily from a General Fund appropriation, (and) the legislature should direct the office to determine the feasibility of charging fees to supplement its budget."* In the March 2002 assessment of the feasibility of supplementing OSA's budget with fee-for-service funds, the Management Analysis Division of the Department of Administration concluded that *"... a fee-for-service model does not appear to be in the best interest of the Office of the State Archaeologist or the state."*

Key Measures

Turnaround time for issuing archaeological licenses: target is within 10 days of receipt of application. (Note: OSA response time is not the sole variable in determining turnaround time as the Minnesota Historical Society must sign the licenses). In FY 2006 the turnaround goal was met 100% of the time. A new streamlined process was implemented in May 2006, reducing the total number of licenses issued. In most cases, licenses are now issued on a yearly basis to qualified archaeologists rather than for each project.

Turnaround time for review/correction of site data forms and issuance of Smithsonian Site Designation Numbers (SSDN): target is within seven days of receipt of correctly completed site forms. Actual average turnaround time met the goal 100% of the time.

The most comprehensive assessment of OSA's performance is described in the Office of the Legislative Auditor's 2001 OSA program evaluation report, which thoroughly documents the base of support for OSA program activities.

Activity Funding

The program operates through a General Fund appropriation.

Contact

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ADMINISTRATION DEPT

Program: STATE AND COMMUNITY SERVICES

Activity: OFFICE OF STATE ARCHAEOLOGIST

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	191	203	196	196	392
Statutory Appropriations					
Gift	2	5	5	5	10
Total	**193**	**208**	**201**	**201**	**402**
Expenditures by Category					
Total Compensation	144	165	158	158	316
Other Operating Expenses	49	43	43	43	86
Total	**193**	**208**	**201**	**201**	**402**
Full-Time Equivalents (FTE)	**1.6**	**2.1**	**1.9**	**1.8**	

Program Description

The purpose of Administrative Management Services is to provide internal leadership to the agency in legislative, communications, administrative, and interagency support functions, as well as several specialized services including fiscal support to boards/councils and public affairs responsibilities. In addition, statewide leadership is provided in many areas in conjunction with the diverse operating divisions of the agency.

Budget Activities Included:

- ⇒ Executive Support
- ⇒ Financial Management and Reporting
- ⇒ System of Technology to Achieve Results (STAR)
- ⇒ Developmental Disabilities Council
- ⇒ Human Resources
- ⇒ Materials Management
  - ♦ Surplus Operations
  - ♦ Cooperative Purchasing
- ⇒ Management Analysis and Development
- ⇒ Strategic Planning and Performance Management

Further detail on each of these Budget Activities is included in subsequent pages of this budget document

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	4,562	4,562	4,562	4,562	9,124
Subtotal - Forecast Base	4,562	4,562	4,562	4,562	9,124
Governor's Recommendations					
Office of Grants Management		0	250	250	500
P/T Contract Savings Negotiations Unit		0	285	276	561
Small Agency Resource Team (SMART)		0	250	250	500
Targeted Group Disparity Study		0	850	0	850
Compensation Adjustment		0	9	89	98
Total	**4,562**	**4,562**	**6,206**	**5,427**	**11,633**
Expenditures by Fund					
Direct Appropriations					
General	4,352	4,894	6,206	5,427	11,633
Statutory Appropriations					
Misc Special Revenue	29	195	0	0	0
Federal	2,663	2,722	1,888	1,623	3,511
Management Analysis	1,551	1,755	1,828	1,903	3,731
Materials Distribution	7,027	7,710	7,805	7,962	15,767
Total	**15,622**	**17,276**	**17,727**	**16,915**	**34,642**
Expenditures by Category					
Total Compensation	7,421	8,321	9,262	9,586	18,848
Other Operating Expenses	3,082	4,157	4,396	3,445	7,841
Local Assistance	1,708	1,434	869	684	1,553
Other Financial Transactions	3,411	3,364	3,200	3,200	6,400
Total	**15,622**	**17,276**	**17,727**	**16,915**	**34,642**
Expenditures by Activity					
Executive Support	427	509	455	495	950
Financial Mgmt And Reporting	733	1,103	953	968	1,921
Star	1,274	1,297	530	398	928
Developmental Disabilities Cnl	1,463	1,499	1,432	1,299	2,731
Human Resources	413	525	564	589	1,153
Materials Management	9,059	9,858	11,274	10,572	21,846
Management Analysis	1,907	2,111	2,184	2,259	4,443
Office Of Strat Plan/Perf Mgmt	346	374	335	335	670
Total	**15,622**	**17,276**	**17,727**	**16,915**	**34,642**
Full-Time Equivalents (FTE)	**101.5**	**113.0**	**120.9**	**120.3**	

Change Item: Office of Grants Management

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$250	$250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$250	$250

Recommendation

The Governor recommends an ongoing appropriation of $250,000 in FY 2008 and FY 2009 to create an Office of Grants Management. The office will have authority to provide leadership and direction for standardizing state grants management policies and procedures and will foster consistent, streamlined interaction between executive agencies, funders, and grantees. This will enhance access to grant opportunities and information and lead to greater program oversight, accountability, and transparency. The office will be part of the Department of Administration (Admin).

Background

Within Minnesota state government, grants management is a common function for many state agencies and is also a significant line of business. Grants provide the state with a cost effective mechanism to deliver programs, services, and other public benefits. According to the Grants Management Workgroup survey data from December of 2004, the state currently pursues, distributes, and manages over $1.1 billion of incoming grant funds from over 500 grants. The state also monitors grantee performance against $1.4 billion of outgoing funds through approximately 9,400 grants to over 7,000 grantees.

The Drive to Excellence initiative seeks the establishment of a new enterprise organization for improved grant services and accountability. The recently issued Office of the Legislative Auditor's report on State Grants to Nonprofit Organizations further supports this and recommends that the state establish a Grants Management Office in the executive branch to strengthen accountability and improve management of state grants.

Initially the Office of Grants Management will focus on:

- Alignment of the line of business to the shared purpose and principles of grants;
- Greater efficiencies, faster grant processing and reduced administrative costs;
- Clear and consistent communication with grantees;
- Improved performance management and accountability for grant dollars through high-quality and easily accessible information for grantees and state agency staff;
- Better trained grant personnel at the local and state level; and
- Improved processes for identifying and implementing best practices in grants management.

The office will also work in close collaboration with agencies involved in the grant process and provide leadership to establish governance and evaluate legal authority for grants.

Relationship to Base Budget

Funds from this initiative represent a 1.2% increase in the Department of Administration's base budget.

Key Measures

The Office of Grants Management will improve the state's handling of all aspects of grants management. Specific measures will include reduced turnaround time and improved grant performance management capabilities.

Statutory Change: Authorizing language will be sought in Chapter 16B as well as clarifying and enabling language.

Change Item: P/T Contract Savings Negotiations Unit

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$285	$276	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$285	$276	$0	$0

Recommendation

The Governor recommends a two-year pilot project to reduce state expenditures on professional/technical contracts. The initiative will add three temporary positions to the Department of Administration (Admin) Materials Management Division (MMD) and is expected to reduce consulting contract costs of other agencies by more than the money appropriated for the initiative.

Background

In FY 2006, state agencies awarded $364 million in consulting contracts. Given decentralized authority for professional/technical contracting, no entity is managing professional/technical contracts from the enterprise perspective. If funded, this initiative will add three staff to the MMD staff for the FY 2008-09 biennium. These new positions would be charged with reducing state dollars spent on consulting contracts. The primary strategy would be to assist agencies in negotiating contract costs. The new positions will also achieve economies of scale by consolidating redundant contracts across agencies, and train agency staff to avoid legal pitfalls.

Admin currently negotiates contract pricing for commodities and general services, but not consulting contracts. Since 2005, MMD has negotiated price reductions in excess of $9.4 million off the prices proposed by the winning vendors in competitively awarded commodity and service contracts. Price reductions will reach $20.8 million if these contracts are extended to their full five-year terms.

An enterprise focus on consulting contracts is expected to yield comparable results. In a pilot negotiation of a consulting contract, MMD staff worked with Department of Finance (DOF) and Office of Enterprise Technology (OET) staff, and reduced a Minnesota Accounting and Procurement System (MAPS)-related contract cost from $562,720 to $449,568 without any decrease in scope or service.

Relationship to Base Budget

The initiative is not a permanent base increase. Results will be measured and documented. If the strategy is not successful, the program will end after two years. If it succeeds as expected and the return on investment can be documented, Admin will work with Finance on developing a model that is self-funded through the negotiated savings.

Key Measures

The initiative will measure the following:

- negotiated reductions in the cost of consulting contracts (i.e. “winning” price versus final negotiated price); and
- reductions in the cost of consolidated consulting contracts (i.e. original non-aggregated price versus consolidated price).

Statutory Change: Not Applicable

Change Item: Small Agency Resource Team (SMART)

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$250	$250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$250	$250

Recommendation

The Governor recommends funding a Small Agency Resource Team (SMART) to consolidate and streamline the human resources and financial management activities for the State's many small agencies, boards, and councils This proposed consolidation will provide timely, consistent, and professional services for small agency employees through the Department of Administration's (Admin) SMART unit.

Background

Services that will be provided initially include: payroll, vacancy filling, classification, benefit administration, training, purchasing, and accounts payable/receivable as well as required budget work. Based on research and experiences within state government, other states, and the private sector, there are efficiencies that can be achieved by providing these diverse services to small agencies, boards and councils through a team of trained professionals.

This consolidation will provide:

- centralized service delivery to achieve economies of scale and skill;
- efficient and cost effective business support functions;
- common processes and a culture of continuous improvement;
- service levels to support agency needs; and
- agency directed service offerings and costs.

In cooperation with the participating agencies, Admin will develop a service delivery business model that includes implementation of service level agreements. Admin currently provides financial management services for several boards and councils through service level agreements that outline each entity's responsibility -- clarity regarding each entity's responsibilities will facilitate high-quality service delivery. If additional services are requested that go beyond the initial scope of services, agencies, boards, and councils will have the opportunity to request the services and pay for the services through SMART; examples could include grievance processing, other labor relations issues and specific business applications.

Another inherent benefit of SMART will be more common shared knowledge for the small agencies as well as the diverse boards and commissions. The overall result will be improved operations, sufficient staff to ensure adequate backup, and the ability for the state to mitigate liability.

This request will support start-up funding for approximately 2.5 FTE plus associated costs such as rent, phones, and computer services. Agencies that will initially receive services through SMART include:

- Capitol Area Architectural and Planning Board;
- Campaign Finance and Public Disclosure Board;
- Boxing Commission; and
- Sesquicentennial Commission;

Additional agencies will be identified as the SMART office establishes its operations.

Relationship to Base Budget

Funds from this initiative represent a 1.2% increase in Administration's General Fund budget of $41 million.

Key Measures

SMART will deliver best practices in human resources and financial management according to the requirements in M.S. 43.A and in accordance with Generally Accepted Accounting Principles (GAAP). The specific services, levels of service, and turnaround time will be determined through service level agreements. Organizational performance and customer satisfaction will be measured and reported based on benchmarks established in the service level agreements.

Statutory Change: Recommended language changes:

- enabling legislation that includes authority; and
- establish fund that allows billing and collection fees for services above and beyond initial scope of service.

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$850	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$850	$0	$0	$0

Recommendation

The Governor recommends a one-time appropriation of $850,000 from the General Fund for a statutorily-required study to determine whether minority- and female-owned small businesses located in Minnesota receive their fair share of the state's business opportunities. Study information used today was issued in 1999 and is based on data from FY 1996-97. Contracting for and completing a study of this magnitude is anticipated to take more than a year and study results would be published and available for use in FY 2009. Updated information is required to lawfully continue awarding preferences to Minnesota's minority-and female-owned small businesses. Additionally, data from the study will be used to develop "fair share objectives" required by the federal government as a condition of receiving certain federal grant dollars.

Background

State program issues: M.S. 16C.16, subd. 4 and 5 require the Commissioner of Administration (Admin) to designate eligible Targeted Group (minority-, female-, and disabled-owned) businesses based on statistical analysis of purchasing by state agencies. M.S. 161.321 and M.S. 473.142(a) authorize other entities, including the metropolitan agencies, to rely on the commissioner's designations. Specifically, analysis is required to determine if purchases from minority- and female-owned businesses are statistically proportionate to the market representation of such businesses. If these businesses have been under-utilized, court interpretations of the U.S. Constitution allow race and gender-based preferences in awarding future state and metropolitan contracts. This proposal would provide funding for a disparity study on which to base these designations.

The study would be conducted during FY 2008 and published in FY 2009. The majority of the work would be conducted by consultants selected through a competitive request for proposals process, and the contract would be awarded and overseen by Admin's Materials Management Division.

The last disparity study was completed in May 1999, and was based on data from FY 1996-97. It involved the analysis of 18 different types of contracts totaling 593,695 contracts and valued at $2.6 billion. Although Minnesota has continued to award preferences based on this study, industry standards suggest that these studies should be completed approximately every five years. There is no lawful alternative to either conducting the study or suspending the program.

A key element of the disparity study is a statistical comparison of the availability of minority- and woman-owned firms and the actual utilization of these entities by state government agencies. This will require a review of current contracts similar in scope to the 1999 initiative. Another process step will require market analysis of the geographic area where the companies that received the contracts are located. Subsequent availability analysis must determine the race and gender of business owners in the identified market as well as their willingness and ability to provide the state's goods and services. The final steps of the statistical analysis compare business availability versus utilization by gender, ethnicity, product type, and geographic region. An additional anecdotal component elicits facts, opinions and perceptions about barriers and obstacles faced by minority- and woman-owned firms. Methods normally used for collecting anecdotal information include mail surveys, public hearings, and personal interviews.

Over the years, the program has nurtured a number of small businesses that have "graduated" to become major contributors to Minnesota's economy. The program's success stories include one company now ranked in the top ten Asian-owned businesses in the country and another African-American-owned enterprise that has grown from one employee to 54.

Federal program issues: In addition to the requirement in state statute, federal Executive Orders 11458, 11625, 12138, and 12432 direct federal agencies to require grant recipients to submit the necessary documentation that the recipient complies with current fair share objectives before receiving federal grant funds, specifically funds for contracted goods or services under the provisions of a federal grant agreement.

Federal agencies have responded to these federal executive orders. For example, the federal Environmental Protection Agency (EPA) is promulgating a final Disadvantaged Business Enterprises (DBE) rule (40 CFR §33.404), effective for new agreements in 2007 that will require all EPA grant recipients to implement fair share objectives prior to expending federal funds on procurement. Absent approved objectives, Minnesota Pollution Control Agency (MPCA), Departments of Agriculture (MDA) and Health (MDH), and the Public Facilities Authority (PFA), cannot lawfully engage in federally funded procurement activities. The majority of federal grant agreements contain some element of contracted goods or services.

Loss of federal procurement authority places $134 million in federal funds awarded through the EPA at risk during FY 2008-09 and affects the following important state programs critical to the health and safety of Minnesota citizens:

MPCA Preventing and controlling air and water pollution; investigating hazardous waste sites; cleaning up federally-designated Superfund sites; and coordinating responses to toxic chemical emergencies;

MDA Developing and maintaining comprehensive pesticide programs that address all aspects of pesticide enforcement;

MDH Ensuring that water systems comply with the National Primary Drinking Water Regulations; and

PFA Loans to municipalities for wastewater and drinking water infrastructure through the Clean Water and Drinking Water State Revolving Funds.

Relationship to Base Budget

This is a one-time request.

Key Measures

If statistically valid disparities exist between use and availability of such Minnesota small businesses, the study will allow affirmative support of adversely affected Minnesota businesses.

Statutory Change: Not Applicable

Activity Description
Executive support includes the communications, legislative, and data practices compliance functions of the department.

Population Served
This activity services executive management, the agency's divisions, state government, the public, and the media.

Services Provided
This activity provides services for the agency's executive management, including legislative and communications functions, departmental results collection and reporting, and data practices compliance. The activity also supports the state of Minnesota's Drive to Excellence government reform initiative.

Activity Funding
This activity is funded through a General Fund appropriation.

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Activity at a Glance

Executive support is responsible for:
- ♦ Serving as the initial point-of-contact within the agency for other state agencies, local units of government, media, and the public.
- ♦ Assisting with the state of Minnesota's Drive to Excellence government reform initiative.
- ♦ Managing the department's communications efforts with employees, other agencies, the media, and the public.
- ♦ Managing the department's legislative interests.
- ♦ Maintaining departmental results.

ADMINISTRATION DEPT
Program: ADMINISTRATIVE MGMT SERVICES
Activity: EXECUTIVE SUPPORT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Compensation Adjustment		0	9	49	58
Total	**0**	**0**	**9**	**49**	**58**
Expenditures by Fund					
Direct Appropriations					
General	427	509	455	495	950
Total	**427**	**509**	**455**	**495**	**950**
Expenditures by Category					
Total Compensation	331	285	314	373	687
Other Operating Expenses	96	224	141	122	263
Total	**427**	**509**	**455**	**495**	**950**
Full-Time Equivalents (FTE)	**5.1**	**4.2**	**4.0**	**4.6**	

Activity Description

The mission of the Financial Management and Reporting Division (FMR) is to provide and promote financial management to the Department of Administration (Admin) and assigned boards and councils.

Population Served

Financial services, information, and transactions are provided to all divisions within the agency, six boards and councils, the Department of Finance, the Legislative Auditor, the legislature, and vendors.

Activity at a Glance

- FMR administers the agency budget which for FY 2006 was approximately $123 million.
- FMR aids nearly 40 divisions, agencies, boards, and offices in all types of financial matters.
- FMR produces 85 monthly, quarterly, and annual financial statements reporting the financial condition of the enterprise, internal service, and special revenue funds each year.

Services Provided

Services provided include all aspects of budgeting, accounting, internal auditing, transaction processing, financial reporting and analysis, and performance management consultation and reporting. FMR staff act as liaisons and financial consultants for Admin's divisions and other customers. This activity strives to provide timely financial services and support while conforming to Generally Accepted Accounting Principles (GAAP). This facilitates the effective management of available resources as governed by laws, policies, and procedures of the accounting profession, and state and federal governments.

Key Measures

Agency Prompt Payment: M.S. 16A.124 requires state agencies to pay valid obligations to vendors within the vendor's early payment discount period, or in the absence of a stated period, within 30 days following receipt of the invoice for the completed delivery of the product or service.

Fiscal Year	2004	2005	2006	2007 (Est)
Prompt Payment goal: 97%	98.12%	98.29%	98.44%	98.00%
Number of payment transactions:	33,483	31,128	20,196	21,000

Activity Funding

This activity is funded through a General Fund appropriation.

This activity formerly managed the agency internal allocation account. This account was established in FY 1998 to manage certain costs that are distributed throughout all, or part of the agency. Beginning in FY 2006, costs are charged directly to activities.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Small Agency Resource Team (SMART)		0	147	142	289
Compensation Adjustment		0	0	20	20
Total	**0**	**0**	**147**	**162**	**309**
Expenditures by Fund					
Direct Appropriations					
General	704	908	953	968	1,921
Statutory Appropriations					
Misc Special Revenue	29	195	0	0	0
Total	**733**	**1,103**	**953**	**968**	**1,921**
Expenditures by Category					
Total Compensation	610	701	827	865	1,692
Other Operating Expenses	123	238	126	103	229
Other Financial Transactions	0	164	0	0	0
Total	**733**	**1,103**	**953**	**968**	**1,921**
Full-Time Equivalents (FTE)	**8.5**	**9.9**	**11.3**	**11.2**	

Activity at a Glance

- ♦ Assures Minnesotans have access to Assistive Technology (AT).
- ♦ Assures Minnesotans have the financial and other tools to acquire Assistive Technology (AT).

Activity Description

The Minnesota System of Technology to Achieve Results (STAR), established in 1989 and supported by funds from the Rehabilitation Services Administration, is Minnesota's Assistive Technology Act Program. STAR works closely with consumers and providers to develop a statewide network of resources related to assistive technology. Under the Assistive Technology Act of 1998, as amended, STAR continues to provide assistive technology (AT) training, technical assistance, public awareness activities, and statewide information and referral services. As part of Minnesota's three-year assistive technology plan, the STAR Program assures that Minnesotans have access to statewide AT centers specializing in device demonstrations and device loans, a bulletin-board style website for buying and selling used AT, and an "eBay" style web site for buying and selling used devices, and alternative financing options.

An AT device is any piece of equipment that is used to increase, maintain, or improve the functional abilities of a person with a disability.

Population Served

Minnesota has a disability rate of about 15%, or approximately 770,000 residents. Currently, over half of citizens 65 years of age and older have a disability. These individuals need some assistance in performing daily activities or participating in community life. STAR conducts activities promoting the availability and benefits of AT devices and services for these populations.

Services Provided

The STAR Program works at the state and national levels on legislation and policy for AT. It informs and advocates for AT through training, information, and referral. STAR works closely with Minnesotans with disabilities and providers to develop a statewide network of resources related to AT. These resources include device loan, device demonstration, device reutilization, and alternative financing options.

STAR works diligently to build collaborative relationships in the AT community. STAR, along with its nonprofit associates, is working with rural partners to assure statewide coverage of services. In addition, STAR works with state agencies and others in serving as a central clearinghouse for AT information, assessment, and application.

Historical Perspective

The STAR Program was established in 1989, and was identified as Minnesota's federally funded Assistive Technology Act Program. The STAR Program works closely with consumers to develop a statewide network of resources related to AT.

STAR's accomplishments over the past 15 years include:

- ♦ distribution of over 100,000 copies of the *Directory of Funding Resources for Assistive Technology* (now in its sixth edition);
- ♦ over 1,000 training sessions, presentations, and displays on AT throughout the state;
- ♦ national model for states developing their own AT Act programs;
- ♦ distribution of a quarterly newsletter (circulation of 7,200) to inform individuals and organizations of AT news, opportunities, and events;
- ♦ state government's source for training and information regarding web site accessibility, as required by federal law (to date, STAR has trained over 300 state web masters);
- ♦ development of and support for a statewide program of AT Networks (ATN) encompassing all of rural Minnesota working to increase out-state capacity to deliver AT services;
- ♦ outreach work and financial support to seven councils and organizations reaching over 12,000 individuals representing the communities of color in Minnesota;

- information on AT and referral to sources requesting help average over 5,000 calls each year from throughout the STAR network;
- launching the Minnesota Assistive Technology Loan Network (MATLN), a program for short-term loan of AT devices;
- funding for start-up programs, demonstration sites, laboratories, and projects working to serve the AT needs of Minnesotan's with disabilities;
- development of a comprehensive accessible web site with links to AT resources;
- development and implementation of the monthly Access for All training series; and
- development of live streaming web casts, called *Where It's AT*, that bring AT to listeners (with streaming text for greater access). These programs are archived on the STAR web site for on-demand access.

Key Measures

⇒ Assure that Minnesotans have access to AT:
- develop and support AT Centers throughout Minnesota for AT device loan and demonstration;
- distribute, on average, 200 *Directory of Funding Resources for Assistive Technology* per month;
- distribute a quarterly newsletter, *Constellations*, circulation 7,200; and
- maintain an informational and interactive web site that identifies solutions to AT needs.

⇒ Assure that Minnesotans have the tools to acquire AT:
- develop and support device reutilization programs; and
- support alternative financing options.

Activity Funding

Funding for the STAR Program is obtained from the Rehabilitation Services Administration under the Assistive Technology Act of 1998 as amended by P.L. 108-364. Funding is currently $397,860 per federal fiscal year. STAR does not receive a General Fund appropriation.

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Activity: STAR

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Federal	1,274	1,297	530	398	928
Total	**1,274**	**1,297**	**530**	**398**	**928**
Expenditures by Category					
Total Compensation	214	255	234	243	477
Other Operating Expenses	162	338	116	77	193
Local Assistance	898	704	180	78	258
Total	**1,274**	**1,297**	**530**	**398**	**928**
Full-Time Equivalents (FTE)	**3.0**	**3.0**	**3.0**	**3.0**	

Activity Description

The Governor's Council on Developmental Disabilities (GCDD), authorized under the Developmental Disabilities Assistance and Bill of Rights Act (DD Act)(P.L. 106-402), works to assure that people with developmental disabilities, and their families, receive the necessary support/services to increase their independence, productivity, self-determination, integration, and inclusion in the community (IPSII).

Activity at a Glance

- More than 14,364 Partners in Policymaking® program graduates nationally/internationally since 1987; including 676 graduates from Minnesota.
- During SFY 2006:
  - ⇒ A total of 102 Partners graduates participated in three advanced leadership training workshops.
  - ⇒ A total of 2,111 participants in seven leadership training conferences.
- A total of 161,047 publications disseminated (print and downloads); evaluation scores average 9.3 out of 10.0.
- A total of 149,870 unique web site visitors.
- A total of 50 people with developmental disabilities employed in the area of digital imaging.

Population Served

The GCDD's primary customer group is comprised of people with developmental disabilities, who make up about 1.13% of the state's population, or about 58,140 individuals, and their families. The other two customer groups are service providers and employers.

Services Provided

The GCDD is not a direct service provider. GCDD's business is information, education, and training for knowledge building, skills development, and attitude changes that lead to the IPSII results through three broad strategies – Partners in Policymaking®, Communications and Training, and Customer Focus and Quality Improvement.

At least 70% of the federal funds that GCDD receives each year are awarded primarily as grants to nonprofit organizations to carry out the following related strategies:

Partners in Policymaking®

- Basic Partners Program: Competency/value based leadership training program for adults with disabilities and parents of young children with developmental disabilities; teaches how to develop positive partnerships with elected officials for systems change;
- Partners Graduate Workshops: Advanced leadership training on topics such as grant writing and data practices;
- Longitudinal studies: Surveys conducted to track long-term results of Minnesota Partners graduates;
- Cultural outreach programs: Outreach, basic leadership skills training, and introduction to the concepts of the Partners program in the African American, Asian, and Hispanic communities; and
- Self-advocacy: Direct funding of Minnesota self-advocacy organizations to establish new self-advocacy groups and provide leadership training for self-advocates.

Communications and Training

- Publications: Education/resource materials on best practices available to citizens;
- Electronic Government Services: Conversion of products and services to a web-based format; maintaining an effective and current GCDD web site; conversion of the Partners program to e-learning; and
- Training conferences: Co-sponsorship funds awarded to agencies/organizations to support leadership training conferences.

Customer Focus and Quality Improvement

- Customer research: Determine customer needs, expectations, requirements on issues such as self determination, health care, and electronic government services;
- Application of Baldrige Quality Management Framework: Increase knowledge, understanding, application of Baldrige to GCDD's business; and

- The GCDD does not regulate activities or set or enforce standards.

Historical Perspective

In the 1970s, the GCDD provided demonstration grants that funded diagnostic clinics, early intervention, self-advocacy, group homes, day programs, and regional planning councils.

In the 1980s, the GCDD provided demonstration grants for respite care, case management, employment, regional planning councils, and deinstitutionalization studies.

In the 1990s, the GCDD provided grants for youth leadership, Partners in Policymaking®, cultural outreach, and publications.

Key Measures

The GCDD tracks and reports the results of dozens of performance measures for the Department of Administration and the federal Administration on Developmental Disabilities. A few examples:

⇒ 30/60/90 day action plans: The targeted goal is 95% on time or early completion of work activities. SFY 2006 actual was 100%.

⇒ Cycle time of publication orders: The targeted goal is 90% of all publication orders filled within three days of the request. The industry standard for fulfillment is three days. SFY 2006 actual was 99%.

⇒ Quality of publications: The targeted goal is 8.5 (scale of 1 to 10; 10 = highest). SFY 2006 actual rating derived from surveys was 9.3.

Performance measures for the next fiscal year are established by the GCDD, identified in Requests for Proposals, and contained in GCDD's supplier contracts. Performance goals are tracked for each fiscal year for each supplier, and over time, through dashboards, IPSII measures, customer satisfaction, cycle time for reporting, progress meetings that correspond with quarterly reporting deadlines, mid-year performance reviews, and supplier final reports.

Activity Funding

The GCDD's annual allocation is part of a Congressional appropriation for the U.S. Department of Health and Human Services. The FFY 2006 allocation was $1,021,571. Level funding is anticipated for FFY 2007. This federal allocation requires a 25% non-federal match, which is acquired through a General Fund appropriation and in-kind contributions. The GCDD has received additional federal funds for a Family Support 360 grant, with a match provided by the grantee.

The GCDD's planning and budgeting processes are directly connected to grant activities (70% of budget) and administrative spending (30% of budget). Budget allocations for grant activities begin with the three broad strategies and related sub strategies in the Five-Year State Plan. These are translated into an annual plan, specific grant activities, a preallocations memo, allocation recommendations, and GCDD approval. This process is repeated on an annual basis.

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ADMINISTRATION DEPT
Program: ADMINISTRATIVE MGMT SERVICES
Activity: DEVELOPMENTAL DISABILITIES CNL

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	74	74	74	74	148
Statutory Appropriations					
Federal	1,389	1,425	1,358	1,225	2,583
Total	**1,463**	**1,499**	**1,432**	**1,299**	**2,731**
Expenditures by Category					
Total Compensation	191	191	197	202	399
Other Operating Expenses	462	578	546	491	1,037
Local Assistance	810	730	689	606	1,295
Total	**1,463**	**1,499**	**1,432**	**1,299**	**2,731**
Full-Time Equivalents (FTE)	**2.8**	**2.7**	**2.7**	**2.7**	

Activity Description

The Human Resources Division provides human resources services to the employees, prospective employees, and management of the Department of Administration (Admin) and the Office of Enterprise Technology (OET) by actively recruiting, hiring, developing, and retaining a productive, diverse, and highly competent workforce. The division's work is subject to compliance with federal and state law as well as internal policies and procedures.

Activity at a Glance

- 150 new hires per fiscal year;
- 98% of labor grievances per fiscal year are resolved without arbitration; and
- 60% of employees provided onsite or offsite training per fiscal year.

Population Served

The Human Resources Division serves 500 employees of Admin, 300 employees of OET, and 16 additional employees of the Council on Asian/Pacific Minnesotans, the Council on Black Minnesotans, the Chicano/Latino Affairs Council, and the Ombudsman for Families.

Services Provided

The Human Resources Division provides the following services:

- recruitment and staffing;
- fringe benefits enrollment and administration;
- labor contract administration/employee relations;
- employee training and development;
- performance management and wage/compensation administration;
- Worker's Compensation, Occupational Safety and Health Administration (OSHA) compliance, and general safety/wellness program administration;
- Affirmative Action/ADA (Americans with Disabilities Act) and Family Medical Leave Act (FMLA) oversight and administration; and
- consultation on human resources management issues.

Key Measures

Human Resources strives to provide hiring supervisors and managers with a roster of qualified candidates for their vacancies within 48 hours of the application closing date on the Department of Employee Relations' web site. Human Resources staff work with supervisors and managers to establish appropriate qualifications for every vacancy filled.

An additional performance measure includes ensuring that all Admin employees' performance appraisals are current so that each employee in the agency has an annual review. Managers and supervisors who do not comply with this measure do not receive their performance increases.

Activity Funding

This activity is funded through a General Fund appropriation.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Small Agency Resource Team (SMART)		0	103	108	211
Compensation Adjustment		0	0	20	20
Total	**0**	**0**	**103**	**128**	**231**
Expenditures by Fund					
Direct Appropriations					
General	413	525	564	589	1,153
Total	**413**	**525**	**564**	**589**	**1,153**
Expenditures by Category					
Total Compensation	334	385	459	493	952
Other Operating Expenses	79	140	105	96	201
Total	**413**	**525**	**564**	**589**	**1,153**
Full-Time Equivalents (FTE)	**5.6**	**6.0**	**7.1**	**7.2**	

Activity Description

The Materials Management Division (MMD) acquires goods and services and disposes of surplus property using methods that ensure the best value for the taxpayers' dollars and conform to the highest ethical standards of public procurement. The division facilitates and oversees more than $1.8 billion in state government purchases each year. The statutory framework for the division's activities is M.S. Chapter 16C – State Procurement.

Activity at a Glance

- Oversees $1.8 billion annually in state government purchasing.
- Negotiates and manages approximately 1,500 enterprise contracts offering volume discounts to state agencies. Over 900 of these contracts are available for use by more than 550 local units of government. Purchases from these contract vendors exceed $900 million annually from state agencies alone.
- Reviews over 4,000 professional/technical contracts and related documents per year.
- In FY 2006, returned in excess of $7 million to agencies through auction sales and distributed federal surplus property valued at nearly $1.5 million.

Population Served

MMD operates in close partnership with state agencies to achieve a productive balance of centralized and delegated purchasing. Statewide and multi-state contracts negotiated by MMD currently serve more than 550 government entities including most other states and Minnesota's political subdivisions. MMD also works with Minnesota and out-of-state businesses to ensure fair competition and to resolve vendor performance issues.

MMD's Surplus Services operation serves a population including state agencies, political subdivisions, various nonprofit organizations, and – with respect to its surplus auction and "garage sale" programs – the public.

Services Provided

The division provides a mix of direct services and compliance activities:

- purchasing and contracting for goods, services, utilities, and construction;
- recruiting and managing vendors;
- promoting environmentally sensitive purchasing;
- managing procurement functions through Minnesota Accounting and Procurement System (MAPS);
- reviewing and overseeing professional/technical contracts;
- monitoring compliance with state procurement law and policy, including training and auditing of state agencies;
- managing federal and state surplus property; and
- operating a cooperative purchasing program for Minnesota's political subdivisions and a pharmaceutical purchasing program on behalf of 43 states and the city of Chicago.

Historical Perspective

Minnesota's procurement laws attempt to balance numerous interests, including those of state agencies, vendors, small businesses, minority- or female-owned or economically disadvantaged businesses, environmental advocates, rehabilitation facilities, correctional industries, the visually impaired, and others. The legislature re-wrote Minnesota's procurement laws in 1998, reducing the number of mandates and moving from a "low-bid" to "best value" philosophy of procurement. MMD concurrently shifted to a less centralized approach where unlimited authority can be delegated to purchasing staff within agencies if they have demonstrated their competence and adherence to state standards. These changes have allowed MMD to reduce its role with respect to one-time, low-dollar-value purchases and to concentrate on the more complex and enterprise procurements, including contracts that aggregate public purchasing dollars to achieve volume discounts for standard items.

Over the past several years, MMD has further increased its use of strategic procurement "best practices" to assure the highest value to the state and its taxpayers:

⇒ Minnesota is the first state to implement "spend intelligence" software, providing a previously unavailable level of detail regarding the state's purchase of goods and services. This data is being used to develop commodity standards and negotiate deeper contract vendor discounts.

⇒ Policies effective 8-1-2005 require that price be a significant factor (minimum weight of 30-40%) in evaluating "best value." A random selection of 104 past professional/technical contract awards identified a potential savings – had price been weighted at 40% - of approximately $2.6 million on 19 contracts valued at $9.7 million.
⇒ Related new policies also require heightened attention to negotiations. In addition to the above, the state has achieved approximately $2.2 million in other one-time negotiated savings during FY 2005 and FY 2006.
⇒ Reduced pricing has been solicited from the state's contracted computer hardware vendors in conjunction with the development of new information technology (IT) commodity standards. With contract prices of standard personal computers dropping as much as 30%, government entities in the state will save in excess of $19 million off list prices annually, with the bulk of those savings accruing to K-12 and higher education.
⇒ For the first time, agencies are working cooperatively to develop professional/technical contracts for multi-agency use.
⇒ Standards have been created for office chairs and new contracts have been negotiated with pricing for standard chairs averaging 40% less than the cost of non-standard chairs.
⇒ Prior to 7-1-2006, the state had contracts with six cell phone vendors featuring myriad service plans. New standardized plans with metered rates are expected to yield significant savings and reduce the frequency of public employees making personal calls on state-paid cell phones. One case study shows a savings of $483 per year from one individual's previous plan.

Key Measures

Efficiency in procurement processing: MMD tracks the number of working days from an agency requisitioning a commodity or service to issuing a purchase order. During FY 2005, MMD issued these orders in an average of 13.6 days. In FY 2006, the average was 10.7 days, down from an average of more than 16 days in FY 2003 and FY 2004.

Efficiency in reviewing and approving contracts: MMD attempts to review professional/technical contracts, certifications, amendments, and related documents within three days of receipt. The average was 1.95 days in FY 2005. The average was 3.48 days in FY 2006, with the higher rate due to a staff vacancy that has subsequently been filled.

Use of innovative procurement tools: MMD is a recognized leader in the use of reverse auctions and won a 2005 Digital Government Award for its use of online reverse and surplus auctions. State agencies are expected to save $5.3 million from the 238 reverse auctions held through the end of FY 2006.

Effectiveness in reuse of government property: Recycling surplus property meets both environmental and fiscal objectives. One goal has been to meet or beat the past record for dollars returned to state agencies through surplus' auction program each year. The goal was attained with $6.6 million returned to agencies in FY 2005 and $7.1 million in FY 2006.

Activity Funding

MMD's General Fund appropriation covers costs associated with delivery of centralized procurement services as well as oversight of delegated purchasing and professional/technical contracts. Surplus services and the division's cooperative purchasing programs are self-sustaining enterprise funds.

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ADMINISTRATION DEPT
Program: ADMINISTRATIVE MGMT SERVICES
Activity: MATERIALS MANAGEMENT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Office of Grants Management		0	250	250	500
P/T Contract Savings Negotiations Unit		0	285	276	561
Targeted Group Disparity Study		0	850	0	850
Total	**0**	**0**	**1,385**	**526**	**1,911**
Expenditures by Fund					
Direct Appropriations					
General	2,032	2,148	3,469	2,610	6,079
Statutory Appropriations					
Materials Distribution	7,027	7,710	7,805	7,962	15,767
Total	**9,059**	**9,858**	**11,274**	**10,572**	**21,846**
Expenditures by Category					
Total Compensation	3,836	4,369	5,063	5,175	10,238
Other Operating Expenses	1,812	2,289	3,011	2,197	5,208
Other Financial Transactions	3,411	3,200	3,200	3,200	6,400
Total	**9,059**	**9,858**	**11,274**	**10,572**	**21,846**
Full-Time Equivalents (FTE)	**53.5**	**60.8**	**67.1**	**66.1**	

Activity Description

The Management Analysis and Development Division (MAD) is the state of Minnesota's management consulting and training organization. MAD offers a wide range of consulting and training services to state and local governments and higher education in accordance with M.S.16B.36. MAD consultants have worked on hundreds of projects with all agencies, the legislature, many boards, units of local government, and higher education.

Activity at a Glance

Management Analysis and Development:

- provides consulting and training services to state agencies, the legislature, local governments, the University of Minnesota, Minnesota State Colleges and Universities (MnSCU), and public K-12 institutions;
- averages 118 engagements per year; and
- provides consulting services at up to 50% less than comparable external providers.

Population Served

MAD provides management consultation and training to state agencies, the governor, the legislature, higher education, and local and federal governments. The division's services are available to all public sector organizations on a fee-for-service basis. The direct recipients are public sector managers and executives; however, the ultimate beneficiaries are the state agencies, other public entities, the end users whose services are improved, and citizens.

Services Provided

MAD's services include organizational improvement, analysis, performance measurement, service quality improvement, customer relations, mediation, facilitation, organization design, evaluation, training and development, strategic planning, process flow or process mapping, process redesign, legislative studies, grant writing, surveys, transition services, contingency planning, and other executive branch coordination activities.

As a result of MAD's engagements, clients see improvements such as increased productivity, clearer direction, better working relationships, additional grant income, better data for decision-making, or increased cooperation with stakeholders and partners.

Historical Perspective

MAD began consulting activities in 1985. Since that time, requests for services have become increasingly complex and reflect the funding, societal, and policy pressures on public entities. Budget pressures and public expectations have increased the necessity for strategic and operational focus, accountability, streamlining, and cooperation.

MAD's consulting business began with seven engagements in 1985. Over the seven fiscal years from FY 2000 through FY 2006, the number of projects per year averaged 118. In FY 2004, the state's centralized training function, the Training and Development Resource Center merged with MAD, which significantly increased MAD's ability to respond to and provide training services and classes to its clients. In FY 2006, the division's work on behalf of the legislature included facilitation of the Environmental and Natural Resources Trust Fund Task Force, which developed and unanimously endorsed legislation revising the Trust Fund. MAD also facilitated the legislatively directed study of the future of the Ford building.

Key Measures

MAD's key measure is customer satisfaction. MAD staff provide analysis, facilitation, consultation, training, and technical assistance to address client needs. The degree to which those needs are satisfied is a key measure. Some work is quantifiable, but other efforts – such as getting diverse and competing stakeholders to come to consensus – are immeasurably important to the clients. MAD's goal is to achieve at least a 95% satisfaction rate annually; the actual result for FY 2006 was 95%.

Activity Funding

Four-fifths of the division's funding is from Internal Service Fund revenues from consulting, analytical projects, and training, and one-fifth from a General Fund appropriation. The General Fund covers activities such as: legislative mandates (testimony on and study of topics as requested by the legislature); cross-agency management improvement projects (staffing or participating on task forces on performance management; providing managerial training; addressing emerging needs such as downsizing with one-on-one coaching for managers); and work on behalf of the state as a whole (conducting contingency planning for state operations; establishing a gubernatorial transition office).

MAD has 21 full-time employees as of 7-1-2006.

There are no loans from the General Fund, or proposed investments in technology or equipment of $100,000 or more.

Operating Losses/Increases in Retained Earnings:
The division's approved rate increases are helping the division achieve the recommended minimum retained earnings level.

History of Rate Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Hourly Rate	$98	$98	$98	$103	$115	$120
Change	3%	0%	0%	5%	12%	4%

Impact of Rate Changes:
The hourly rate in FY 2007 will be $120, a 4% increase over FY 2006. The rate increase should have minimal impact on client agencies. The five largest customers in FY 2006 were the departments of Public Safety, Human Services, Labor and Industry, Corrections, and the University of Minnesota.

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ADMINISTRATION DEPT
Program: ADMINISTRATIVE MGMT SERVICES
Activity: MANAGEMENT ANALYSIS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	356	356	356	356	712
Statutory Appropriations					
Management Analysis	1,551	1,755	1,828	1,903	3,731
Total	**1,907**	**2,111**	**2,184**	**2,259**	**4,443**
Expenditures by Category					
Total Compensation	1,583	1,787	1,861	1,931	3,792
Other Operating Expenses	324	324	323	328	651
Total	**1,907**	**2,111**	**2,184**	**2,259**	**4,443**
Full-Time Equivalents (FTE)	**19.8**	**23.2**	**23.2**	**23.2**	

Activity Description

The Office of Strategic Planning and Results Management has three primary purposes:

- identify and provide information to government officials on emerging trends, policies, and innovations in state, federal, and local government;
- promote best practices in government services to public service employees, private business, and members of the public; and
- work with state agencies in the creation and dissemination of performance measures and results data for citizens.

Activity at a Glance

- Provided more than 100 presentations about government innovations and reform to audiences around Minnesota during FY 2006;
- Coordinated the Government Performance Project Survey response, otherwise known as the *Governing* magazine Grading the States project; and
- Received more than 12,000 hits per month on the Department Results web site.

Population Served

These activities serve the citizens of Minnesota, the governor, legislators, commissioners, and staff.

Services Provided

⇒ Department Results – Published online the high priority goals, key performance measures, and most recent results data for the 25 cabinet departments and one other state agency. In 2006, three of these state agencies began reporting results data for the first time and were added to the web site. The Department Results pages are continuously updated as new data becomes available. This publicly-accessible web site (www.departmentresults.state.mn.us) provides citizens an opportunity to hold state government accountable for achieving desired results.

⇒ Issue Scanning – The office highlights recent trends and innovative practices in state, federal, and local government and distributes that information to the appropriate executive branch officials.

⇒ Innovation – The office provides speakers for presentations about government innovations and reform to civic groups around the state. The office represents and advises the governor on the Collaboration Working Group, which includes the Minnesota Association of Counties, the League of Minnesota Cities, the Association of Minnesota Townships, and the Minnesota School Boards Association. The group works on projects to increase collaboration between units of government. The office also represents the governor at the deputy commissioners group, particularly in their role as change leaders in state government.

Activity Funding

This activity is funded through a General Fund appropriation.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	346	374	335	335	670
Total	**346**	**374**	**335**	**335**	**670**
Expenditures by Category					
Total Compensation	322	348	307	304	611
Other Operating Expenses	24	26	28	31	59
Total	**346**	**374**	**335**	**335**	**670**
Full-Time Equivalents (FTE)	**3.2**	**3.2**	**2.5**	**2.3**	

Program Description

The purpose of the Fiscal Agent Program is to meet the administrative needs of the grant and other monies the Department of Administration (Admin) receives on behalf of multiple stakeholders. These funds are typically appropriated by the legislature for special projects. Admin distributes these funds to recipients, based on laws, statutes, policies, and procedures.

Budget Activities Included:

⇒ Public Broadcasting
⇒ In-Lieu of Rent
⇒ Misc. Grants/Studies/Other

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
	Dollars in Thousands				
Direct Appropriations by Fund					
General					
Current Appropriation	15,307	9,743	9,743	9,743	19,486
Subtotal - Forecast Base	15,307	9,743	9,743	9,743	19,486
Governor's Recommendations					
AMPERS Public Radio Equipment Grants		0	100	100	200
Total	**15,307**	**9,743**	**9,843**	**9,843**	**19,686**
Expenditures by Fund					
Direct Appropriations					
General	9,792	9,933	9,843	9,843	19,686
Statutory Appropriations					
Gift	39	4	0	0	0
Total	**9,831**	**9,937**	**9,843**	**9,843**	**19,686**
Expenditures by Category					
Total Compensation	19	0	0	0	0
Other Operating Expenses	7,986	7,892	7,888	7,888	15,776
Capital Outlay & Real Property	11	0	0	0	0
Local Assistance	1,815	2,045	1,955	1,955	3,910
Total	**9,831**	**9,937**	**9,843**	**9,843**	**19,686**
Expenditures by Activity					
Public Broadcasting	1,665	2,045	1,955	1,955	3,910
In Lieu Of Rent	7,888	7,888	7,888	7,888	15,776
Misc Grants/Studies/Other	278	4	0	0	0
Total	**9,831**	**9,937**	**9,843**	**9,843**	**19,686**
Full-Time Equivalents (FTE)	**0.2**	**0.2**	**0.0**	**0.0**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$100	$100	$125	$125
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$100	$100	$125	$125

Recommendation

The Governor recommends the equipment grant program for the Association of Minnesota Public Educational Radio Stations (AMPERS) public radio stations be funded at $100,000 per year. This budget initiative would provide funding for 11 community public radio stations to upgrade their broadcast equipment. With these funds, AMPERS stations would also be able to begin planning for the digital conversion to high definition radio broadcasts that is becoming the standard for radio broadcasts.

Background

AMPERS is made up of 12 public radio stations, eleven of which qualify for community service grants and public radio equipment grants under M.S. 124.14. Because of budget considerations, the public radio equipment grants for the AMPERS stations were not funded during the FY 2006-07 biennium. As a result, the physical plants of these public radio stations have continued to deteriorate. Because these stations utilize large numbers of students and volunteers to supplement the professional staff at these stations, the equipment is subject to an unusual amount of wear and tear. The 11 AMPERS stations that qualify for state grants have a total of $1,504,130 in current equipment needs in addition to the cost of digital conversion to the 11 stations which totals an additional $2.45 million.

The stations that serve as training ground for students and those stations that serve the most economically disadvantaged populations are the stations that are impacted the most by the loss of the equipment grants because their audiences are least able to contribute financially to the operation of the stations.

One example of the services these radio stations provide is KFAI, which broadcasts programming in 13 different languages and provides important social and public health communications with Minneapolis immigrant communities. Another example is WTIP in Grand Marais, which broadcasts radio signals to much of the Boundary Waters Canoe Wilderness Area with a repeater transmitter to provide canoe groups in the wilderness area with the opportunity for emergency weather and fire warnings.

More information about AMPERS and Independent Public Radio can be viewed at http://www.ampers.org.

Relationship to Base Budget

The current base budget for AMPERS community service grants is $287,000 per year or just over $26,000 per station per year. The change request totals $100,000 per year or just over $9,000 per station per year. Most of these stations use state grants to match federal grants or challenge their listeners to match them during their on-air fundraisers, thus multiplying the effect of the state investment.

Statutory Change: Not Applicable

Activity Description

Public broadcasting is the grant administration program carried out for the legislature under specific appropriation language and M.S.129D.11-16. The program oversees this grant authority, disbursing funds in accordance with legislative appropriations and direction, and ensures compliance with statutory requirements.

Activity at a Glance

- 1.2 million people per week view programming of the Minnesota Public Television Association.
- Public Radio stations provide news, information, cultural programming, and public services.
- Approximately 303,000 people listen one or more times per week to AMPERS public radio stations.
- 795,000 people listen to MPR stations weekly.
- MPR provides the state with infrastructure and services for the Emergency Broadcast System, for the Amber Alert System, and for the blind and visually impaired.
- Metro Cable Network reaches 600,000 cabled households in the seven-county metro area.

Population Served

Television viewers and radio listeners throughout Minnesota are served by this activity.

Services Provided

Public Television

State funds are used by six recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs, and children's programming to the public, governmental agencies, nonprofit organizations, business corporations, and educational facilities. State grants are made in a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16. Public Television signals cover approximately 98% of the state. State grants provide between three and 21% of the individual stations' operating budget.

Public Radio

State funds are used to support the capital and operating needs of Association of Minnesota Public and Education Radio Stations (AMPERS) and capital projects (but no operating costs) for Minnesota Public Radio (MPR). Biennial grants to public radio stations are made pursuant to the underlying program established by M.S. 129D.14-16.

<u>AMPERS</u> - State funds are used to support radio stations operated by the 12 organizations belonging to AMPERS. These organizations serve Minnesota residents through radio programming that is local, unique in their communities, broadly educational, and serves underserved audiences. They provide programming designed to appeal to audiences not generally served by commercial broadcasters. In addition to their 12 main stations, they operate nine translators at other locations.

The AMPERS stations cover approximately 95% of the population and 90% of the geography of the state and serve 303,000 unique listeners per week. State grants provide between four and 60% of the individual stations' total annual budget.

<u>MPR</u> - State funds are used to support capital projects assuring listeners access throughout the state. MPR broadcasts on 33 stations in Minnesota that serve virtually the entire state. Nineteen translators provide additional coverage for hard-to-reach areas. Most areas are served by both a classical music station and a news and information station. A third service, the Current, is broadcast on stations in the Twin Cities and Rochester, providing new and roots music with an emphasis on music written or performed by Minnesota artists. The Current also promotes civic engagement by its younger audience. Broadcasts from MPR stations reach 795,000 unique listeners each week. MPR's three program services are also available as live, online audio at www.MPR.org.

In addition, MPR provides the state a regional network to deliver vital state security, safety, and public services including:

- technical infrastructure for the state's Emergency Broadcast System (EBS). MPR provides the EBS signal to all other radio, television, and cable stations in Minnesota;
- technical infrastructure for the state's AMBER Alert System (the child abduction warning system); and

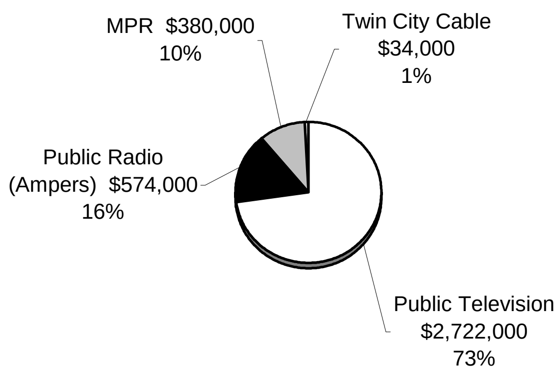
- special subcarrier signals that provide the Radio Talking Book – a reading service for blind and visually impaired persons in the state – in cooperation with Minnesota State Services for the Blind.

MPR uses the state's capital support to build, improve, and maintain its 30 stations in greater Minnesota. Capital support from the state provided approximately 1.8% of MPR's annual capital expenditures during the FY 2005-06 biennium, and represented about 0.5% of its total capital and operating revenue.

In addition to its regular capital and operating needs, public radio faces the immediate technical and financial challenge of converting to digital broadcasting. The one-time cost of digital conversion for AMPERS is approximately $2.45 million and for MPR approximately $8 million.

Twin Cities Regional Cable Channel
State funds are used to provide grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. These state funds provide for approximately 5% of the Metro Cable Network operating budget. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance as mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985.

Funding by Grant
FY 2006-07 (Total: $3.71 million)
Data as of 8/8/06



Activity Funding
This activity is funded through a General Fund appropriation.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,855	1,855	1,855	1,855	3,710
Subtotal - Forecast Base	1,855	1,855	1,855	1,855	3,710
Governor's Recommendations					
AMPERS Public Radio Equipment Grants		0	100	100	200
Total	**1,855**	**1,855**	**1,955**	**1,955**	**3,910**
Expenditures by Fund					
Direct Appropriations					
General	1,665	2,045	1,955	1,955	3,910
Total	**1,665**	**2,045**	**1,955**	**1,955**	**3,910**
Expenditures by Category					
Local Assistance	1,665	2,045	1,955	1,955	3,910
Total	**1,665**	**2,045**	**1,955**	**1,955**	**3,910**

Activity Description

This activity serves as a pass-through account for legislative General Fund appropriations for areas that are not subject to a lease agreement with the Department of Administration (Admin):

- Ceremonial Space – includes space in the Capitol Building such as the Rotunda; the governor's residence; and the ceremonial grounds and monuments/memorials in the Capitol area;
- Services for the Blind – space occupied by blind vending operators in buildings (eight sites) under Plant Management Division's custodial control (M.S. 248.07, subd. 7); and
- Rent Waived – space occupied in the Capitol, State Office Building, and Veterans Service Building by the house of representatives, senate, Revisor of Statutes, Legislative Reference Library, and congressionally chartered veterans' organizations (M.S. 197.55 to 197.58).

Activity at a Glance

- 362,817 square feet of space maintained;
- 20 monuments and memorials maintained; and
- 28.3 acres of ceremonial grounds maintained.

Population Served

Services and support are provided to the legislature and constituents, Services for the Blind vending operators, congressionally chartered veterans' organizations, and visitors.

Services Provided

Services provided include janitorial, maintenance, repair, trades, engineering, grounds, and utilities for the buildings and grounds identified above. The following is the breakdown of space (362,817 total square feet) serviced under this activity:

- Ceremonial Space – 37,120 square feet
- Services for the Blind – 2,821 square feet
- Rent Waived – 322,876 square feet

Activity Funding

This activity is funded through a General Fund appropriation.

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ADMINISTRATION DEPT
Program: FISCAL AGENT
Activity: IN LIEU OF RENT

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	7,888	7,888	7,888	7,888	15,776
Subtotal - Forecast Base	7,888	7,888	7,888	7,888	15,776
Total	**7,888**	**7,888**	**7,888**	**7,888**	**15,776**
Expenditures by Fund					
Direct Appropriations					
General	7,888	7,888	7,888	7,888	15,776
Total	**7,888**	**7,888**	**7,888**	**7,888**	**15,776**
Expenditures by Category					
Other Operating Expenses	7,888	7,888	7,888	7,888	15,776
Total	**7,888**	**7,888**	**7,888**	**7,888**	**15,776**

Activity Description
This activity has been established to administer certain grants and other monies the agency receives through legislative appropriations.

Activity at a Glance

- Five construction grants to Political Sub-Divisions are currently in process.

Population Served
Various grant recipients are served based on specific legislative intent.

Services Provided
Each of the activities within this program is established and operated under specific state legislation. Emphasis is placed on fulfilling the intent of the specific legislation, which varies considerably with each activity. Processes are established and maintained to process financial transactions, track information, and report in various formats the information required and desired by various audiences. Contracts and agreements are an integral function of this activity. Administration (Admin) receives no operating funds for the administration of these grants and studies.

Construction Grants to Political Sub-Divisions
The legislature appropriates state funding to Admin for grants to local governments for a variety of capital projects. Funding may be approved through the state bonding bill or other state appropriation bills, in the form of bond proceeds or General Fund appropriations. Capital projects are subject to requirements of the Minnesota Constitution, state statutes, language contained in the appropriation bill, and state accounting policies. Current construction grants include: Itasca County Infrastructure Project ($1 million); Bayport Storm Sewer/City of Bayport ($2 million); Guthrie Theater ($25 million); Children’s Theatre ($5 million); and Bald Eagle Center ($500,000).

Governors Residence Council Gift Fund
Based on M.S. 16B.27, the council develops an overall restoration plan for the governor’s residence and surrounding grounds and approves alterations in the existing structure. The council may solicit and accept donated money to maintain and improve the quality of furnishings for the public areas of the building. The Governor’s Residence Council was established in 1980. Over the past several years, approximately $28,500 has been donated to the council, and expenditures have included restoration, furnishings, and artwork.

Activity Funding
This activity distributes a mix of state, gift, and bonded funds.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	440	0	0	0	0
Subtotal - Forecast Base	440	0	0	0	0
Total	**440**	**0**	**0**	**0**	**0**
Expenditures by Fund					
Direct Appropriations					
General	239	0	0	0	0
Statutory Appropriations					
Gift	39	4	0	0	0
Total	**278**	**4**	**0**	**0**	**0**
Expenditures by Category					
Total Compensation	19	0	0	0	0
Other Operating Expenses	98	4	0	0	0
Capital Outlay & Real Property	11	0	0	0	0
Local Assistance	150	0	0	0	0
Total	**278**	**4**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**0.2**	**0.2**	**0.0**	**0.0**	

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$174	$351	$351	$351
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$174	$351	$351	$351

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

ADMINISTRATION DEPT

Program: **STATE FACILITIES SERVICES** Internal Service Fund

Activity: PLANT MANAGEMENT Financial Statement

	ACTUAL FY 2006	PROJECTED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
	* OPERATIONS DATA *			
OPERATING REVENUES:				
NET SALES	52,316.6	62,286.0	62,850.0	63,293.3
LESS: COST OF SALES				
GROSS PROFIT ON SALES	52,316.6	62,286.0	62,850.0	63,293.3
OTHER REVENUE	678.4	886.0	897.0	919.6
NET REVENUES	**52,995.0**	**63,172.0**	**63,747.0**	**64,212.9**
LESS: OPERATING EXPENSES:				
SALARIES	12,434.4	12,793.0	13,710.0	14,257.0
SUPPLIES & EXPENSES	15,720.1	22,122.0	17,388.0	17,747.0
INDIRECT COSTS	441.1	709.0	793.0	816.0
AMORTIZATION & DEPRECIATION	111.0	124.0	131.0	171.0
TOTAL OPERATING EXPENSES	**28,706.6**	**35,748.0**	**32,022.0**	**32,991.0**
OPERATING INCOME (LOSS)	**24,288.4**	**27,424.0**	**31,725.0**	**31,221.9**
NON-OPERATING REVENUES (EXPENSES)	(24,836.3)	(32,228.0)	(30,613.0)	(30,606.0)
NET INCOME (LOSS)	(547.9)	(4,804.0)	1,112.0	615.9
BEGINNING RETAINED EARNINGS	12,839.3	12,281.4	7,477.4	8,589.4
PRIOR PERIOD ADJUSTMENT	(10.0)	0.0	0.0	0.0
ENDING RETAINED EARNINGS	12,281.4	7,477.4	8,589.4	9,205.3
RATE INCREASE/(DECREASE):				
Leases	-4.79%	4.61%	-1.00%	0.70%
Materials Transfer	-1.90%	0.00%	0.00%	0.00%
ROJ	10.41%	0.00%	0.00%	0.00%
FTE	236.1	249.6	254.0	254.0
Expenditure Reconciliation to BBS				
Operating Expenses			32,022.0	32,991.0
Less amortization & depreciation (non-cash)			(131.0)	(171.0)
Plus payments for debt service and equipment			12,857.0	12,897.0
Less admustment for inter-agency transfer in			(340.0)	(340.0)
Total cash payments			44,408.0	45,717.0
BBS Amounts - Financing by Fund				
Plant Management			44,408.0	45,717.0
Receipt Reconciliation to BBS				
Net Sales			62,850.0	63,293.3
Plus Other Revenue			897.0	919.6
Less admustment for inter-agency transfer in			(340.0)	340.0
Total cash receipts			63,407.0	63,872.9
BBS Amounts - Revenue Collected				
Plant Management			63,407	63,873

Note: The Non-operating revenues/expenses relate to building depreciation and bond interest which are transferred out. It also includes debt service, interest revenue, interest expense, and gains on sale of fixed assets.

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	7,151.4	3,153.3
OTHER CURRENT ASSETS	8,579.7	7,773.8
TOTAL CURRENT ASSETS	**15,731.1**	**10,927.1**
NON-CURRENT ASSETS:	678.1	736.1
TOTAL ASSETS	**16,409.2**	**11,663.2**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	2,538.5	2,553.4
TOTAL CURRENT LIABILITIES	2,538.5	2,553.4
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	1,078.4	121.5
TOTAL NON-CURRENT LIABILITIES	**1,078.4**	**121.5**
TOTAL LIABILITIES	**3,616.9**	**3,674.9**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	510.9	510.9
RETAINED EARNINGS	12,281.4	7,477.4
TOTAL FUND EQUITY	**12,792.3**	**7,988.3**
TOTAL LIABILITIES & FUND EQUITY	**16,409.2**	**11,663.2**

ADMINISTRATION DEPT

Program: **STATE AND COMMUNITY SERVICES** Internal Service Fund

Activity: RISK MANAGEMENT Financial Statement

(DOLLARS IN THOUSANDS)

Budget Activity Summary	ACTUAL FY 2006	PROJECTED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
	OPERATIONS DATA			
OPERATING REVENUES:				
NET SALES	10,508.2	10,915.8	11,661.6	12,644.7
LESS: COST OF SALES				
GROSS PROFIT ON SALES	10,508.2	10,915.8	11,661.6	12,644.7
OTHER REVENUE				
NET REVENUES	**10,508.2**	**10,915.8**	**11,661.6**	**12,644.7**
LESS: OPERATING EXPENSES:				
CLAIMS	3,872.2	5,393.5	4,784.6	5,213.9
SALARIES	853.8	864.5	898.2	932.0
SUPPLIES & EXPENSES	4,195.5	4,654.6	5,157.7	5,415.6
INDIRECT COSTS	39.8	73.6	80.0	85.0
AMORTIZATION & DEPRECIATION	4.7	1.2	0.0	0.0
TOTAL OPERATING EXPENSES	**8,966.1**	**10,987.3**	**10,920.5**	**11,646.5**
OPERATING INCOME (LOSS)	**1,542.1**	**(71.5)**	**741.1**	**998.2**
NON-OPERATING REVENUES (EXPENSES)	(590.5)	(100.0)	(800.0)	(850.0)
NET INCOME (LOSS)	951.6	(171.5)	(58.9)	148.2
BEGINNING RETAINED EARNINGS	5,664.4	6,616.1	6,444.5	6,385.6
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	6,616.1	6,444.5	6,385.6	6,533.9
RATE INCREASE/(DECREASE):	-13.80%	2.37%	4.00%	5.00%
FTE	11.5	11.5	11.5	11.5

	FY 2008	FY 2009
Expenditure Reconciliation to BBS		
Operating Expenses	10,920.5	11,646.5
Less amortization & depreciation (non-cash)	0.0	0.0
Plus dividend expense paid in same FY as declared	1,700.0	1,750.0
Total cash payments	12,620.5	13,396.5
BBS Amounts - Financing by Fund		
Risk Management	12,621.0	13,397.0
Receipt Reconciliation to BBS		
Net Revenues	11,661.6	12,644.7
Interest Income from Non-operating revenue/expenses	880.0	880.0
Total cash receipts	12,541.6	13,524.7
BBS Amounts - Revenue Collected		
Risk Management	12,542.0	13,525.0

ADMINISTRATION DEPT
Program: STATE AND COMMUNITY SERVICES
Activity: RISK MANAGEMENT

Internal Service Fund
Financial Statement

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	16,354.7	16,996.1
OTHER CURRENT ASSETS	354.2	285.0
TOTAL CURRENT ASSETS	**16,708.9**	**17,281.1**
NON-CURRENT ASSETS:	19.1	8.9
TOTAL ASSETS	**16,728.0**	**17,290.0**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	10,039.0	10,810.0
TOTAL CURRENT LIABILITIES	**10,039.0**	**10,810.0**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	73.0	35.5
TOTAL NON-CURRENT LIABILITIES	**73.0**	**35.5**
TOTAL LIABILITIES	**10,111.9**	**10,845.5**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0
RETAINED EARNINGS	6,616.1	6,444.5
TOTAL FUND EQUITY	**6,616.1**	**6,444.5**
TOTAL LIABILITIES & FUND EQUITY	**16,728.0**	**17,290.0**

ADMINISTRATION DEPT

Program: **STATE AND COMMUNITY SERVICES** — Internal Service Fund

Activity: COMM MEDIA - MINNESOTA'S BOOKSTORE — Financial Statement

(DOLLARS IN THOUSANDS)

Budget Activity Summary	ACTUAL FY 2006	PROJECTED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
	OPERATIONS DATA			
OPERATING REVENUES:				
NET SALES	1,498.8	1,768.8	1,821.9	1,876.5
LESS: COST OF SALES	370.8	412.4	437.2	450.4
GROSS PROFIT ON SALES	1,128.0	1,356.4	1,384.6	1,426.2
OTHER REVENUE	0.0	0.0	0.0	0.0
NET REVENUES	**1,128.0**	**1,356.4**	**1,384.6**	**1,426.2**
LESS: OPERATING EXPENSES:				
SALARIES	776.8	713.6	740.0	768.2
SUPPLIES & EXPENSES	322.1	542.6	555.8	568.5
INDIRECT COSTS	59.2	61.4	63.2	69.1
AMORTIZATION & DEPRECIATION	14.0	14.0	14.4	14.9
TOTAL OPERATING EXPENSES	**1,172.1**	**1,331.6**	**1,373.5**	**1,420.7**
OPERATING INCOME (LOSS)	**(44.1)**	**24.8**	**11.2**	**5.5**
NON-OPERATING REVENUES (EXPENSES) (Unus	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	(44.1)	24.8	11.2	5.5
BEGINNING RETAINED EARNINGS	840.8	796.7	821.5	832.7
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	796.7	821.5	832.7	838.1

FOOTNOTES TO STATEMENTS:

Statements include both the Bookstore and the State Register.
Rate change percentages are for the State Register only.

	FY 2006	FY 2007	FY 2008	FY 2009
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	0.00%
FTE	12.4	11.2	11.2	11.2

Expenditure Reconciliation to BBS	FY 2008	FY 2009
Operating Expenses	1,373.5	1,420.7
Less amortization & depreciation (non cash)	(14.4)	(14.9)
Plus purchase of items for resale (cost of goods sold)	437.2	450.4
Plus purchase of equipment	14.0	15.0
Total cash payments	1,810.3	1,871.2
BBS Amounts - Financing by Fund		
Minnesota's Bookstore	1,810	1,871
Receipt Reconciliation to BBS		
Net Sales	1,821.9	1,876.5
BBS Amounts - Revenue Collected		
Minnesota's Bookstore	1,822	1,877

ADMINISTRATION DEPT
Program: STATE AND COMMUNITY SERVICES
Activity: COMM MEDIA - MINNESOTA'S BOOKSTORE

Internal Service Fund
Financial Statement

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	614.4	661.3
OTHER CURRENT ASSETS	642.5	645.7
TOTAL CURRENT ASSETS	**1,256.9**	**1,307.0**
NON-CURRENT ASSETS:	41.5	51.5
TOTAL ASSETS	**1,298.4**	**1,358.5**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	94.8	124.7
TOTAL CURRENT LIABILITIES	**94.8**	**124.7**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	113.9	119.3
TOTAL NON-CURRENT LIABILITIES	**113.9**	**119.3**
TOTAL LIABILITIES	**208.7**	**244.0**
FUND EQUITY:		
CONTRIBUTED CAPITAL	293.0	293.0
RETAINED EARNINGS	796.7	821.5
TOTAL FUND EQUITY	**1,089.7**	**1,114.5**
TOTAL LIABILITIES & FUND EQUITY	**1,298.4**	**1,358.5**

ADMINISTRATION DEPT

Program: **STATE AND COMMUNITY SERVICES** Internal Service Fund

Activity: COMM MEDIA – CENTRAL MAIL Financial Statement

	ACTUAL FY 2006	ESTIMATED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
* OPERATIONS DATA *				
OPERATING REVENUES:				
NET SALES	8,455.7	8,265.5	8,513.5	8,768.9
LESS: COST OF SALES	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	8,455.7	8,265.5	8,513.5	8,768.9
OTHER REVENUE				
NET REVENUES	**8,455.7**	**8,265.5**	**8,513.5**	**8,768.9**
LESS: OPERATING EXPENSES:				
SALARIES	327.5	412.4	439.2	474.5
SUPPLIES & EXPENSES	7,889.4	7,778.5	7,998.4	8,217.3
INDIRECT COSTS	9.0	40.3	41.5	42.8
AMORTIZATION & DEPRECIATION	36.2	30.3	32.2	33.2
TOTAL OPERATING EXPENSES	**8,262.1**	**8,261.5**	**8,511.3**	**8,767.7**
OPERATING INCOME (LOSS)	193.6	4.0	2.2	1.2
NON-OPERATING REVENUES (EXPENSE	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	193.6	4.0	2.2	1.2
BEGINNING RETAINED EARNINGS	912.3	1,105.9	1,109.9	1,112.1
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	1,105.9	1,109.9	1,112.1	1,113.3
RATE INCREASE/(DECREASE):	1.40%	0.00%	0.25%	0.25%
	6.0	7.7	7.9	8.3

	FY 2008	FY 2009
Expenditure Reconciliation to BBS		
Operating Expenses	8,511.3	8,767.7
Less amortization & depreciation (non cash)	(32.2)	(33.2)
Plus inventory	15.0	24.0
Total cash payments	8,494.1	8,758.5
BBS Amounts - Financing by Fund		
Central Mail	8,494	8,759
Receipt Reconciliation to BBS		
Net Sales	8,513.5	8,768.9
Plus interest revenue from Non-operating revenue/expenses	0.0	0.0
Total cash receipts	8,513.5	8,768.9
BBS Amounts - Revenue Collected		
Central Mail	8,514	8,769

ADMINISTRATION DEPT

Program: **STATE AND COMMUNITY SERVICES** — Internal Service Fund

Activity: COMM MEDIA – CENTRAL MAIL — Financial Statement

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	0.0	0.0
OTHER CURRENT ASSETS	1,460.9	1,464.8
TOTAL CURRENT ASSETS	**1,460.9**	**1,464.8**
NON-CURRENT ASSETS:	72.3	74.5
TOTAL ASSETS	**1,533.2**	**1,539.3**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	332.2	332.9
TOTAL CURRENT LIABILITIES	**332.2**	**332.9**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	29.1	30.6
TOTAL NON-CURRENT LIABILITIES	**29.1**	**30.6**
TOTAL LIABILITIES	**361.3**	**363.4**
FUND EQUITY:		
CONTRIBUTED CAPITAL	66.0	66.0
RETAINED EARNINGS	1,105.9	1,109.9
TOTAL FUND EQUITY	**1,171.9**	**1,175.9**
TOTAL LIABILITIES & FUND EQUITY	**1,533.2**	**1,539.3**

ADMINISTRATION DEPT

Program: **STATE AND COMMUNITY SERVICES** — Internal Service Fund

Activity: COMM MEDIA - OFFICE SUPPLY CONNECTION — Financial Statement

(DOLLARS IN THOUSANDS)	OPERATIONS DATA			
Budget Activity Summary	ACTUAL FY 2006	ESTIMATED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
OPERATING REVENUES:				
NET SALES	6,428.6	7,122.7	7,265.2	7,410.5
LESS: COST OF SALES	5,041.6	5,662.6	5,739.5	5,854.3
GROSS PROFIT ON SALES	1,387.0	1,460.1	1,525.7	1,556.2
OTHER REVENUE	0.0	0.0		
NET REVENUES	**1,387.0**	**1,460.1**	**1,525.7**	**1,556.2**
LESS: OPERATING EXPENSES:				
SALARIES	614.7	588.9	626.9	653.0
SUPPLIES & EXPENSES	543.8	656.4	657.4	671.5
INDIRECT COSTS	143.2	197.5	203.4	209.5
AMORTIZATION & DEPRECIATION	0.0	6.5	4.0	3.0
TOTAL OPERATING EXPENSES	**1,301.7**	**1,449.3**	**1,491.7**	**1,537.0**
OPERATING INCOME (LOSS)	**85.3**	**10.8**	**34.0**	**19.2**
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	85.3	10.8	34.0	19.2
BEGINNING RETAINED EARNINGS	687.8	773.1	783.9	817.9
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	773.1	783.9	817.9	837.1
RATE INCREASE/(DECREASE):	See note	0.00%	0.00%	0.00%
FTE	11.2	9.8	9.9	9.9

Expenditure Reconciliation to BBS		
Operating Expenses	1,491.7	1,537.0
Less amortization & depreciation (non cash)	(4.0)	(3.0)
Plus purchase of equipment	31.0	32.0
Plus purchase of items for resale (cost of goods sold)	5,739.5	5,854.3
Total cash payments	7,258.2	7,420.3
BBS Amounts - Financing by Fund		
MMD Office Supply Connection	7,259.0	7,420.0
Receipt Reconciliation to BBS		
Net Sales	7,265.2	7,410.5
BBS Amounts - Revenue Collected		
MMD Office Supply Connection	7,265.0	7,411.0

Note: During FY06, OSC changed its pricing structure from discount off list price to a cost plus model on non-stock inventory. No pricing changes were made on stocked inventory.

ADMINISTRATION DEPT
Program: **STATE AND COMMUNITY SERVICES** Internal Service Fund
Activity: COMM MEDIA - OFFICE SUPPLY CONNECTION Financial Statement

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	1,078.1	1,076.9
OTHER CURRENT ASSETS	1,043.4	1,069.8
TOTAL CURRENT ASSETS	**2,121.5**	**2,146.7**
NON-CURRENT ASSETS:	0.0	30.0
TOTAL ASSETS	**2,121.5**	**2,176.7**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	642.9	685.8
TOTAL CURRENT LIABILITIES	**642.9**	**685.8**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	69.6	71.0
TOTAL NON-CURRENT LIABILITIES	**69.5**	**71.0**
TOTAL LIABILITIES	**712.4**	**756.8**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	636.0	636.0
RETAINED EARNINGS	773.1	783.9
TOTAL FUND EQUITY	**1,409.1**	**1,420.0**
TOTAL LIABILITIES & FUND EQUITY	**2,121.5**	**2,176.7**

ADMINISTRATION DEPT

Program: ADMINISTRATIVE MANAGEMENT SERVICES Internal Service Fund

Activity: MATERIALS MGMT - COOP PURCHASING Financial Statement

(DOLLARS IN THOUSANDS)	OPERATIONS DATA			
Budget Activity Summary	**ACTUAL FY 2006**	**ESTIMATED FY 2007**	**PROJECTED FY 2008**	**PROJECTED FY 2009**
OPERATING REVENUES:				
NET SALES	4,742.8	6,211.0	6,538.0	6,843.0
LESS: COST OF SALES	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	4,742.8	6,211.0	6,538.0	6,843.0
OTHER REVENUE	0.0	0.0	0.0	0.0
NET REVENUES	**4,742.8**	**6,211.0**	**6,538.0**	**6,843.0**
LESS: OPERATING EXPENSES:				
SALARIES	1,725.4	2,196.0	2,280.0	2,376.0
SUPPLIES & EXPENSES	745.1	801.0	840.0	883.0
INDIRECT COSTS	50.0	39.0	39.0	39.0
AMORTIZATION & DEPRECIATION	3.0	4.0	4.0	4.0
TOTAL OPERATING EXPENSES	**2,523.5**	**3,040.0**	**3,163.0**	**3,302.0**
OPERATING INCOME (LOSS)	2,219.3	3,171.0	3,375.0	3,541.0
NON-OPERATING REVENUES (EXPENSES)	(3,411.2)	(3,000.0)	(3,000.0)	(3,000.0)
NET INCOME (LOSS)	(1,191.9)	171.0	375.0	541.0
BEGINNING RETAINED EARNINGS	349.7	823.1	994.1	1,369.1
PRIOR PERIOD ADJUSTMENT	1,665.3	0.0	0.0	0.0
ENDING RETAINED EARNINGS	823.1	994.1	1,369.1	1,910.1
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	0.00%
FTE	22.8	29.8	29.7	29.7

Expenditure Reconciliation to BBS		
Operating Expenses	3,163.0	3,302.0
Less amortization & depreciation (non cash)	(4.0)	(4.0)
Plus cash payment of rebate in Non-operating revenues/expense	3,000.0	3,000.0
Total cash payments	6,159.0	6,298.0
BBS Amounts - Financing by Fund		
Materials Distribution (Portion of amount of fiscal page is for Surplus)	6,159.0	6,298.0
Receipt Reconciliation to BBS		
Net Sales	6,538.0	6,843.0
Total cash receipts	6,538.0	6,843.0
BBS Amounts - Revenue Collected		
Materials Distribution (Portion of amount on fiscal page is for Surplus)	6,538.0	6,843.0

Note: Contract fees paid by vendors are determined on a case-by-case basis and may either increase or decrease as specific contracts are negotiated.

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	2,944.6	2,996.4
OTHER CURRENT ASSETS	1,337.8	1,463.7
TOTAL CURRENT ASSETS	**4,282.4**	**4,460.1**
NON-CURRENT ASSETS:	10.4	2.0
TOTAL ASSETS	**4,292.8**	**4,462.1**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	3,343.6	3,320.0
TOTAL CURRENT LIABILITIES	**3,343.6**	**3,320.0**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	126.1	148.0
TOTAL NON-CURRENT LIABILITIES	**126.1**	**148.0**
TOTAL LIABILITIES	**3,469.7**	**3,468.0**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0
RETAINED EARNINGS	823.1	994.1
TOTAL FUND EQUITY	**823.1**	**994.1**
TOTAL LIABILITIES & FUND EQUITY	**4,292.8**	**4,462.1**

(DOLLARS IN THOUSANDS)

OPERATIONS DATA

Budget Activity Summary	ACTUAL FY 2006	ESTIMATED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
OPERATING REVENUES:				
NET SALES	12,482.8	12,321.7	12,660.0	13,103.0
LESS: COST OF SALES				
GROSS PROFIT ON SALES	12,482.8	12,321.7	12,660.0	13,103.0
OTHER REVENUE				
NET REVENUES	**12,482.8**	**12,321.7**	**12,660.0**	**13,103.0**
LESS: OPERATING EXPENSES:				
SALARIES	724.5	789.5	818.1	849.3
SUPPLIES & EXPENSES	6,052.9	6,018.0	6,287.0	6,615.0
INDIRECT COSTS	321.9	360.0	373.0	386.0
AMORTIZATION & DEPRECIATION	3,692.1	4,800.0	4,968.0	5,141.9
TOTAL OPERATING EXPENSES	**10,791.4**	**11,967.5**	**12,446.1**	**12,992.2**
OPERATING INCOME (LOSS)	**1,691.4**	**354.2**	**213.9**	**110.8**
NON-OPERATING REVENUES (EXPENSES)	(275.2)	2.3	2.3	2.4
NET INCOME (LOSS)	1,416.2	356.5	216.2	113.2
BEGINNING RETAINED EARNINGS	3,610.4	5,027.7	5,384.2	5,600.4
PRIOR PERIOD ADJUSTMENT	1.1	0.0	0.0	0.0
ENDING RETAINED EARNINGS	5,027.7	5,384.2	5,600.4	5,713.6
RATE INCREASE/(DECREASE):	4.30%	3.50%	5.40%	4.80%
FTE	11.1	12.0	12.2	12.2

	FY 2008	FY 2009
Expenditure Reconciliation to BBS		
Operating Expenses	12,446.1	12,992.2
Less amortization & depreciation (non cash)	(4,968.0)	(5,141.9)
Plus interest expense and purchase of vehicles	6,175.0	6,306.0
Total cash payments	13,653.1	14,156.3
BBS Amounts - Financing by Fund		
Travel Management	13,653.0	14,156.0
Receipt Reconciliation to BBS		
Net Revenues	12,660.0	13,103.0
Interest Income from Non operating revenue/expenses	350.0	350.0
Sale of used vehicles and miscellaneous revenue	1,993.0	1,993.0
	15,003.0	15,446.0
BBS Amounts - Revenue Collected		
Travel Management	15,003.0	15,496.0

Note: Non-operating revenue/expenses also includes gains on sale of used vehicles (non-cash item).

ADMINISTRATION DEPT

Program: STATE AND COMMUNITY SERVICES Internal Service Fund

Activity: TRAVEL MANAGEMENT Financial Statement

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	1,451.7	1,668.0
OTHER CURRENT ASSETS	1,216.1	3,065.8
TOTAL CURRENT ASSETS	**2,667.8**	**4,733.8**
NON-CURRENT ASSETS:	18,128.6	18,009.4
TOTAL ASSETS	**20,796.4**	**22,743.2**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	3,500.0	5,000.0
MASTER LEASE - CURRENT	4,594.8	4,657.0
OTHER CURRENT LIABILITIES	1,057.8	1,100.0
TOTAL CURRENT LIABILITIES	**9,152.6**	**10,757.0**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	6,032.8	6,000.0
OTHER NON-CURRENT LIABILITIES	81.3	100.0
TOTAL NON-CURRENT LIABILITIES	**6,114.1**	**6,100.0**
TOTAL LIABILITIES	**15,266.7**	**16,857.0**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	502.0	502.0
RETAINED EARNINGS	5,027.7	5,384.2
TOTAL FUND EQUITY	**5,529.7**	**5,886.2**
TOTAL LIABILITIES & FUND EQUITY	**20,796.4**	**22,743.2**

ADMINISTRATION DEPT

Program: ADMINISTRATIVE MGMT SERVICES — Internal Service Fund

Activity: MATERIALS MGMT – SURPLUS OPERATIONS — Financial Statement

(DOLLARS IN THOUSANDS)

Budget Activity Summary	OPERATIONS DATA ACTUAL FY 2006	ESTIMATED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
OPERATING REVENUES:				
NET SALES	1,431.4	1,630.4	1,630.0	1,630.0
LESS: COST OF SALES	300.2	367.0	367.0	367.0
GROSS PROFIT ON SALES	1,131.2	1,263.4	1,263.0	1,263.0
OTHER REVENUE	0.0	0.0	0.0	0.0
NET REVENUES	**1,131.2**	**1,263.4**	**1,263.0**	**1,263.0**
LESS: OPERATING EXPENSES:				
SALARIES	445.2	466.4	511.0	529.0
SUPPLIES & EXPENSES	376.2	604.7	731.0	731.0
INDIRECT COSTS	19.4	36.6	37.0	37.0
AMORTIZATION & DEPRECIATION	53.3	69.5	69.5	69.5
TOTAL OPERATING EXPENSES	**894.1**	**1,177.2**	**1,348.5**	**1,366.5**
OPERATING INCOME (LOSS)	**237.1**	**86.2**	**(85.5)**	**(103.5)**
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	237.1	86.2	(85.5)	(103.5)
BEGINNING RETAINED EARNINGS	1,008.4	1,280.4	1,366.6	1,281.1
PRIOR PERIOD ADJUSTMENT	34.9	0.0	0.0	0.0
ENDING RETAINED EARNINGS	1,280.4	1,366.6	1,281.1	1,177.6
RATE INCREASE/(DECREASE):	0.00%	0.00%	3.00%	3.00%
FTE	7.9	8.3	8.3	8.3

	FY 2008	FY 2009
Expenditure Reconciliation to BBS		
Operating Expenses	1,348.5	1,366.5
Less amortization & depreciation (non cash)	(69.5)	(69.5)
Plus purchase of items for resale (cost of goods sold)	367.0	367.0
Total cash payments	1,646.0	1,664.0
BBS Amounts - Financing by Fund		
Materials Distribution (Portion of amount on fiscal page is for Coop)	1,646.0	1,664.0
Receipt Reconciliation to BBS		
Net Sales	1,630.0	1,630.0
BBS Amounts - Revenue Collected		
Materials Distribution (Portion of amount on fiscal page is for Coop)	1,630.0	1,630.0

	FINANCIAL DATA	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	887.9	923.8
OTHER CURRENT ASSETS	152.6	273.6
TOTAL CURRENT ASSETS	**1,040.5**	**1,197.4**
NON-CURRENT ASSETS:	622.7	552.0
TOTAL ASSETS	**1,663.2**	**1,749.4**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	43.6	43.6
TOTAL CURRENT LIABILITIES	**43.6**	**43.6**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	67.2	67.2
TOTAL NON-CURRENT LIABILITIES	**67.2**	**67.2**
TOTAL LIABILITIES	**110.8**	**110.8**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	272.0	272.0
RETAINED EARNINGS	1,280.4	1,366.6
TOTAL FUND EQUITY	**1,552.4**	**1,638.6**
TOTAL LIABILITIES & FUND EQUITY	**1,663.2**	**1,749.4**

ADMINISTRATION DEPT

Program: **ADMINISTRATIVE MGMT SERVICES** — Internal Service Fund

Activity: MANAGEMENT ANALYSIS — Financial Statement

(DOLLARS IN THOUSANDS)	OPERATIONS DATA			
Budget Activity Summary	**ACTUAL FY 2006**	**ESTIMATED FY 2007**	**PROJECTED FY 2008**	**PROJECTED FY 2009**
OPERATING REVENUES:				
NET SALES	1,640.8	1,782.1	1,856.4	1,930.7
LESS: COST OF SALES	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	1,640.8	1,782.1	1,856.4	1,930.7
OTHER REVENUE	0.0	0.0	0.0	0.0
NET REVENUES	**1,640.8**	**1,782.1**	**1,856.4**	**1,930.7**
LESS: OPERATING EXPENSES:				
SALARIES	1,268.6	1,459.8	1,519.3	1,578.7
SUPPLIES & EXPENSES	253.5	224.8	236.0	247.8
INDIRECT COSTS	40.2	69.0	72.5	76.1
AMORTIZATION & DEPRECIATION	0.0	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	**1,562.3**	**1,753.6**	**1,827.8**	**1,902.6**
OPERATING INCOME (LOSS)	**78.5**	**28.5**	**28.6**	**28.1**
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	78.5	28.5	28.6	28.1
BEGINNING RETAINED EARNINGS	127.0	205.5	234.0	262.6
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	205.5	234.0	262.6	290.7
RATE INCREASE/(DECREASE):	12.00%	4.00%	4.17%	4.00%
FTE	15.8	19.2	19.2	19.2

Expenditure Reconciliation to BBS		
Operating Expenses	1,827.8	1,902.6
Less amortization & depreciation (non cash)	0.0	0.0
Total cash payments	1,827.8	1,902.6
BBS Amounts - Financing by Fund		
Management Analysis	1,828	1,903
Receipt Reconciliation to BBS		
Net Revenues	1,856.4	1,930.7
Interest Income from Non operating revenue/expenses	0.0	0.0
Total cash receipts	1,856.4	1,930.7
BBS Amounts - Revenue Collected		
Management Analysis	1,856	1,931

ADMINISTRATION DEPT

Program: ADMINISTRATIVE MGMT SERVICES Internal Service Fund

Activity: MANAGEMENT ANALYSIS Financial Statement

	* FINANCIAL DATA *	
	ACTUAL FY 2006	ESTIMATED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	172.4	39.4
OTHER CURRENT ASSETS	245.3	366.7
TOTAL CURRENT ASSETS	**417.7**	**406.1**
NON-CURRENT ASSETS:		
TOTAL ASSETS	**417.7**	**406.1**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0
OTHER CURRENT LIABILITIES	77.0	81.2
TOTAL CURRENT LIABILITIES	**77.0**	**81.2**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0
OTHER NON-CURRENT LIABILITIES	135.2	90.9
TOTAL NON-CURRENT LIABILITIES	**135.2**	**90.9**
TOTAL LIABILITIES	**212.2**	**172.1**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0
RETAINED EARNINGS	205.5	234.0
TOTAL FUND EQUITY	**205.5**	**234.0**
TOTAL LIABILITIES & FUND EQUITY	**417.7**	**406.1**

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
	Dollars in Thousands				
Non Dedicated Revenue:					
Departmental Earnings (Inter-Agency):					
General	138	169	171	172	343
Grants:					
General	3,529	7,236	0	0	0
Other Revenues:					
General	1,142	5,070	0	0	0
Other Sources:					
General	1	0	0	0	0
Taxes:					
General	129	0	0	0	0
Total Non-Dedicated Receipts	**4,939**	**12,475**	**171**	**172**	**343**
Dedicated Receipts:					
Departmental Earnings (Inter-Agency):					
Misc Special Revenue	3,076	3,328	3,931	4,251	8,182
Risk Management	10,410	10,916	11,662	12,645	24,307
Plant Management	52,728	62,810	63,369	63,833	127,202
Documents And Publications	1,562	1,769	1,822	1,877	3,699
Management Analysis	1,176	1,373	1,406	1,450	2,856
Central Motor Pool	12,648	12,265	12,693	13,136	25,829
Central Stores	6,385	7,123	7,265	7,411	14,676
Materials Distribution	7,013	7,723	8,047	8,348	16,395
Central Mailing	877	815	844	869	1,713
Departmental Earnings:					
Misc Special Revenue	503	795	705	706	1,411
Grants:					
General	2,200	0	0	0	0
Federal	1,830	2,604	1,837	1,623	3,460
Other Revenues:					
General	1	0	0	0	0
Misc Special Revenue	597	570	603	104	707
Federal	41	40	8	0	8
Risk Management	722	880	880	880	1,760
Gift	20	8	4	4	8
Plant Management	62	49	38	40	78
Management Analysis	422	380	450	481	931
Central Motor Pool	2,211	2,260	2,310	2,360	4,670
Materials Distribution	143	118	121	125	246
Central Mailing	7,626	7,450	7,670	7,900	15,570
Other Sources:					
Misc Special Revenue	598	2,715	1,515	1,515	3,030
Total Dedicated Receipts	**112,851**	**125,991**	**127,180**	**129,558**	**256,738**
Agency Total Revenue	**117,790**	**138,466**	**127,351**	**129,730**	**257,081**

	PAGE

➲ Designates that this item is a change item

Agency Purpose

The legislature created the Office of Administrative Hearings (OAH) in 1976 as an independent executive branch agency responsible for providing citizens with administrative hearings whenever state or local laws give them the right to challenge state or local government action that adversely affects them. Over the years, OAH has acquired additional responsibilities, including:

- ensuring that state agency rulemaking and rulemaking proceedings conform to requirements of the law;
- conducting workers' compensation benefit hearings and alternative dispute resolution services in its Worker's Compensation Division; and
- conducting administrative hearings to adjudicate complaints alleging violations of laws regulating election campaign practices.

At A Glance

Annual Business Processes:

- Service to more than 80 state agencies and 40 local governmental units.
- 560 administrative rulemaking and contested case proceedings per year.
- 8,039 workers' compensation matters settled per year.
- 2,102 workers' compensation claim petitions and benefit requests adjudicated per year.
- 378 municipal boundary adjustments totaling 56,469 acres in 62 different counties.

An executive order in February 2005 also transferred the state's Municipal Boundary Adjustment Unit and its statutory functions from the Department of Administration to OAH.

Core Functions

The agency's two operating divisions and one operating unit provide a variety of dispute resolution services to parties involved with administrative hearings and workers' compensation benefit claims, namely:

- providing persons adversely affected by state or local government actions with full and fair opportunities to be heard and to challenge those actions;
- ensuring that agency rules and rulemaking proceedings conform to the law and allowing the widest possible public participation in the formulation of agency rules;
- providing injured workers, their employers, and workers' compensation insurers with prompt and impartial resolutions of claims for workers' compensation benefits;
- encouraging and assisting disputing parties to resolve their differences through settlement, arbitration, and mediation; and
- acting on petitions for orders for creation or dissolution of municipalities or for alterations of municipal boundaries through consolidation, annexation, or detachment of real property.

Operations

The Administrative Law Division meets the administrative hearing needs of most state agencies and a number of local governments. Upon request, they also provide arbitration and mediation services to those agencies and political subdivisions. Administrative hearings include such diverse matters as proceedings before the Minnesota Public Utilities Commission, disciplinary proceedings against practitioners brought by various health professional licensing boards, and appeals of sex offender risk level determinations. Administrative law judges also review all proposed agency rules and amendments for legality, necessity, and reasonableness and conduct public rule hearings when required. The legislature has also given the Administrative Law Division the authority and responsibility for conducting proceedings to resolve complaints of violations of Minnesota's Fair Campaign Practices Act.

The Municipal Boundary Adjustment Unit administers the uniform system of municipal boundary adjustments required by M.S. Chapter 414. The Assistant Chief Administrative Law Judge (Administrative Law), under a delegation of authority from the Chief Administrative Law Judge, issues order on petitions for creation or dissolution of municipalities or for alterations of municipal boundaries through consolidation, annexation, or detachment of real property.

The compensation judges assigned to the agency's Workers' Compensation Division are responsible for conducting most pre-trial and all trial level functions associated with the disposition of claim petitions for workers' compensation benefits. Those functions include disposing of motions, conducting settlement and pre-trial conferences, conducting trials, and issuing awards and final decisions.

Key Measures

Key Measures	Statutory Standard	2004	2006
⇒ Average time for Administrative Law Judges to issue final decisions/recommendations after the record closes.	90 days	16.0 days	20.9 days
⇒ Average time for compensation judges to issue final decisions after the record closes.	60 days	36.9 days	34.5 days
⇒ Average time for compensation judges to issue orders on requests for discontinuance of benefits.	5 days	2.8 days	3.9 days
⇒ Average time for compensation judges to issue orders for medical or rehabilitation requests.	30 days	13.2 days	24.7 days
⇒ Percent of attorneys and parties who rated OAH judges as “excellent” or “good” in each of 21 categories. (See OAH web site for more information on this survey.)	NA	80%	†

† Last survey conducted in FY 2002. Next survey scheduled for FY 2007.

Budget

OAH currently maintains a staff of 84.5 full-time equivalent positions, and its FY 2006-07 biennial budget totals $17.3 million. The Administrative Law Division has a $2.9 million biennial budget, which is funded by a special revenue revolving fund. Deposits into that fund are collected from state agencies and local governments through hourly charges for administrative law judges and staff attorneys. That division also receives a $65,000 annual appropriation from the General Fund to the general account of the state elections campaign fund. The Municipal Boundary Adjustment Unit currently receives a $262,000 annual appropriation from the General Fund. The Workers’ Compensation Division has a $14.5 million biennial budget funded by an appropriation by the legislature from the state’s workers’ compensation special compensation fund.

Contact

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	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	262	262	262	262	524
Recommended	**262**	**262**	**281**	**285**	**566**
Change		0	19	23	42
% Biennial Change from 2006-07					8%
Workers Compensation					
Current Appropriation	7,452	7,358	7,358	7,358	14,716
Recommended	**7,452**	**7,358**	**7,540**	**7,250**	**14,790**
Change		0	182	(108)	74
% Biennial Change from 2006-07					-0.1%
Expenditures by Fund					
Direct Appropriations					
General	243	283	281	285	566
Misc Special Revenue	13	66	65	65	130
Workers Compensation	7,203	7,607	7,540	7,250	14,790
Statutory Appropriations					
Administrative Hearings	1,608	1,936	1,803	1,799	3,602
Workiers Comp Transcript	0	9	9	9	18
Total	**9,067**	**9,901**	**9,698**	**9,408**	**19,106**
Expenditures by Category					
Total Compensation	7,316	7,861	7,937	7,941	15,878
Other Operating Expenses	1,751	2,040	1,761	1,467	3,228
Total	**9,067**	**9,901**	**9,698**	**9,408**	**19,106**
Expenditures by Program					
Administrative Hearings	9,067	9,901	9,698	9,408	19,106
Total	**9,067**	**9,901**	**9,698**	**9,408**	**19,106**
Full-Time Equivalents (FTE)	**83.8**	**83.8**	**84.8**	**84.8**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**262**	**262**	**262**	**524**
Subtotal - Forecast Base	**262**	**262**	**262**	**524**
Change Items				
Munic. Bound. Unit Rent and Supervision	0	14	14	28
Compensation Adjustment	0	5	9	14
Total Governor's Recommendations	**262**	**281**	**285**	**566**
Fund: WORKERS COMPENSATION				
FY 2007 Appropriations	**7,358**	**7,358**	**7,358**	**14,716**
Technical Adjustments				
Current Law Base Change		49	(241)	(192)
Subtotal - Forecast Base	**7,358**	**7,407**	**7,117**	**14,524**
Change Items				
Additional Judge Position for WC Div	0	133	133	266
Total Governor's Recommendations	**7,358**	**7,540**	**7,250**	**14,790**
Fund: ADMINISTRATIVE HEARINGS				
Planned Statutory Spending	**1,936**	**1,803**	**1,799**	**3,602**
Total Governor's Recommendations	**1,936**	**1,803**	**1,799**	**3,602**
Fund: WORKIERS COMP TRANSCRIPT				
Planned Statutory Spending	**9**	**9**	**9**	**18**
Total Governor's Recommendations	**9**	**9**	**9**	**18**

Change Item: Munic. Bound. Unit Rent & Supervision

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$14	$14	$14	$14
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$14	$14	$14	$14

Recommendation

The Governor recommends an increase of $14,000 in FY 2008 and $14,000 in FY 2009 from the General Fund for the Office of Administrative Hearings (OAH) to provide for increased rent costs for the Municipal Boundary Adjustment Unit, and to provide for a portion of the Assistant Chief Administrative Judge's salary for unit supervision.

Background

In the last biennium, the Municipal Boundary Adjustment Unit (MBAU) was transferred out of the Department of Administration (Admin) into the OAH. This unit, with 3 FTE and a base budget of $524,000 per biennium, is the only portion of OAH that is funded out of the General Fund.

In the last session, the legislature appropriated funds from the Worker's Compensation Fund to allow OAH to move their main offices from leased space in downtown Minneapolis to vacant space in the Stassen Building. At the same time, OAH plans to move the offices of the MBAU from the Centennial Building to the Stassen Building, to enable all divisions to be housed together. Rent for the MBAU will rise approximately $2,000 per fiscal year as a result of this move.

With the transfer of this unit to OAH, the Assistant Chief Administrative Law Judge has taken on the supervision of the Municipal Boundary Adjustment (MBA) functions. This unit conducts hearings regarding city boundary changes and annexations in much the same was as the Administrative Law Division, but receives General Fund dollars instead of the internal service funding supporting the Administrative Law Division. The Assistant Chief Administrative Law Judge allocates about 10% of his time to this unit supervision, and requested funding of $12,000 per fiscal year will cover that cost.

Relationship to Base Budget

The base budget for the MBAU is $524,000 for the FY 2008-09 biennium, and this proposal represents a 5% increase.

Key Measures

The relocation of this unit into the Stassen building will enable better coordination with the Administrative Law Division. Supervision of the unit as part of the Administrative Law Division will improve efficiency and avoid duplication of administrative, alternative dispute resolution and hearing functions.

Statutory Change: Not Applicable

Change Item: Additional Judge Position for WC Div

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	133	133	133	133
Revenues	0	0	0	0
Net Fiscal Impact	$133	$133	$133	$133

Recommendation

The Governor recommends increasing the staff of the Office of Administrative Hearing's Workers' Compensation Division by one compensation judge full-time employee (FTE) at a cost of $133,000 per fiscal year. The increase is necessary to bring staffing levels in line with caseload and to avoid unnecessary delays in adjudicating workers' compensation benefits claims. This change will result in only very marginal increases in the assessments made by the Commissioner of Labor and Industry on workers' compensation insurers and self-insured employers who fund the Special Compensation Fund.

Background

Changes in the 1995 legislation made to the state's workers' compensation system reduced the number of workers' compensation cases in which the Office of Administrative Hearings (OAH) conducted hearings by 29.8% between FY 1997 and FY 2003 (1,240 hearings in FY 1997 versus 870 in FY 2003). In FY 1997, OAH had a total of 36 compensation judges. Six compensation judges were subsequently lost through attrition between FY 1998 and FY 2002. A 10% reduction in OAH's special compensation fund appropriation for FY 2004-05 required elimination of six additional compensation judge positions through mandatory retirement or layoff. Thus, there has been a 33% reduction of compensation judges between FY 1997 and FY 2004, but less of a reduction in hearing activity.

The overall reduction of 12 judge positions has left OAH in a difficult position to address the now rising number of cases. The result is that the average time to issue decisions has lengthened considerably since FY 2002. In the Settlement Division, which reviews medical requests, the number of days to issuance of a decision has lengthened from 9.8 days in FY 2002, to 20.8 days in FY 2006. Hearing Division Judges, which deal with more complex cases and conducts formal hearings, are currently scheduling their cases six months out, and may have to push these dates out beyond six months, the currently mandated time limit.

Relationship to Base Budget

The current Worker's Compensation Division base budget for the FY 2008-09 biennium is $14,524,000. This proposal represents a 1.8% increase.

Key Measures

The impact of this change can be measured quantitatively by data on average time to issue decisions. Of particular concern is the lengthening average number of days to issuance of decision on medical cases: in FY 2002, the number was 9.8 days to issuance, and in FY 2006 the average had lengthened to 20.8 days. With an additional judge, it is expected that this average can again approach the FY 2002 level.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$5	$9	$9	$9
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5	$9	$9	$9

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps, and progression in existing collective bargaining agreements, and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services (DHS) and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections (DOC) and the State Patrol Division in the Department of Public Safety (DPS), the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	Dollars in Thousands				
	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	55	53	53	53	106
Total Non-Dedicated Receipts	**55**	**53**	**53**	**53**	**106**
Dedicated Receipts:					
Departmental Earnings:					
Administrative Hearings	1,585	1,770	1,781	1,781	3,562
Workiers Comp Transcript	6	6	6	6	12
Total Dedicated Receipts	**1,591**	**1,776**	**1,787**	**1,787**	**3,574**
Agency Total Revenue	**1,646**	**1,829**	**1,840**	**1,840**	**3,680**

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➲ Designates that this item is a change item

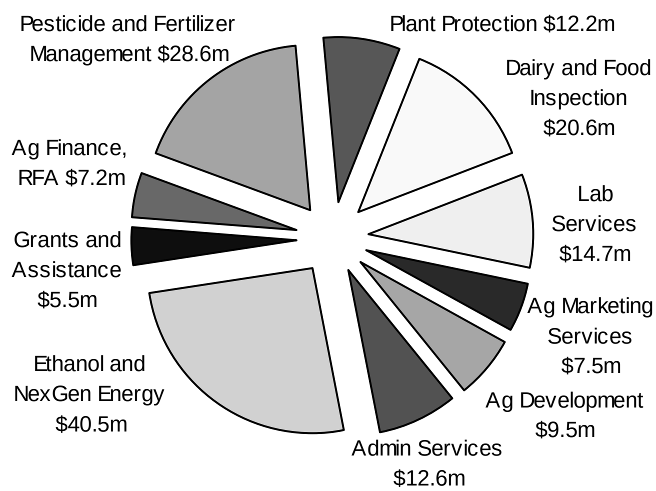
January 22, 2007

To the 2007 Legislature

On behalf of Governor Pawlenty, I am pleased to submit the budget recommendation for the Minnesota Department of Agriculture (MDA) for the 2008-09 biennium. This budget includes $93.5 million from the state General Fund, $35.2 million from the Agricultural Fund (money collected from ag-related fees), $12 million in Federal money and $18.2 million from a variety of other sources. This budget is 7.6% larger than 2006-07 spending and 13.1% larger than the 2008-2009 forecast base level.

This budget represents a strongly renewed commitment to Minnesota's agricultural economy by encouraging significant new investment in the next generation of energy development. The NexGen Initiative is designed to spur the development of facilities to produce fuels derived from biomass or cellulosic materials such as grasses, wood products, straw, and corn stover. As the ethanol producer payment program ends its ten-year cycle soon, the NexGen initiative looks to the next wave of successful energy-producing businesses benefiting more rural producers and more areas of the state. The Governor's budget proposes $10 million from the General Fund for this initiative, on top of the $30 million currently budgeted for the ethanol program. NexGen is a multi-agency initiative in which the MDA, ag communities and ag industries can work together with other agencies and groups to provide exciting new growth for the state's economy.

Department of Agriculture
$158.9 million 2008-09 Budget



The Governor's General Fund budget also adds $4.5 million to advance the Clean Water Legacy initiative. Building on the work of previous years, this initiative includes $1.25 million per year for the Ag Best Management Practices loan program and $1 million per year for impaired waters research and scientific advice. Clean Water Legacy is another multi-agency initiative, which will provide significant benefits to the entire state.

Looking out for the state's waters is only one way the MDA addresses its core protection function. MDA's protection programs span the range of activities from the farm to your family. Because both natural and man-made threats have increased in recent years, the Governor's budget provides funding to keep our protection programs strong. This budget includes an initiative to bolster the state's ability to keep harmful invasive species out of the state. The budget includes an initiative to improve the responsiveness of food inspection activities by collecting inspection information electronically. Also included are initiatives on emergency management and premise identification that will help provide needed planning and preparation work so if emergencies do arise, whether they are natural or man-made, we will be able to react quickly and effectively.

In all these ways and more, this budget will allow MDA to continue to work to make agriculture in Minnesota a safe, diverse, economically strong industry that enhances the lives of all Minnesotans. We look forward to discussing our budget, our programs and our mission with you as the session proceeds.

Sincerely,

Gene Hugoson
Commissioner

Agency Purpose

The mission of the Minnesota Department of Agriculture (MDA) is to work toward a diverse agricultural industry that is profitable and environmentally sound; to protect public health and safety regarding food and agricultural products; and to ensure orderly commerce in agriculture and food products.

From the farm to your family, the MDA ensures that Minnesota agricultural products used in production or available for consumption meet or exceed regulatory standards. These standards are set by state and federal laws that ensure the quality of products and the safety of food. The MDA also helps sustain and enhance the economic and environmental conditions of the agricultural sector in a number of ways. Since Minnesota produces more food and agricultural products than its citizens can consume, it must focus on marketing strategies that encourage exports to other states and countries. The MDA plays a lead role in helping the state's farmers and agricultural businesses build trade relationships with potential customers in other states and countries.

At A Glance

Why is agriculture vital to 21st century Minnesota? In addition to providing us with the world's most abundant and wholesome food supply, agriculture remains a cornerstone industry.

- Agriculture and its related industries account for approximately 15% of all Minnesota jobs, making it the second largest economic sector in the state.
- Over 80% of all agricultural jobs are off-farm, in processing, distribution, supply, and service activities.
- Exports of farm products bring in more than $2 billion to the state each year.
- Minnesota is the fifth largest exporter of agricultural products among the states, leading in turkey exports and ranking in the top ten in milk, soybeans, pork and other commodities.
- More than half of the state's total land area is farmland.

MDA works to help ensure that all this activity remains orderly, safe, and profitable.

Core Functions

The Protection Services Program provides regulatory oversight for agricultural products from the farm to retail stores. Many of these regulatory activities touch consumers' everyday lives. For example, the MDA protects consumers by inspecting food and dairy products, dairy farms, food processing facilities, grocery stores, and even food stands at the Minnesota State Fair. The MDA also regulates, inspects and analyzes animal feed, fertilizers and pesticides; it performs laboratory analysis on food products; and inspects grain and fresh produce moving into or out of Minnesota. The MDA helps protect the environment by monitoring surface and ground water for possible contaminants and by preventing the establishment of destructive tree and plant pests such as gypsy moth and emerald ash borer.

The Agricultural Marketing and Development Services Program helps sustain and enhance farmers' economic and environmental well-being through a number of services. The program develops and tests new farming practices that help minimize environmental impacts, educates farmers about these practices and encourages their implementation with education and technical assistance. It gives farmers updated information on plant pests during the growing season, helping them determine how and when to take action to protect their crops. The program also helps the state's agricultural community expand existing markets and develop new markets for Minnesota agricultural products. This includes developing international trade opportunities, offering educational programs on risk management, and encouraging value-added activities.

The Ethanol Producer Payment Program was authorized by the 1986 legislature. Currently ten ethanol plants located throughout Minnesota are eligible to receive producer payments. M.S. 41A.09 contains the formula for producer payments. Each plant submits a quarterly report of gallons of ethanol produced. These reports are independently audited, and payments are made in accordance with statute.

The Administration and Financial Assistance Program provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers financial assistance to producers. This program provides overall leadership and coordination of agency efforts. It coordinates communication with internal and external stakeholders including farmers, media, and other government bodies. It provides fiscal oversight to the department and provides important information on employment and benefits to employees. Producers use the statistical information gathered by our joint federal/state division of Ag Statistics to learn about important trends in their industry. The Ag Stats program produces publications that provide valuable information on crop conditions and production statistics and forwards information on Minnesota agriculture to the U.S. Department of Agriculture (USDA). Producers and rural lenders benefit from the Rural Finance Authority loan programs. These loans help beginning farmers get started and they help producers upgrade existing production facilities.

Operations

The department's main office is at 625 Robert Street North, in St. Paul. However, since most of the regulatory and promotion services we provide require face to face contact with our farmers, producers, and consumers, almost half of our staff is scattered throughout the state in the areas they serve. Our inspectors are responsible for on-site inspections of facilities. These inspections ensure that the agricultural products and processes meet applicable standards for quality and integrity. For example, the fertilizer we use on our lawns must meet quality standards just as the fertilizer used in production agriculture. The pesticides we use in our homes are regulated just as those used by farmers. Milk is inspected at many points, from the farm to the milk plant to our supermarkets. Sustainable agricultural practices, such as biological control of weeds and pests, benefit not only the farmers but the shoppers in urban shopping malls.

In addition to ensuring the safety and integrity of products, the department helps farmers and agribusinesses market those products in an increasingly competitive global marketplace. The MDA encourages value-added activities and the development of new domestic markets for existing agriculture products, and it works with other state offices to stimulate international exports of Minnesota-grown agricultural products. This is done to help keep Minnesota's agricultural community competitive in the world marketplace.

Budget

The MDA budget comes from multiple funds. These funds include the General Fund for operations and for ethanol producer payments, dedicated revenue funds, federal funds, and loan funds.

Over half of all money expended is appropriated from the General Fund. Of this amount, approximately 40% is for ethanol producer payments. Most of the balance supports agency program operations.

Dedicated funds spent by the MDA (Special Revenue and Ag Fund) provide operational costs for various programs. These funds recover of the costs of services provided.

Some regulatory programs collect various fees that defray the cost of services to the General Fund. These fees are deposited to the General Fund as non-dedicated revenues.

MDA continues to apply for federal funds that complement our area of programmatic responsibility.

MDA also administers several agricultural loan programs. Funding for these loan programs is provided through a variety of sources that include user financed bonds.

Contact

For additional policy information, please contact Quinn Cheney, Director of Policy Development at (651) 201-6180 or Quinn.Cheney@state.mn.us. For more budget details, please contact Steve Ernest, Financial Management Director, at (651) 201-6580 or Steve.Ernest@state.mn.us.

MDA's web site is www.mda.state.mn.us Our web site contains additional information on each of the divisions in the agency, licensing information, food recalls information, and more. For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	300	300	300	300	600
Recommended	**300**	**300**	**0**	**0**	**0**
Change		0	(300)	(300)	(600)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	39,926	39,970	39,970	39,970	79,940
Recommended	**39,926**	**39,970**	**46,640**	**46,874**	**93,514**
Change		0	6,670	6,904	13,574
% Biennial Change from 2006-07					17%
Remediation Fund					
Current Appropriation	388	388	388	388	776
Recommended	**388**	**388**	**388**	**388**	**776**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	92	540	0	0	0
General	37,924	40,705	46,640	46,874	93,514
Remediation Fund	388	388	388	388	776
Statutory Appropriations					
Clean Water Revolving Fund	4,984	1,405	2,360	2,802	5,162
Misc Special Revenue	2,852	3,448	3,447	3,516	6,963
Agriculture Fund	18,688	19,843	17,562	17,689	35,251
Federal	4,394	6,561	6,073	6,001	12,074
Remediation Fund	934	1,902	2,352	2,373	4,725
Rural Finance Administration	252	1,148	148	148	296
Miscellaneous Agency	40	6	56	6	62
Gift	88	124	46	46	92
Total	**70,636**	**76,070**	**79,072**	**79,843**	**158,915**
Expenditures by Category					
Total Compensation	27,596	31,208	31,630	32,436	64,066
Other Operating Expenses	17,945	21,730	20,465	19,934	40,399
Payments To Individuals	538	796	746	748	1,494
Local Assistance	18,767	18,341	21,972	22,014	43,986
Other Financial Transactions	5,790	3,995	4,079	4,531	8,610
Transfers	0	0	180	180	360
Total	**70,636**	**76,070**	**79,072**	**79,843**	**158,915**
Expenditures by Program					
Protection Services	31,890	36,688	37,984	38,134	76,118
Promotion & Marketing	6,088	9,217	8,501	8,506	17,007
Value-Added Ag Products	17,388	16,625	20,268	20,268	40,536
Admin & Financial Assistance	15,270	13,540	12,319	12,935	25,254
Total	**70,636**	**76,070**	**79,072**	**79,843**	**158,915**
Full-Time Equivalents (FTE)	**416.0**	**408.7**	**408.5**	**407.9**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2007 Appropriations	**300**	**300**	**300**	**600**
Technical Adjustments				
One-time Appropriations		(300)	(300)	(600)
Subtotal - Forecast Base	**300**	**0**	**0**	**0**
Total Governor's Recommendations	**300**	**0**	**0**	**0**
Fund: GENERAL				
FY 2007 Appropriations	**39,970**	**39,970**	**39,970**	**79,940**
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
One-time Appropriations		(2,400)	(2,400)	(4,800)
Subtotal - Forecast Base	**39,970**	**37,570**	**37,570**	**75,140**
Change Items				
Invasive Species Exclusion and Pest Mgmt	0	366	373	739
Emergency Planning and Response	0	120	123	243
Premise Identification and Recordkeeping	0	141	143	284
Meat Inspection Program Field Inspector	0	90	92	182
Electronic Field Inspection System	0	346	205	551
Laboratory Building Rental Cost Increase	0	426	515	941
Minnesota Grown Program	0	65	65	130
NexGen BioEnergy Initiative	0	5,000	5,000	10,000
Clean Water Legacy	0	2,250	2,250	4,500
Compensation Adjustment	0	266	538	804
Total Governor's Recommendations	**39,970**	**46,640**	**46,874**	**93,514**
Fund: REMEDIATION FUND				
FY 2007 Appropriations	**388**	**388**	**388**	**776**
Subtotal - Forecast Base	**388**	**388**	**388**	**776**
Total Governor's Recommendations	**388**	**388**	**388**	**776**

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: CLEAN WATER REVOLVING FUND				
Planned Statutory Spending	**1,405**	**2,360**	**2,802**	**5,162**
Total Governor's Recommendations	**1,405**	**2,360**	**2,802**	**5,162**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**3,448**	**3,447**	**3,516**	**6,963**
Total Governor's Recommendations	**3,448**	**3,447**	**3,516**	**6,963**
Fund: AGRICULTURE FUND				
Planned Statutory Spending	**19,843**	**17,537**	**17,663**	**35,200**
Change Items				
Retail Food Handler Plan Review	0	13	13	26
Minnesota Grown Program	0	12	13	25
Total Governor's Recommendations	**19,843**	**17,562**	**17,689**	**35,251**
Fund: FEDERAL				
Planned Statutory Spending	**6,561**	**6,073**	**6,001**	**12,074**
Total Governor's Recommendations	**6,561**	**6,073**	**6,001**	**12,074**
Fund: REMEDIATION FUND				
Planned Statutory Spending	**1,902**	**2,352**	**2,373**	**4,725**
Total Governor's Recommendations	**1,902**	**2,352**	**2,373**	**4,725**
Fund: RURAL FINANCE ADMINISTRATION				
Planned Statutory Spending	**1,148**	**148**	**148**	**296**
Total Governor's Recommendations	**1,148**	**148**	**148**	**296**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**6**	**56**	**6**	**62**
Total Governor's Recommendations	**6**	**56**	**6**	**62**
Fund: GIFT				
Planned Statutory Spending	**124**	**46**	**46**	**92**
Total Governor's Recommendations	**124**	**46**	**46**	**92**

Revenue Change Items

Fund: AGRICULTURE FUND				
Change Items				
Aquatic Pest Control Licenses	0	(2)	(2)	(4)
Retail Food Handler Plan Review	0	13	13	26
Minnesota Grown Program	0	12	13	25

Program Description

The purpose of the Protection Services Program is to protect the state's citizens and environment by ensuring the quality, integrity, and safety of agricultural and horticultural products that are produced and used in Minnesota.

Budget Activities

⇒ Pesticide and Fertilizer Management
⇒ Plant Protection
⇒ Dairy and Food Inspection
⇒ Laboratory Services

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	100	100	100	100	200
Technical Adjustments					
One-time Appropriations			(100)	(100)	(200)
Subtotal - Forecast Base	100	100	0	0	0
Total	**100**	**100**	**0**	**0**	**0**
General					
Current Appropriation	10,414	10,440	10,440	10,440	20,880
Technical Adjustments					
Approved Transfer Between Appr			1,307	1,307	2,614
Subtotal - Forecast Base	10,414	10,440	11,747	11,747	23,494
Governor's Recommendations					
Invasive Species Exclusion and Pest Mgmt		0	263	267	530
Emergency Planning and Response		0	120	123	243
Premise Identification and Recordkeeping		0	141	143	284
Meat Inspection Program Field Inspector		0	90	92	182
Electronic Field Inspection System		0	346	205	551
Laboratory Building Rental Cost Increase		0	426	515	941
Clean Water Legacy		0	1,000	1,000	2,000
Compensation Adjustment		0	156	315	471
Total	**10,414**	**10,440**	**14,289**	**14,407**	**28,696**
Remediation Fund					
Current Appropriation	388	388	388	388	776
Subtotal - Forecast Base	388	388	388	388	776
Total	**388**	**388**	**388**	**388**	**776**
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	13	187	0	0	0
General	10,174	11,983	14,289	14,407	28,696
Remediation Fund	388	388	388	388	776
Statutory Appropriations					
Misc Special Revenue	3	13	3	3	6
Agriculture Fund	17,093	17,306	16,237	16,280	32,517
Federal	3,285	4,909	4,715	4,683	9,398
Remediation Fund	934	1,902	2,352	2,373	4,725
Total	**31,890**	**36,688**	**37,984**	**38,134**	**76,118**
Expenditures by Category					
Total Compensation	19,695	21,720	22,041	22,456	44,497
Other Operating Expenses	12,102	14,968	15,944	15,679	31,623
Other Financial Transactions	93	0	0	0	0
Transfers	0	0	(1)	(1)	(2)
Total	**31,890**	**36,688**	**37,984**	**38,134**	**76,118**

	Dollars in Thousands				
	Current		**Governor Recomm.**		**Biennium**
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Expenditures by Activity					
Pesticide & Fertilizer Mgmt	11,087	13,454	14,230	14,374	28,604
Plant Protection	7,127	6,408	6,079	6,126	12,205
Dairy & Food Inspection	8,075	9,909	10,373	10,243	20,616
Laboratory Services	5,601	6,917	7,302	7,391	14,693
Total	**31,890**	**36,688**	**37,984**	**38,134**	**76,118**
Full-Time Equivalents (FTE)	**303.9**	**284.5**	**282.3**	**282.2**	

Activity Description

Pesticide and Fertilizer Management (PFM) regulates pesticides and fertilizers, including any matter relating to registration, labeling, distribution, sale, handling, use, application, or disposal. This encourages fair competition and quality assurances for customers, as well as environment and human health protection. To accomplish this responsibility the division utilizes a range of regulatory and voluntary programs.

Population Served

All citizens of the state, producers, and agricultural industries benefit from PFM activities. PFM activities directly affect agriculture, and help provide protection of Minnesota's land and water resources. A significant amount of the regulated activities occur in urban areas since pesticide and fertilizer statutes apply equally to all lands and buildings, whether they have commercial, residential, public or any other use. The division works directly with other states and countries to facilitate uniform regulatory programs.

Services Provided

PFM has responsibilities in three categories:

- traditional pesticide and fertilizer regulation;
- water quality protection; and
- pesticide and fertilizer emergency response and remediation.

Activity at a Glance

During Fiscal Year 2006, PFM:

- Collected 230,952 pounds of waste pesticides
- Issued 28,000 pesticide licenses or certificates
- Permitted over 1,100 chemigation sites
- Registered 11,000 pesticide products
- Collected approximately 900 pesticide/water quality samples
- Provided $1,242,418 in agricultural chemical cleanup reimbursement
- Permitted 631 agricultural chemical storage sites
- Certified 50 manure testing laboratories
- Responded to over 300 agricultural incidents such as chemical spills and anhydrous ammonia releases
- Conducted 73 nitrate clinics in 32 counties and analyzed 2,959 water samples on site
- Surveyed over 4,000 producers and 1.8 million acres of corn, soybeans, wheat and hay for pesticide use
- Conducted approximately 900 pesticide investigations

Regulatory strategies include education, training, monitoring, licensing, permitting, and promotion of voluntary practices along with inspection, investigation, and enforcement actions. In addition, the PFM division promotes voluntary best management practices (BMPs) for the protection of water quality.

The traditional mission of the division has been to ensure that pesticides and fertilizers were properly labeled and met legal criteria. This provided fair competition for the industry and guaranteed product quality for farmers and consumers. This mission is still important, but there is an increasing emphasis on water quality protection, product use and sale in urban areas. All tasks have become increasingly complex.

The division conducts a variety of fixed facility inspections for pesticides and fertilizers. Products are registered and individuals, sites and companies are certified, licensed or permitted. Education and compliance workshops update and communicate legal requirements or voluntary practices to clientele. Ground and surface water quality are extensively monitored. The division administers remediation and response to agricultural chemical incidents utilizing state superfund or an industry-supported funding program. Additionally, the division facilitates property transfers by the oversight of environmental site assessments.

Historical Perspective

Since the mid 1980s, environmental concerns regarding pesticides and fertilizers have greatly increased. The revision of the Minnesota Pesticide Control Law in 1987 and the passage of the Comprehensive Groundwater Protection Act of 1989 resulted in significant and broad new responsibilities for the division. Programs such as waste pesticide collection, emergency response, superfund, agricultural chemical cleanup reimbursement, water quality monitoring, and increased applicator licensing and certification of applicators added not only a heavy workload but a changed focus to the services provided by the division. These programs also require highly technical and scientifically based regulatory action.

In late 2005, the Minnesota Department of Agriculture (MDA) reorganized. Pesticide and fertilizers programs, formerly a significant component of the Agronomy and Plant Protection Division were separated into a single division and renamed the Pesticide and Fertilizer Management (PFM) division.

MDA has been a leader in developing programs that respond effectively to new challenges. Programs such as the Agriculture Chemical Response and Reimbursement Account (ACRRA) program, waste pesticide collections, ground and surface water monitoring programs are nationally recognized for their effectiveness and innovation.

Key Measures

Performance measures used to evaluate effectiveness are:

- the division will develop real-time electronic data sharing capability by making forms and databases available through the internet to interested parties and regulated clientele.

Activity Funding

This activity receives the majority of its funding from pesticide and fertilizer fee revenues, deposited in and statutorily appropriated for their dedicated uses from the Agricultural Fund.

Contact

For additional information on this activity, please contact Greg Buzicky, Division Director, at (651) 201-6639 or Greg.Buzicky@state.mn.us

Information on programs and staff can be found at the MDA web site www.mda.state.mn.us.

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Activity: PESTICIDE & FERTILIZER MGMT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	13	187	0	0	0
General	718	761	1,897	2,056	3,953
Remediation Fund	388	388	388	388	776
Statutory Appropriations					
Agriculture Fund	8,437	9,356	8,807	8,807	17,614
Federal	597	860	786	750	1,536
Remediation Fund	934	1,902	2,352	2,373	4,725
Total	**11,087**	**13,454**	**14,230**	**14,374**	**28,604**
Expenditures by Category					
Total Compensation	5,136	6,138	6,416	6,710	13,126
Other Operating Expenses	5,951	7,316	7,814	7,664	15,478
Total	**11,087**	**13,454**	**14,230**	**14,374**	**28,604**
Full-Time Equivalents (FTE)	**69.3**	**81.8**	**78.1**	**78.1**	

Change Item: Aquatic Pest Control Licenses

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Agricultural Fund				
Expenditures	0	0	0	0
Revenues	(2)	(2)	(2)	(2)
Net Fiscal Impact	$2	$2	$2	$2

Recommendation
The Governor recommends eliminating the Aquatic Pest Control License, which has created an unreasonable barrier to persons desiring to obtain licensing to provide control for aquatic pests such as vegetation or algae. This licensing requirement inhibits qualified individuals from directly entering the aquatic pest control business or adding this service to an existing business.

Background
The language in M.S. 18B.315, enacted in 1996, has created an unreasonable barrier to persons desiring to obtain licensing to provide control for aquatic pests such as vegetation or algae. The Aquatic Pest Control License requires a person, in addition to a normal 18B showing of competency (testing), to work for two years or have 1,600 hours of experience as a journeyman licensee. This severely limits or disqualifies otherwise fully competent individuals from directly entering the aquatic pest control business or adding this type of pest control service to an existing commercial or non-commercial applicator license. Minnesota Department of Agriculture (MDA) is receiving an increased number of complaints from the public expressing frustration at finding such a specifically licensed applicator for hire. The licensing requirements in M.S. 18B.315 actually serve as impediments for persons wishing to become licensed because they favor persons with years of licensing history. The MDA believes there is no justification for the current aquatic pesticide applicator license restrictions.

Besides the traditional applications for treatment of lake weeds or algae, aquatic restoration and wetland rehabilitation for federal, state, and local agencies, and treatment of aquatic gardens, are increasing activities in pesticide application. The current exclusionary statutory language hinders competition by preventing new companies and individuals from obtaining an MDA license for aquatic pest control. MDA finds no evidence that the restrictive nature of the current aquatic pest control license requirements has resulted in increased compliance among applicators, or ensured any higher level of environmental or public health protection.

Relationship to Base Budget
Aquatic pest control applicators now pay a $200 fee per business license, and $50 fee (+$25 Agriculture Chemical Response and Reimbursement Account Surcharge) per individual license. The proposed change will result in loss of $2,600 (13 companies). The department estimates that 20 new persons will apply to be licensed (pending this statutory change) as Commercial Pesticide Applicators, with $1,000 new revenue. This revenue is deposited in the Pesticide Regulatory Account in the Agricultural Fund.

Key Measures
This licensing change should reduce or eliminate the number of complaints from the public expressing frustration at finding licensed aquatic pesticide applicators. The change will also decrease the administrative burden that results from the current, separate licensing type for Aquatic Pest Control.

Statutory Change: M.S. 18B.315

Activity Description

Plant Protection Division (PPD) regulates seed, noxious weeds, nursery stock, invasive/exotic pests and apiaries. Division staff provides inspection and certification for grain, fruit and vegetables, and agricultural products for export. In addition, PPD is responsible for survey, monitoring and eradication of plant pests. This ensures that we promote and encourage global trade and at the same time protect our agricultural crops and our highly valued natural environment from unwanted exotic or invasive plant pests that are often an unwelcome byproduct of human global movement. Concurrently, importers or consumers of Minnesota agricultural products and commodities demand assurance or official certification that Minnesota products meet certain prescribed standards and requirements.

Population Served

All citizens of the state, producers, consumers, processors, exporters, and agricultural and forestry industries benefit from PPD activities. PPD activities directly affect agriculture and the protection of environmental resources within the state. Also, a significant amount of regulated activities occur in urban areas. In addition, the division works directly with other states and countries to facilitate global trade through regulatory and export certification programs.

Activity at a Glance

- Serves the potato industry, supplying processors, growers and consumers by protecting the $100 million crop from plant pests.
- Serves numerous producers and brokers by issuing over 3,000 export certificates annually for agricultural products.
- Inspects 7,000 – 8,000 acres of nursery stock, and 8,000 retail outlets annually for agricultural, flower, vegetable and tree seed quality.
- Inspects and certifies 35 million pounds of imported fruits and vegetables and six million pounds of export fruits and vegetables.
- Tests 1,500 official seed samples to enforce label accuracy for more than 500 labelers offering over 40,000 lots of seed for sale annually.
- Implements pest survey and monitoring programs to provide eradication activities such as the elimination of gypsy moth from 150,000 acres in 2006.

Services Provided

PPD has diverse responsibilities in several categories:

- plant pest exclusion and regulation
- certification of agricultural commodities for export
- nursery dealer and grower inspection/certification
- seed inspection and sampling
- grain inspections and sampling analysis
- fruit and vegetable inspection services
- potato inspection services including seed potato inspection and certification
- food Safety Audits.

Regulatory strategies in all areas include education, training, monitoring, licensing, certifying, and promotion of voluntary practices along with survey, monitoring, inspection, and enforcement actions. The mission of the division is to protect the quality of Minnesota's agriculture, agricultural products and natural resources from plant pests, invasive species, and noxious weeds using sound plant protection and certification measures. Minnesota agricultural and natural resources are continually under threat from new and existing pest species such as soybean rust, gypsy moth, potato cyst nematode, emerald ash borer, sudden oak death, and invasive plant species.

The division conducts a variety of facility inspections for seed and plant pests. Products are registered and individuals, companies, nursery stock, and export products are certified, licensed, or permitted. Education and compliance agreement training sessions update and communicate legal requirements or voluntary practices to clientele. Invasive pest species are extensively monitored. Increasingly, the division also directly protects Minnesota natural resources through control of pests such as the gypsy moth.

Inspection programs provide unbiased determinations of the quality and quantity of produce and grain, ensuring that they are fairly reflected in prices to consumers. Providing consistent professional weighing, sampling, testing, and grading services allows voluntary domestic and mandatory export customers the ability to trade with certainty in a fair market.

Historical Perspective

At the Minnesota Department of Agriculture (MDA), Plant Protection programs were part of the Agronomy and Plant Protection Division and the Grain Division until the fall of 2005. At that time, the new Plant Protection Division was formed, bringing together staff and programs with similar statutory authorities, goals, and objectives and also programs that were often working with the same federal agencies or University staff. This new alignment allows for more efficient and effective use of resources, staff, and equipment and a sharing of resources that had been evolving for many years, with potato inspection staff assisting with many export certification tasks.

Staff entomologists, plant pathologists, and horticulturalists are increasingly challenged to protect Minnesota's industries and natural resources by monitoring for and combating plant pests such as emerald ash borer, soybean rust, and karnal bunt as well as conducting field inspections and certifying the pest-free status of shipments of a wide variety of products for foreign markets. In 1995, the MDA initiated an invasive species program to prevent the introduction and spread of invasive species. This increasingly challenging responsibility was due to Minnesota's burgeoning global economy. The 400 tons of goods moving through the state each year provide a virtual "freeway" for harmful plants, agricultural pests, and invasive species to enter our state.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Pest survey and detection programs result in rapid response activities ensuring that new and threatening pests such as gypsy moth, potato cyst nematode, and emerald ash borer are found quickly and eradicated.
⇒ Grain, seed, seed potatoes, fruits, vegetables, and nursery stock are inspected and monitored in a timely manner to ensure that quality and pest free requirements are being maintained.
⇒ Commodity export inspection and certification services are efficiently provided in a timely manner.
⇒ Seed performance complaints are investigated and truthfulness of seed labeling enforced.

Activity Funding

This activity receives approximately half of its funding from seed, nursery, potato, fruit, and vegetable fee revenues, deposited in and statutorily appropriated for their dedicated uses from the Agricultural Fund. The bulk of the other half of the budget comes from the General Fund, with federal grants also contributing a significant source of funding.

Contact

For additional information on this activity, please contact Geir Friisoe, Division Director, at (651) 201-6174 or geir.friisoe@state.mn.us.

Information on programs and staff can found on the MDA web site at www.mda.state.mn.us.

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	1,593	2,273	2,379	2,383	4,762
Statutory Appropriations					
Agriculture Fund	4,713	3,265	2,686	2,729	5,415
Federal	821	870	1,014	1,014	2,028
Total	**7,127**	**6,408**	**6,079**	**6,126**	**12,205**
Expenditures by Category					
Total Compensation	5,032	4,288	3,972	4,057	8,029
Other Operating Expenses	2,002	2,120	2,108	2,070	4,178
Other Financial Transactions	93	0	0	0	0
Transfers	0	0	(1)	(1)	(2)
Total	**7,127**	**6,408**	**6,079**	**6,126**	**12,205**
Full-Time Equivalents (FTE)	**85.3**	**51.4**	**48.3**	**48.2**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$366	$373	$373	$373
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$366	$373	$373	$373

Recommendation

The Governor recommends providing additional funding to support a robust invasive species survey and inspection program for emerging pests while augmenting integrated pest management (IPM) strategies for established pests. Such a program will protect the state's agriculture and natural environment while enhancing the Minnesota Department of Agriculture's (MDA) ability to certify Minnesota agricultural products for export.

Background

The MDA is the lead agency for 1) the prevention, early detection, and rapid response for new invasive species that threaten agriculture and the environment; and 2) the implementation of integrated pest management (IPM) strategies to mitigate damage and economic loss of invasive species already established.

Prevention, early detection, and rapid response for invasive species threatening Minnesota's borders is critical. Gypsy moth is already at the border and requires increased management to slow its spread in the state. In the face of new impending threats such as emerald ash borer, Sirex wood wasp, and potato cyst nematode, inspections will increase and work with commodity groups will be initiated to protect Minnesota agriculture from new pests.

Expanded plant pest laboratory services are needed to 1) confirm the absence of plant pathogens and pests for export certification and nursery licensing; 2) test for pathogens and pests on imports to the state; and 3) support early detection of and rapid response to new invasive species. MDA laboratory programs now provide only a fraction of the tests required annually. This mode of operation is no longer acceptable for several reasons. Export certification requirements are becoming more stringent. Security and containment requirements for handling certain pathogens are increasing. The need for increased reliability of data places laboratories under greater scrutiny. Equally important is the increasing number of invasive plant pests (potato cyst nematode, soybean rust) that threaten the agriculture and environment.

Established plant pests result in significant economic and environmental damage each year in agronomic and horticultural crops as well as in natural and recreational areas. Losses occur from pest damage as well as from costs associated with actions taken to mitigate that damage. This proposal increases MDA's ability to research and test management options including biological control for established and emerging pests such as soybean aphid, Japanese beetle, apple coddling moth and others, and to get effective management tools into the hands of producers and other land managers.

Key Measures

In 2006, gypsy moth was controlled in 150,000 acres in Minnesota. Loss of ash trees from the Emerald Ash Borer has cost the states of Michigan, Illinois, and Ohio millions of dollars, and this pest is now feared to have migrated into Wisconsin. Soybean rust has been moving up the Mississippi valley since it arrived in Louisiana and other gulf states in 2005.

Alternatives Considered

Waiting until invasive species are established in Minnesota causes increased costs for agriculture, forestry, recreation, and other activities.

Statutory Change: Not Applicable

Activity Description

Dairy and Food Inspection works to ensure that food, animal feed, meat, and dairy products are safe and wholesome for Minnesotans consumers and livestock. This is accomplished through regulatory inspections and enforcement, surveillance sampling, special investigations, consumer protection, and educational outreach. The goal of these food safety programs is to prevent the sale or consumption of adulterated food, animal feed, meat, and dairy products and to heighten awareness of proper biosecurity and food safety practices.

Activity at a Glance

For Fiscal Year 2006, the division;

- Inspected 5,815 dairy farms, 515 bulk milk trucks, 508 haulers, and 70 plants.
- Inspected 1,152 food processing plants, 6,249 retail food stores, and 636 mobile concessions.
- Certified 3,244 dairy samples average 4.5 tests per sample.
- Certified 3,513 food and meat samples.
- Issued 1,085 Certificates of Free Sale for export.
- Inspected 75 meat and poultry plants, 175 custom exempt plants and 20 egg grading facilities.
- Conducted 518 Bovine Spongiform Encephalopathy (BSE) inspections.
- Inspected 30 federally licensed mills.
- Conducted 19 tissue residue trace-backs.
- Collected 181 feed samples for analysis.

Population Served

The entire population of Minnesota, as well as visitors, and those outside Minnesota who consume Minnesota dairy, food and meat products benefit from the service provided by these food protection programs. Minnesota businesses that export food, animal feed, and dairy products benefit from certificates of free sale issued by the Minnesota Department of Agriculture (MDA) as well.

Services Provided

Dairy inspectors routinely inspect and take samples from dairy farms, processing plants, and bulk milk trucks to make sure all milk and dairy products are produced and handled safely. Inspectors also test pasteurizer equipment for proper operation, certify bulk milk hauler-samples, review labels for accuracy, work with farmstead cheese processors, and provide information to dairy farmers and processors to help keep them current with the latest laws and regulations. Milk survey officers check that the dairy industry, milk laboratories, and the Dairy Program comply with the federal Pasteurized Milk Ordinance, allowing Minnesota dairy products to be shipped nationwide.

Food inspectors conduct routine and follow-up inspections at food manufacturing/processing plants, canneries, warehouses, salvage operations, concession stands, and retail food stores. They also conduct regulatory and surveillance food sampling to determine food safety trends and emerging pathogens and conduct inspections under contract with the U.S. Food and Drug Administration (FDA). Inspectors investigate complaints, conduct final inspections of new and remodeled facilities, and work with local health departments to ensure uniform inspection procedures across the state. In addition, they investigate food borne illness outbreaks to determine the cause, remedy the problem, and prevent similar problems in the future. They also work with the industry and the public on food recalls originating in Minnesota or elsewhere and work to verify that recalled products have been removed from sale. The inspectors respond to emergencies such as floods, fires, truck rollovers, and other emergencies to determine if the affected food is safe and wholesome, and to prevent damaged and contaminated goods from reaching the public.

The meat, poultry, and egg inspection section conducts inspections at small and very small meat and poultry processors that manufacture products for wholesale distribution. State inspected meat and poultry products are produced under a cooperative agreement with the United States Department of Agriculture (USDA). This program is referred to as having an “equal to” USDA inspection program. In addition, inspectors provide grading services for eggs packed in the state.

The commercial feed program provides regulation, compliance assistance and technical assistance so that commercial feeds distributed in Minnesota are not misbranded or adulterated, are safe and effective for the intended purpose and pose no threat of carryover adulteration to the human food supply. The program regulates commercial feed distribution so that purchasers of commercial feed are protected and the health of animals consuming the feed is assured. The commercial feed program also regulates drugs in animal feeds, the prohibition of animal proteins from ruminant feeds, contaminants in feed such as dioxins and mycotoxins and unapproved ingredient use.

The compliance section supports the dairy, food, animal feed, and meat inspection programs in law enforcement and compliance activities. Compliance officers conduct special projects and investigations, work with delegated local health agencies, review plans for newly constructed and remodeled facilities and train inspectors, industry, and consumers on the latest food safety issues. Many of the projects and training efforts are developed in partnership with the Minnesota Department of Health (MDH), the University of Minnesota (U of M), local health agencies and representatives of the food or dairy industry.

Historical Perspective

All inspection programs are moving toward a risk-based inspection program, which allocates resources to facilities that have a higher risk or potential of causing food borne illness. While ordinary operations still have oversight, more complex, high-risk operations (processing or preparing foods often involved in food borne outbreaks) receive more frequent inspections and, in many cases, assistance in developing and following Hazard Analysis Critical Control Point (HACCP) plans to address problems before they occur. Further, cross training among inspection groups develops a more efficient inspection program.

Dairy, animal feed, food, and meat inspection has become a more complicated and expensive business. The industry is becoming more mechanized and computerized with more complex, engineered products and requires well-equipped, highly trained overseers. A global food supply with challenging import and export standards, lower detection limits for contaminants, and new concerns about antibiotics, pesticide residues, and emerging pathogens makes a close working relationship with a state-of-the-art laboratory essential. Efficient inspection programs demand the best computer and information technology. Electronic inspections, access to summary data from anywhere in the state, and prompt electronic analysis of data are vital components of an effective program in the electronic age.

Finally, biosecurity and terrorism vulnerabilities have added an entirely new consideration for increased security, planning, and emergency response in case of a terrorist attacks on our food supply. Food, animal feed, meat, and dairy businesses, especially medium-sized and small businesses that don't have the resources themselves look to the department for guidance in preparing for and responding to such events.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Total number of inspections completed versus total number of inspections required by risk category (high, medium, and low risk of causing food borne illness).
⇒ Total number of dairy and food samples collected and average number of tests done on each sample.
⇒ Number of partnerships, agreements, and grants initiated or continued to leverage resources.

Activity Funding

This activity receives the large part of its funding from the General Fund. Feed, dairy, and food inspection fees, deposited in and statutorily appropriated for their dedicated uses from the Agricultural Fund, also provide significant funding. Federal grants are also an important source of funding.

Contact

For additional information on this activity, please contact Kevin Elfering, Division Director, at (651) 201-6453 or Kevin.Elfering@state.mn.us.

Additional information about dairy and food inspection activities are also available on the MDA's web site, www.mda.state.mn.us, and the Dairy and Food Inspection main information line at (651) 201-6027.

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: DAIRY & FOOD INSPECTION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Expenditures by Fund					
Direct Appropriations					
General	5,369	5,679	6,324	6,190	12,514
Statutory Appropriations					
Misc Special Revenue	3	13	3	3	6
Agriculture Fund	2,095	2,715	2,730	2,730	5,460
Federal	608	1,502	1,316	1,320	2,636
Total	**8,075**	**9,909**	**10,373**	**10,243**	**20,616**
Expenditures by Category					
Total Compensation	6,247	7,439	7,799	7,831	15,630
Other Operating Expenses	1,828	2,470	2,574	2,412	4,986
Total	**8,075**	**9,909**	**10,373**	**10,243**	**20,616**
Full-Time Equivalents (FTE)	**91.7**	**97.2**	**102.2**	**102.2**	

Change Item: Dairy Investment Credit

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	(4,800)	(4,800)	(4,800)	(4,800)
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$4,800	$4,800	$4,800	$4,800

Information Purposes

Discussed and accounted for in the Tax presentation

Recommendation

The Governor recommends providing a nonrefundable tax credit against the individual income and corporate franchise taxes to producers who invest in dairy operations. The credit would be equal to 10 percent of the first $500,000 of qualifying dairy investments made in 2007 through 2012. Credit that exceeds tax liability could be carried forward up to 15 years.

Background

Dairy farming in Minnesota faces serious economic challenges. In the current economic environment, dairy farmers are reluctant to make new capital investments in their farms and facilities. The Governor believes a tax credit will help stimulate capital investment in this sector, helping dairy farmers sustain or grow production.

Expenditures that qualify for the dairy investment tax credit include amounts spent for the acquisition, construction, or improvement of buildings or facilities; or the acquisition of equipment for dairy animal housing, confinement, feeding, milk production, and waste management.

Relationship to Base Budget

This tax credit would result in a revenue loss to the General Fund.

Key Measures

Because this creates a new credit, the Department of Revenue will be able to report on the number of people claiming the credit and the total cost of the credit. The Department of Agriculture will be responsible for monitoring the trends within the state dairy industry and determining if the credit is creating a positive impact for the industry.

Statutory Change: New sections of statutes.

Change Item: Electronic Field Inspection System

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$346	$205	$205	$205
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$346	$205	$205	$205

Recommendation
The Governor recommends migrating Minnesota Department of Agriculture's (MDA's) Dairy and Food Inspection Division from its existing, antiquated paper-based field inspection system to a new paperless, computer-based field inspection system.

Background
MDA's Dairy and Food inspection division is responsible for inspecting and/or licensing the following entities in the state:
- ♦ dairy farms and processing plants;
- ♦ dairy haulers;
- ♦ retail grocery stores and manufactured food plants;
- ♦ custom and "equal to" meat processing facilities; and
- ♦ feed mills.

These entities represent more than 20,000 inspections annually, generating a large amount of information and subsequent compliance and regulatory actions. MDA's inspections are currently conducted using paper-based forms in the field with a copy of the inspection activity being mailed to the central office in Saint Paul. Once received, partial inspection information is recorded in one of several databases, depending on the inspection program. Due to limited staff resources in the central office, only partial inspection information is currently entered electronically and the specific violations for an inspection cannot be queried electronically.

The need to rapidly track and analyze inspection results is critical to ensuring a safe food supply and maintaining Minnesota's renowned commitment to public health. The current paper-based system cannot rapidly report or access inspection results or effectively track compliance or regulatory actions.

The goal of these efforts is to migrate current paper-based inspection activities to computer-based systems and capabilities and technology into existing and new applications that will:
- ⇒ Allow near real-time reporting of inspection activities, results, compliance and regulatory actions.
- ⇒ Track and analyze the results of inspection activities by program, inspector, or territory, which will lead to greater consistency among inspectors and aid in program planning activities.
- ⇒ Increase inspection efficiency by having timely access to reports and compliance actions. This will allow inspectors and management to focus limited resources on non-compliant entities while maintaining consistent and effective inspections activities across program areas.
- ⇒ Aid facility inspectors in determining the exact location and size of a facility, regardless of business address or other ambiguous identifying features, which can be critical in responding to a food or agriculture emergency.
- ⇒ Determine the most efficient distribution of inspection territories throughout the state, minimizing employee drive times and travel-related expenses.
- ⇒ Provide external partners with up-to-date inspection results for dairy, food, feed and meat facilities throughout the state.
- ⇒ Save central office staff time and resources by limiting and automating data entry and reporting activities.

Relationship to Base Budget
The existing technology budget for this division does not contain money to develop or support this new system.

Key Measures
Performance measures used to evaluate effectiveness are:
- ⇒ Report results of inspection activities, compliance, and regulatory actions in real time.
- ⇒ Analyze total number of inspections completed versus total number of inspections required by risk category (high, medium, and low risk of causing food borne illness).
- ⇒ Increase follow-up with non-compliant entities.

Statutory Change: Not Applicable

Change Item: Emergency Planning and Response

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$120	$123	$123	$123
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$120	$123	$123	$123

Recommendation

The Governor recommends providing funding to develop and support a new position to coordinate emergency planning and response at the Minnesota Department of Agriculture (MDA).

Background

Every day MDA is faced with threats to Minnesota agriculture – from farm to table. These emergency situations range from animal diseases such as avian influenza and bovine tuberculosis, to human health threats such as food-borne illnesses. Resources must be made available for these responses, and planning for them is nearly as important as the response itself.

This funding will focus on emergency response planning and training for staff and industry in developing more involvement in emergency planning and response, while maintaining the commitment to routinely providing a safe and secure food supply.

Relationship to Base Budget

For the past several years, MDA has relied on food inspection personnel to address emergency issues such as bovine tuberculosis, avian influenza, bovine spongiform encephalopathy, incident response training, and other issues requiring coordination with other state agencies on emergency response. This piece-meal approach has worked to handle some basic response and planning activities, but much more work is needed and personnel must focus on their regular inspection activities.

One issue that has not been addressed well is the planning necessary to respond to emergencies. For example, response plans need to be developed to provide for the possibility that an avian influenza outbreak may require the disposal of millions of dead chickens. MDA needs to start working with the various industries now and not when the problem arises. In addition, training is necessary for all food, feed, dairy, and meat processing plants to help them prevent dangerous situations either intentional or accidental relating to public health. Consumer education is also especially crucial for our urban communities because citizens do not understand food systems and their fears need to be addressed about perceived risks associated with food consumption.

An emergency planning person is needed to work across all divisions of the agency, since emergency planning is a department-wide responsibility. By continuing to rely on food inspection resources, it becomes difficult for MDA to respond to routine requests that actually may help in averting emergency situations. In addition, not having an emergency planner places the Minnesota food industry at a competitive disadvantage. Many other states have emergency positions in place, working with the food industry, and conducting planning in advance so that emergencies are not disruptive to interstate and international commerce.

Key Measures

Performance measures used to evaluate effectiveness are:

- ♦ coordinated and improved agency-wide emergency management plans; and
- ♦ more effective management of inspections by risk category (high, medium, and low).

Statutory Change: Not Applicable

Program: PROTECTION SERVICE

Change Item: Meat Inspection Program Field Inspector

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$90	$92	$92	$92
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$90	$92	$92	$92

Recommendation

The Governor recommends providing permanent new funding for the hiring of one additional field inspector for performing routine meat inspection duties.

Background

The state Meat Inspection Program has grown rapidly since its inception in 1998. Slaughter inspection activities must be conducted in any plant that slaughters meat or poultry, every day that slaughter is performed by the plant. U.S. Department of Agriculture (USDA) Food Safety Inspection Service (FSIS) is also requiring state programs to perform daily inspection for processing of meat products.

The current Meat Inspection staff is stretched to its capacity and has significant difficulty meeting the daily inspection requirements for processing inspections. In addition, the USDA Food and Drug Administration (FDA) has proposed a rule prohibiting certain parts of un-inspected animals from being used in rendered product. Current plants in the program have expressed their desire to conduct all slaughter operations under inspection, (rather than only some slaughter activities under inspection) in order to provide for a method of disposal for these materials. The current program staff would not be able to accommodate the expected increase in slaughter volume, especially during the summer and fall months when poultry operations are slaughtering. Furthermore, national legislation lifting the ban on the interstate shipment of state inspected meat is eminent. Without this position, state inspected plants will be limited to the number of days they can produce product which can be sold wholesale and across state lines. This will cause a significant disadvantage to the small meat processors in the state.

Relationship to Base Budget

The base budget for this activity is $1.053 million per year. Per federal law, no fees may be charged for these inspections. The federal government does, however, reimburse the state 50% of the amount the state spends on the program. Thus, $526,000 has been annually transferred back to the General Fund. This request would not increase the amount transferred to the General Fund since it is not clear whether or not the Federal government will increase the amount it has available for reimbursement.

Key Measures

Slaughter inspection currently requires about one to three inspection days per week at about 20-25 plants. In addition, meat processing is conducted at some plants five days per week. In total, the program currently has approximately 60 state-inspected plants. Requests for inspection have been increasing and are expected to keep increasing.

Alternatives Considered

In addition to the base budget for meat inspection, other food inspection money has been used to meet increased demands for meat inspection activities. As food safety concerns rise, this option cannot be pursued further. Without this new funding and staffing, state inspected plants will be limited to the number of days they can produce product which can be sold wholesale and across state lines. This would cause a significant disadvantage to the small meat processors in the state.

Statutory Change: Not Applicable

Program: PROTECTION SERVICE

Change Item: Premise Identification and Recordkeeping

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$141	$143	$143	$143
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$141	$143	$143	$143

Recommendation

The Governor recommends providing permenant funding for a state coordinator, employed by the Minnesota Department of Agriculture (MDA), to work with stakeholders to:

- modernize and update the current state livestock database so that all livestock owners are assigned one, uniform livestock premise identification number; and
- develop standards for on-farm and private recordkeeping subject to review by animal health professionals in case of an emergency.

Background

This position will build upon past animal health efforts to improve the state's ability to respond to animal health emergencies. As part of this effort, it is essential that all livestock premises are identified and assigned a uniform premise ID number; this number would most likely be a uniform national premise ID number that would be assigned by the U.S. Department of Agriculture.

It is not the intent of the MDA to develop any new system that will record the movement of animals from premise to premise, or premise to market. Rather, the MDA will work with livestock producers to enhance their on-farm recordkeeping of animals moving in or out of their herds, in order for animal health professionals to conduct quick and effective quarantines and investigations. Finding potentially sick or exposed animals early in a disease outbreak is essential to containing or eradicating the disease quickly.

Relationship to Base Budget

This bill will provide one full-time person and the technical tools needed to implement a state and national animal premises identification system to ensure a quick response to preventing the spread of animal disease outbreak.

Key Measures

The number of premises participating in the system will be monitored.

Statutory Change: Not Applicable

Change Item: Retail Food Handler Plan Review

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Agricultural Fund				
Expenditures	13	13	13	13
Revenues	13	13	13	13
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends increasing the Retail Food Handler Plan Review fees to keep the Plan Review Program solvent and bring Minnesota Department of Agriculture (MDA) fees in line with the Minnesota Department of Health and local agencies, all of which do similar reviews on restaurants within their jurisdictions.

Background

Plan review fees were developed in 1988 with the purpose of ensuring that new construction projects and remodeled retail food facilities met all of the requirements of the Minnesota food code prior to beginning construction, and thus averting major and expensive renovations if the requirements were not met.

Relationship to Base Budget

Plan review fees were designed to cover the cost of one FTE for the reviewer, one-half FTE for support, and to provide a small amount for overhead costs to cover mailing and duplication. Since the early nineties, this program has had to be supplemented from General Funds to cover the shortage of conducting plan reviews. In 2001, the program increased fees for the first time, by 13%. Currently the program generates about $45,000 in revenue and spends between $120,000 and $130,000. This results in a General Fund supplement of $75,000 to $85,000. Fee revenues for review of food handler facility plans are deposited in the Food Handler Plan Review Account in the Agricultural Fund.

Key Measures

The Dairy and Food Inspection Division will be able to conduct reviews of food handling facility plans in a timely manner.

Statutory Change: M.S. 28A.082

Activity Description

The Laboratory Services Division (Lab) provides analytical support and data critical to the protection of Minnesota's food supply, agricultural industry, and environment. Legally defensible analyses support the departmental regulatory programs and are shared through the National Food Emergency Response Network (FERN).

Population Served

The laboratory protects all Minnesota citizens and those who use Minnesota agriculture or agricultural products by working to ensure a safe, secure food supply and protecting the environment from misuse of agricultural chemicals. Through partnerships, we serve the entire nation as we work with other states and federal agencies to identify and address problems of national concern and work to ensure the wholesomeness of Minnesota's food exports.

Activity at a Glance

The Laboratory Services Division is structured to provide diverse analytical services to help ensure food safety/security while protecting the agriculture industry and our environment.

Laboratory Structure:

- Biological Analyses
  - ⇒ Microbiology
  - ⇒ Plant Pathology/Seed

- Chemical and Toxicological Analyses
  - ⇒ Environmental Chemistry
  - ⇒ Toxicology and Chemistry

Services Provided

Laboratory Services performs chemical, microbiological, and physical analyses of food, dairy products, beverages, water, fertilizer, lime, feed, seed, plant material, pesticides, pesticide residues, and grain. These tests support inspection and enforcement activities of the Minnesota Department of Agriculture's (MDA's) regulatory divisions. We also determine product quality and conformance to state and federal laws and regulations, and provide evidence in legal proceedings against violators. This activity provides routine analyses to ensure that products meet legally mandated quality standards (such as analyzing a fertilizer to see if it is contaminated by heavy metals) and provides for forensic analysis to identify unknown agents in a suspect product.

The Laboratory Services Division maintains a core emergency technology and analytical response capability that spans the spectrum of laboratory services for food and agriculture samples associated with protecting and defending the food supply and the environment. Maintenance of this core capability is essential for MDA's ability to respond to unique emergency and other emerging issues that affect public health and the economic well being of Minnesota's food and agriculture sector.

Our lab's special analytical testing also gives the department rapid and accurate data to manage environmental and food-borne crises, such as E. coli contaminated ground beef and pesticide residues in produce. The Lab develops and maintains new analytical capabilities as problems or questions arise within the feed, food, and agrochemical industry. We also consult on analytical issues with inspectors, managers, private analytical laboratories, and regulated industries.

In addition to our services to MDA's regulatory programs, the Lab provides analyses for the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and other federal and state agencies. It also administers a laboratory certification program for private and commercial testing laboratories as required by law.

Historical Perspective

Laboratory Services has served Minnesotans since 1887. The lab's first duty was to oversee our state's dairy industry. Over the years our services have grown to include seed quality analysis and more complicated analytical services such as microbiological, chemical, and plant analysis of seed, feed, food, and dairy products. The 1989 groundwater protection legislation created a special need to expand the lab's analytical capabilities and technology to include testing for a wide variety of pesticides and other agricultural chemicals. In 1995, the MDA provided the state with an opportunity to integrate the Minnesota Department of Natural Resources (DNR) analytical services into MDA's operations. This allowed the DNR to close two laboratories while still having access to the quality data required for decision-making. In 1999, the closure of the FDA's Minneapolis lab led to the co-location of federal FDA staff with MDA staff, bringing additional expertise and partnerships to the laboratory. In November of 2005, the laboratory services division completed moving into new lab facilities, co-located with the Minnesota Health Department's (MDH's) laboratory. Our agencies quickly experienced how co-location enhanced and expanded an existing strong, unique partnership between MDA and MDH. This strengthened relationship gives Minnesota increased capacity to address emerging food protection and defense concerns. Most recently, the 2005 legislature approved construction of additional lab improvements to create a new BSL 3-Ag facility.

The laboratory continues to be challenged by the significant changes that are occurring in analytical technology, laboratory information systems, International Organization for Standardization (ISO) accreditation requirements, and laboratory safety and security concerns. The MDA laboratory Services has continued in 2005 and 2006 to leverage its national leadership role as a food and agriculture regulatory laboratory. This includes the unique partnership the lab has with the University of Minnesota supporting their role as the National Center for Food Protection and Defense (NCFPD), a Department of Homeland Security Center of Excellence for the protection and defense of the nation's food supply. The laboratory was recognized for this leadership by being selected as one of only two state agriculture laboratories receiving a $1 million dollar grant from FDA for responding to chemical terrorism. The Laboratory Services continues to work closely with FDA, USDA, NCFPD and FERN to assist in development and applied science validation of new technologies for emergency response analysis of food and agriculture samples.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Increase in customer and user satisfaction through ready access to laboratory data through the Laboratory Information Management System (LIMS). This insures that analysts, decision makers, and interested individuals get the information they need.
⇒ Increase in percent of real-time Analytical Quality Control available to analysts in the laboratory.
⇒ Increase in participation in the eLEXNET and FoodSHIELD national directories and result data repositories. This minimizes effort and resources used to identify analytical methods and trends in food safety and security.
⇒ Certification by Center for Disease Control (CDC) or Animal and Plant Health Inspection Service (APHIS) of MDA's Biosafety Laboratory Facilities (BSL) suites, including the BSL3 and BSL 3-Ag facilities.
⇒ Accreditation of MDA to the ISO 17025 (calibration and testing laboratory) standards.

Activity Funding

This activity receives the large part of its funding from the General Fund. Pesticide, fertilizer, seed, feed, dairy and food inspection fees provide revenue to pay for lab work performed for each area. Federal grants are also an important source of funding.

Contact

For additional information on this activity, please contact William Krueger, Division Director, at (651) 201-6572 or William.Krueger@state.mn.us.

Information on programs and staff can be found at the MDA web site www.mda.state.mn.us.

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: LABORATORY SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,494	3,270	3,689	3,778	7,467
Statutory Appropriations					
Agriculture Fund	1,848	1,970	2,014	2,014	4,028
Federal	1,259	1,677	1,599	1,599	3,198
Total	**5,601**	**6,917**	**7,302**	**7,391**	**14,693**
Expenditures by Category					
Total Compensation	3,280	3,855	3,854	3,858	7,712
Other Operating Expenses	2,321	3,062	3,448	3,533	6,981
Total	**5,601**	**6,917**	**7,302**	**7,391**	**14,693**
Full-Time Equivalents (FTE)	**57.6**	**54.1**	**53.7**	**53.7**	

Program: **PROTECTION SERVICE**
Change Item: Laboratory Building Rental Cost Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$426	$515	$515	$515
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$426	$515	$515	$515

Recommendation

The Governor recommends adjusting the General Fund appropriation for the laboratory services division to cover the increased lease costs of the new laboratory building in Saint Paul.

Background

In the fall of 2005, the Agriculture and Health labs moved into a new, state-owned lab building in Saint Paul. When the Department of Administration originally estimated lease rates in August of 2004, there was not sufficient information about the new building to accurately project rental costs. Furthermore, projections were made based on the costs of operating other Department of Health and Bureau of Criminal Apprehension facilities, which contained labs, but also contained office space. Since the new lab building has been up and running, actual costs have been higher than expected.

In the 2005 session, the Governor recommended covering the adjusted rental costs for the laboratory with an increase in the General Fund appropriation for this purpose. Based on over a year's experience in the new building, this request in effect amends the original request.

Relationship to Base Budget

The Department of Agriculture currently pays approximately $1.65 million annually to the Department of Administration for the bond repayment and operational costs of the lab building. Starting in FY 2008, the bill will be approximately $2.1 million annually, which is an increase of over 28%.

Alternatives Considered

Absorbing this cost increase within existing budgets would result in layoffs and an inability to process tests in a timely manner. Since the cost increase is not tied to particular tests, increasing fees is not a natural option.

Statutory Change: Not Applicable

Program Description

The purpose of the Agricultural Marketing and Development Program is to bolster our agricultural sector's economic and environmental health by providing quality marketing services, technical resources, and economic stimulus.

Budget Activities

⇒ Agricultural Marketing Services
⇒ Agricultural Resources Management and Development

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	200	200	200	200	400
Technical Adjustments					
One-time Appropriations			(200)	(200)	(400)
Subtotal - Forecast Base	200	200	0	0	0
Total	**200**	**200**	**0**	**0**	**0**
General					
Current Appropriation	4,085	6,530	6,530	6,530	13,060
Technical Adjustments					
Approved Transfer Between Appr			465	465	930
One-time Appropriations			(2,400)	(2,400)	(4,800)
Subtotal - Forecast Base	4,085	6,530	4,595	4,595	9,190
Governor's Recommendations					
Invasive Species Exclusion and Pest Mgmt		0	103	106	209
Minnesota Grown Program		0	65	65	130
Clean Water Legacy		0	1,250	1,250	2,500
Compensation Adjustment		0	69	140	209
Total	**4,085**	**6,530**	**6,082**	**6,156**	**12,238**
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	79	353	0	0	0
General	3,895	6,043	6,082	6,156	12,238
Statutory Appropriations					
Misc Special Revenue	237	346	263	260	523
Agriculture Fund	1,207	1,285	1,243	1,267	2,510
Federal	582	1,097	817	777	1,594
Miscellaneous Agency	0	0	50	0	50
Gift	88	93	46	46	92
Total	**6,088**	**9,217**	**8,501**	**8,506**	**17,007**
Expenditures by Category					
Total Compensation	3,706	4,691	4,713	4,990	9,703
Other Operating Expenses	2,193	4,243	2,231	2,010	4,241
Payments To Individuals	0	218	174	173	347
Local Assistance	189	65	12	12	24
Other Financial Transactions	0	0	1,300	1,250	2,550
Transfers	0	0	71	71	142
Total	**6,088**	**9,217**	**8,501**	**8,506**	**17,007**
Expenditures by Activity					
Ag Marketing Services	2,870	3,642	3,736	3,778	7,514
Ag Resc Mmt & Devel	3,218	5,575	4,765	4,728	9,493
Total	**6,088**	**9,217**	**8,501**	**8,506**	**17,007**
Full-Time Equivalents (FTE)	**56.5**	**63.9**	**64.4**	**64.3**	

Activity Description

Agricultural Marketing Services (AMS) assists in the orderly marketing of Minnesota's agricultural commodities and products; promotes Minnesota agricultural products in domestic and international markets; furnishes information and economic analyses related to marketing opportunities; provides promotional, informational and other marketing services for agricultural producers, processors, consumers, and others involved in the marketing process; and protects producers through programs related to the licensing, bonding, and certification in the sale and storage of agricultural products.

Activity at a Glance

In the 2004 - 2005 biennium, Agricultural Marketing Services

- ♦ participated in 11 international food shows
- ♦ participated in 86 international trade events
- ♦ received 637 visitors from 60 countries
- ♦ established 1,016 contacts with new buyers
- ♦ made 23 first sales to new markets
- ♦ increased Minnesota exports sales by $44 million
- ♦ protects producers of agricultural products by licensing, bonding, and auditing of persons and companies that buy grain, livestock, and wholesale produce

Population Served

AMS serves grain, livestock, vegetable, fruit, poultry and dairy producers, agri-businesses, manufacturers, processors, distributors, retailers, and exporters by protecting and promoting Minnesota agriculture. Consumers and end users benefit from the introduction and promotion of high quality fresh Minnesota agricultural products. AMS helps Minnesota consumers and producers connect locally through the Minnesota Grown program and connect Minnesota producers and agri-businesses with the world through the increased export of high value food and agricultural products.

Services Provided

AMS helps diversify agriculture in Minnesota by promoting:

- ⇒ Overseas market development with the collaborative efforts of United States Department of Agriculture (USDA) and other state and regional trading groups that promote both branded and generic activities at international trade exhibitions. Also promotes Minnesota agricultural products in international markets through relationships with possible product end-users in global markets.
- ⇒ Bio-science development by providing assistance to Minnesota stakeholders on bio-processing/bio-manufacturing projects. AMS is partnering with the University of Minnesota and Department of Employment and Economic Development on bio-energy initiatives.
- ⇒ Minnesota-certified producers who can maximize their profits by differentiating what they produce with International Standards Organization (ISO) certification mechanisms where producers agree on an external set of principles.
- ⇒ Risk management, so producers can protect themselves from market swings.
- ⇒ Dairy and livestock development, so the state can maintain productivity in animal agriculture and maintain a diverse agricultural economy.
- ⇒ Renewable fuel production and use, so Minnesota grain can help reduce air pollution and dependence on imported fossil fuels.
- ⇒ Farmers markets, so producers can maximize their profits in the sale of fresh farm produce.
- ⇒ Minnesota-Grown labeled products, so consumers can more easily identify and buy Minnesota Grown produce and products.

AMS protects producers by licensing, bonding, inspecting, and auditing:

- ♦ grain buyers and grain storage elevators;
- ♦ livestock dealers, markets, and agents; and
- ♦ wholesale produce dealers.

AMS helps commodity growers by overseeing the operations of the state's 12 commodity promotion and research councils.

Historical Perspective

As farmers' productivity has outpaced the needs of Minnesota's population, the need for stronger efforts to add value and effectively market Minnesota's agricultural products has also increased. The globalization and consolidation of agriculture means that family farmers and local agri-businesses need help to sell their quality products locally, nationally, and internationally, and prosper in a changing economy. Licensing, bonding, and auditing programs are more important than ever when sellers and buyers are no longer neighbors but strangers. Producers in a changing landscape receive education on their rights under Minnesota and federal law. AMS has the responsibility to promote Minnesota agricultural products in global markets. AMS, in conjunction with the Department of Employment and Economic Development, has a special focus on the Minnesota – China Partnership.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Ensure the orderly marketing of agricultural products through the licensing, bonding, and auditing of grain elevators, grain buyers, wholesale produce dealers, and livestock dealers.

⇒ New or expanding domestic and international markets are identified, analyzed, and developed.

Activity Funding

This activity receives the large part of its funding from the General Fund. Fees for various certification and promotion activities, deposited in and statutorily appropriated for their dedicated uses from the Agricultural Fund, also provide significant funding.

Contact

For additional information on this activity, please contact Kurt Markham, Division Director, at (651) 201-6382 or Kurt.Markham@state.mn.us.

Information on programs and staff can be found at the MDA web site www.mda.state.mn.us.

AGRICULTURE DEPT
Program: PROMOTION & MARKETING
Activity: AG MARKETING SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	1,357	1,777	1,926	1,997	3,923
Statutory Appropriations					
Misc Special Revenue	193	282	238	235	473
Agriculture Fund	1,207	1,285	1,243	1,267	2,510
Federal	63	264	259	259	518
Miscellaneous Agency	0	0	50	0	50
Gift	50	34	20	20	40
Total	**2,870**	**3,642**	**3,736**	**3,778**	**7,514**
Expenditures by Category					
Total Compensation	1,909	2,289	2,427	2,580	5,007
Other Operating Expenses	913	1,333	1,181	1,120	2,301
Local Assistance	48	20	7	7	14
Other Financial Transactions	0	0	50	0	50
Transfers	0	0	71	71	142
Total	**2,870**	**3,642**	**3,736**	**3,778**	**7,514**
Full-Time Equivalents (FTE)	**29.6**	**32.8**	**32.0**	**31.9**	

Change Item: Minnesota Grown Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$65	$65	$65	$65
Revenues	0	0	0	0
Agricultural Fund				
Expenditures	12	13	13	13
Revenues	12	13	13	13
Net Fiscal Impact	$65	$65	$65	$65

Recommendation

The Governor recommends increasing the fee charged to use the Minnesota Grown logo or Minnesota Grown labeling. This money is statutorily appropriated for the purpose of promoting Minnesota-grown products. The Governor also recommends increasing the General Fund appropriation to supplement the existing marketing efforts being performed by the program.

Background

One of the most successful agricultural marketing programs at MDA is the Minnesota Grown program. Farmer participation in the program has increased each year since MDA began issuing the licenses. Currently over 900 producers are licensed to use the logo. In addition, consumer interest in buying locally has grown significantly. As the program continues to grow, additional funds are needed to:

⇒ Involve more producers and consumers beyond the 11 county metro area.
⇒ Respond to the increased demand for promotional materials and address seasonal gaps in the promotional campaign. Even with significant private contributions (for every $1 of state funding, the program receives $8 in private donations), current funding only allows promotional activities to take place during the extended summer season. Additional funds would also allow the program to expand to include livestock producers and other farmer groups not currently eligible to participate.
⇒ Promote a Minnesota Grown Organic identity. This would allow organic farmers to participate in the Minnesota Grown program, while enabling them to distinguish their products as organic.

Relationship to Base Budget

Revenues from Minnesota Grown labeling license revenues are deposited in the Minnesota Grown Account in the Agricultural Fund. The license fee would be increased from $5 to $20. It is estimated that this increase would increase revenues from approximately $5,000 per year to approximately $18,000 per year.

Key Measures

Performance measures used to evaluate effectiveness:
- expand promotional activities; and
- develop a Minnesota Grown Organic identity.

Statutory Change: M.S. 17.102

Activity Description

Agricultural Resources Management and Development (ARMD) assists agricultural producers with resource policy and management challenges, identifies and oversees research and demonstrations on agricultural environmental issues, conducts on-farm research, develops and transfers information and technology; and provides pest management and diversification options.

Population Served

This activity serves producers and agricultural professionals, processors, suppliers, and the general public. We partner with researchers, producer organizations, local governments, and state, local and federal environmental protection and conservation agencies to jointly address issues or opportunities.

Services Provided

ARMD provides services in the following ways:

⇒ Inform and involve producers and stakeholders in environmental policy and program development, such as Total Maximum Daily Loads (TMDL), drainage and feedlots.
⇒ Organize research and development partnerships with producers, researchers and others to address environmental protection, overcome production barriers and create opportunities.
⇒ Provide agriculture Best Management Practices, and Sustainable Ag Loans to producers that make investments to enhance environmental performance and profitability.
⇒ Sponsor on-farm research and pilot projects to evaluate practices and transfer information and technology.
⇒ Provide integrated pest management (IPM) and bio-control strategies, including operating bio-control and plant pathology quarantine facilities.
⇒ Assist local governments and producers with rural planning and land management.
⇒ Provide production information to producers on profitable diversification options, such as small scale livestock production and niche markets.
⇒ Provide information, training, and financial assistance to organic growers and processors.

Activity at a Glance

- Provides producers and stakeholders with information on environmental policies and regulations, pest management, organic certification, and other issues.
- Administers cumulative total loan value of $94 million in Agricultural Best Management Practice Loans, from a total appropriation of $53 million, for manure and feedlot management, conservation tillage, and septic systems.
- Enters into research partnerships to evaluate feasibility, cost, and environmental benefit of practices or technologies.
- Maintains and harvests with partners 2,500 insectaries for leafy spurge control agents and supports local bio-control efforts in 68 counties.
- Assists local government on land use planning, and agricultural development.

Historical Perspective

The Resources Management and Development division administers or supports state laws that affect resources management and development in several areas:

- development of agricultural industries and cooperation with the University of Minnesota (U of M);
- environmental Policy Act (environmental review);
- agricultural land preservation and conservation;
- sustainable agriculture and integrated pest management (including biological control);
- agricultural diversification;
- sustainable agriculture loans and grants;
- agricultural Best Management Practices (BMP) Loans; and
- organic production and certification.

Some trends affecting the division's clientele and mission include:

- The impact of federal and state implementation of the Clean Water and Safe Drinking Water Acts on farming operations;
- rapidly growing producer interest and consumer demand for organic, natural, and eco-labeled food products;
- demand from small and medium-sized producers for diversification options which help them manage enterprise risk and access growing specialty markets;

- the impact of TMDLs on agricultural profitability (i.e. working lands) and economic growth;
- the emergence of potential opportunities for producers in environmental credit trading, such as carbon and water quality credits;
- rising consumer expectations about environmental and food quality;
- increasing opportunities to address state resources issues, such as TMDLs, with increased funding through federal farm conservation programs; and
- continued attention to development and adoption of agricultural practices that reduce or improve agriculture's impact on the environment.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Provide $10-$12 million annually in Agricultural BMP Loans that protect water quality while keeping producers economically viable.
⇒ Complete construction and license the Biosafety Level 3 (BL3) Plant Pathology Quarantine Facility and continue operation of the Biosafety Level 2 (BL2) Biological Control Quarantine Facility, to provide scientists with research facilities to study plant pathogens, such as soybean rust, and accelerate biological control efforts on plant pests.
⇒ Assist producers and processors with organic certification costs. Provide educational opportunities for producers and others at annual Minnesota Organic Conference and through research and demonstration projects.
⇒ Assist the Commissioner's Office in contributing to and implementing the MDA roles in the Clean Water Legacy initiative. Continue to inform producers and their advisors of TMDL processes.
⇒ Collaborate with commodity groups, industry and the U of M to further evaluate and demonstrate innovations to agricultural drainage systems that improve environmental performance while conserving subsurface water for growing crops.
⇒ Provide fruit and vegetable crop pest and IPM information to over 1,200 producers and growers, crop consultants, scientists, industry representatives, and processors through electronic and paper publications.
⇒ Provide over 350 land managers with weed biological control agents and IPM information.

Activity Funding

This activity receives the majority of its funding from the General Fund. Federal grants, Legislative Commission on Minnesota Resources projects and other sources provide support for this activity in smaller amounts.

Contact

For information regarding the division's overall mission and programs, agricultural resource issues, please contact Paul Strandberg, Interim Director at (651) 201-6607.

For information regarding Agricultural BMP Loans, environmental review, agricultural land preservation, and animal agricultural issues, please contact Paul Burns, Assistant Director at (651) 201-6488 or Paul.Burns@state.mn.us.

For information regarding sustainable agriculture, integrated pest management, and organic programs, please contact Mary Hanks, Supervisor, Sustainable Agriculture and IPM at (651) 201-6277 or Mary.Hanks@state.mn.us.

Information on programs and staff can be found on the MDA web site at www.mda.state.mn.us/agdev.

AGRICULTURE DEPT
Program: PROMOTION & MARKETING
Activity: AG RESC MMT & DEVEL

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	79	353	0	0	0
General	2,538	4,266	4,156	4,159	8,315
Statutory Appropriations					
Misc Special Revenue	44	64	25	25	50
Federal	519	833	558	518	1,076
Gift	38	59	26	26	52
Total	**3,218**	**5,575**	**4,765**	**4,728**	**9,493**
Expenditures by Category					
Total Compensation	1,797	2,402	2,286	2,410	4,696
Other Operating Expenses	1,280	2,910	1,050	890	1,940
Payments To Individuals	0	218	174	173	347
Local Assistance	141	45	5	5	10
Other Financial Transactions	0	0	1,250	1,250	2,500
Total	**3,218**	**5,575**	**4,765**	**4,728**	**9,493**
Full-Time Equivalents (FTE)	**26.9**	**31.1**	**32.4**	**32.4**	

Program: PROMOTION & MARKETING
Change Item: Clean Water Legacy

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,250	$2,250	$2,250	$2,250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,250	$2,250	$2,250	$2,250

Recommendation
The Governor recommends $2.25 million for each fiscal year to the Minnesota Department of Agriculture (MDA) to implement the AgBMP loan program, facilitate applied research projects, and add 2 FTEs for scientific expertise to review Total Maximum Daily Load (TMDL) plans and offer advice on specified load allocations and best management practice (BMP) selection.

Background
The Clean Water Legacy initiative provides authority, direction, leadership and funding to restore and maintain water quality standards for Minnesota's surface waters in accordance with the requirements of the Federal Clean Water Act. MDA's portion of this initiative includes the following:

AgBMP Loan Program ($1.25 million per year):
Loan projects located within impaired watersheds that must be targeted at removing sources of the related impairment. The allocation would be in addition to the base allocation that Local Government Units (LGU) would normally receive. These funds will be evaluated and allocated through an interagency review team.

Impaired Waters Research ($800,000 per year):
Research projects related to the interaction between agricultural practices and sources of impairment, which will build off last year's $800,000 appropriation that has led to MDA entering into four separate research projects and will set additional research priorities via an Agricultural Research Advisory Committee. These applied research projects would focus on providing results that would assist individuals in making the best decisions when assembling TMDL plans, such as more precise identification of sources of impairment, load allocations, and needed land-use practices. The four current research projects underway include: a) use of SWOT modeling; b) use of imaging to identify sedimentation areas; c) DNA fingerprinting of bacteria and work to improve knowledge of bacteria fate, transport and BMP effectiveness; and d) actual plot work on nutrient management.

Personnel ($200,000 per year):
Two new FTEs to manage research projects, assemble and manage inter-division teams, engage in the TMDL plan development process, review proposed TMDL plans, and offer scientific advice on load allocations and corresponding BMP selection.

Relationship to Base Budget
Since 2000, $2 million has been appropriated specifically for AgBMP loans. This money is in an account in the Agricultural Fund and revolves for new loans as it is repaid. In 2006, $800,000 was appropriated for research, evaluation, and effectiveness monitoring of agricultural practices in restoring impaired waters.

Key Measures
⇒ The additional targeted AgBMP loan projects will provide LGUs additional opportunities to specifically address a source or sources of impairment, hopefully leading to overall improved water quality.

⇒ The additional research activities are aimed at working smarter, rather than harder. In other words, the research is focused on better identifying sources of impairment and where on the landscape conservation practices should be targeted.

Statutory Change: Not Applicable

Program Description
The purpose of this program is to conduct value-added agricultural programs.

Budget Activities
This program includes the following budget activities:

⇒ Ethanol Producer Payments and Assistance

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	18,745	15,268	15,268	15,268	30,536
Subtotal - Forecast Base	18,745	15,268	15,268	15,268	30,536
Governor's Recommendations					
NexGen BioEnergy Initiative		0	5,000	5,000	10,000
Total	**18,745**	**15,268**	**20,268**	**20,268**	**40,536**
Expenditures by Fund					
Direct Appropriations					
General	17,388	16,625	20,268	20,268	40,536
Total	**17,388**	**16,625**	**20,268**	**20,268**	**40,536**
Expenditures by Category					
Other Operating Expenses	500	0	0	0	0
Local Assistance	16,888	16,625	20,268	20,268	40,536
Total	**17,388**	**16,625**	**20,268**	**20,268**	**40,536**
Expenditures by Activity					
Ethonol Payments/Assistance	17,388	16,625	20,268	20,268	40,536
Total	**17,388**	**16,625**	**20,268**	**20,268**	**40,536**

Program Description

The Minnesota Department of Agriculture (MDA) makes Ethanol Development Payments to Minnesota ethanol producers based on a formula found in M.S. 41A.09.

Population Served

Currently ten ethanol plants located throughout Minnesota are eligible to receive producer payments. In FY 2008, two of these plants will stop receiving production payments.

All plants that received producer payments during the years when appropriation limitations did not allow the full rate per gallon to be paid are entitled to receive deficiency payments for the amount their payments were short. These payments are made annually. Money available for this purpose is pro-rated to all deficiencies.

Activity at a Glance

Ethanol plants in Minnesota receiving producer payments in FY 2007:

- Agra Resources Co-op, Albert Lea
- Agri-Energy, LLC, Luverne
- Al-Corn Clean Fuel, Claremont
- Central Minnesota Ethanol Coop, Little Falls
- Diversified Energy Company, LLC, Morris
- Ethanol 2000, Bingham Lake
- Heartland Corn Products, Winthrop
- Melrose Dairy Proteins, LLC, Melrose
- Minnesota Energy, Buffalo Lake
- Pro-Corn, LLC, Preston

In 2005, money was also appropriated for grants to fuel station owners to install E85 pumps and for ethanol efficiency grants.

Services Provided

Each plant submits a quarterly report of gallons of ethanol produced to the MDA. These reports are independently audited, and payments are made in accordance with the statute. Payments are made November 15, February 15, May 15, and August 15.

Service stations apply for pump assistance and are reimbursed for up to half the cost of the work, up to a maximum of $15,000.

Historical Perspective

This ethanol producer payment program was authorized by the state legislature in 1986. Each plant enrolled in the program is eligible for payment based on gallons of ethanol produced up to a maximum amount of $3 million for each of the ten years they may participate in the program. The program for regular payments expires 6-30-10. It is estimated that deficiency payments will continue until FY 2013.

Key Measures

Key measures for this program are specified in M.S. 41A.09, which provides for an annual production of ethanol from Minnesota plants of at least 480 million gallons by 2008. Current annual production capacity is in excess of 400 million gallons.

⇒ MDA reviews audited claims and makes payments to producers eligible for payment under M.S. 41A.09.
⇒ Fifty-one service stations were awarded E85 pump grants.

Activity Funding

This activity is funded by a direct appropriation from the General Fund.

Contact

For additional information on this activity, please contact Steve Ernest at (651) 201-6580
or Steve.Ernest@state.mn.us

AGRICULTURE DEPT
Program: VALUE-ADDED AG PRODUCTS
Activity: ETHANOL PAYMENTS/ASSISTANCE

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Expenditures by Fund					
Direct Appropriations					
General	17,388	16,625	20,268	20,268	40,536
Total	**17,388**	**16,625**	**20,268**	**20,268**	**40,536**
Expenditures by Category					
Other Operating Expenses	500	0	0	0	0
Local Assistance	16,888	16,625	20,268	20,268	40,536
Total	**17,388**	**16,625**	**20,268**	**20,268**	**40,536**

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$5,000	$5,000	$9,000	$9,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5,000	$5,000	$9,000	$9,000

Recommendation

The Governor recommends creating a package of several next generation (NextGen) bioenergy incentive programs to spur the development of facilities to produce fuels derived from biomass or cellulosic materials such as grasses, wood products, straw, and corn stover.

Background

On December 12, the Governor announced his Next Generation Energy Initiative. Among the components of that Initiative was to provide "financial resources . . . to assist and encourage the growth of Next Generation biofuels, such as cellulosic ethanol . . . with a special focus on farmer ownership." This budget change item is intended to fulfill that commitment.

Over the last several months the Minnesota Department of Agriculture (MDA) and Minnesota Department of Commerce (DOC) have engaged in several dialogues with leaders in the bioenergy field. What was learned is that the State is uniquely positioned to be on a new frontier of bioenergy production in Minnesota, with many separate but interconnected paths to take. Furthermore, ethanol is but one of many potential biofuel products (e.g. synthetic gases, biobutanol, methanol, hydrogen, and diesel) that can be produced from biomass materials. The key to setting policy incentives is to be flexible, and technology- and product- neutral.

The policy initiative for the State to become more involved in securing financing/investment is based on the following information:

- ⇒ Financial institutions are reaching or have met their preferred portfolio threshold in renewable energy facilities.
- ⇒ State programs could be complementary to current and future investment incentives administered by the USDA Rural Development.

Relationship to Base Budget

This initiative would be new funding added to the base budget for the following:

Grants for the Installation of Gasification Technology: The Governor recommends $5 million in each FY 2008 and FY 2009 for grants to facilities wishing to install gasification technologies. These competitive grants would be awarded via a panel comprised of representation from the agencies, the legislature, and the Governor's Office. By promoting the installation of gasification technology (process of partial combustion of plant materials in the absence of oxygen), the state is promoting: 1) an offset of natural gas usage to power facilities, and 2) the capture of synthetic gases which can be turned into a variety of bioenergy products, such ethanol, diesel and bio-butanol. This technology will serve as the virtual platform for facilities to launch into the next generation of biofuels.

Grants would be awarded on a competitive basis, with the following requirements:

- ⇒ State provides 20% of total project cost-share (minimum $50,000, maximum $500,000).
- ⇒ Competitive grant process that will fund a minimum of 25 projects.
- ⇒ Investor cost-share of at least 50%.
- ⇒ Eligible facilities must be at least 51% producer/locally owned.
- ⇒ Eligible projects must have a qualified engineer-certification on the technology and fuel source.

NextGen Production Incentives Programs: The Governor also recommends $9 million in each fiscal year from FY 2010 to FY 2020 for a menu of “Production Incentive Programs,” total expenditures would be $90 million. Of the $9 million in each fiscal year, $6 million would be dedicated to financing/investment incentives, while $3 million would be dedicated to direct payments to facilities producing bio-fuels derived from biomass or cellulosic materials, fuels would include synthetic gases, biobutanol, hydrogen, methanol, diesel, or ethanol. These incentive programs would be administered by the MDA.

Financing/Investment-Based Menu of Incentives: At least $60 million over 10-years to establish:

⇒ *Equity Grant Program***.** State funds to assist in the equity drive of locally owned projects.

⇒ *Unsecured Revolving Loan Program*. Establish an unsecured low-interest loan that would include a risk-sharing component where the State could assume 50% of a potential default amount up to a cap.

⇒ *Loan Guarantee Pool.* State resources cover initial losses. The replacement amount is dependent upon actual loan portfolio performance. The amount of funding in the Loss Reserve would be the product of a risk rating or loan grading system. The provision for losses is traditionally 10-15% of the outstanding guarantee.

Direct Production Payments: Up to $30 million over 10-years will be provided for direct payments to facilities that are producing NextGen biofuels. A biofuels facility would be eligible to receive up to $1 million per year ($10 million maximum over 10-years) for the production of a set measurement (gallon, cubic, etc.) of a NextGen fuel. In other words, if each awarded facility would receive its maximum payment, 3 facilities would be chosen.

The facilities will submit an application sometime in FY 2010 to an MDA review panel to receive the payment. The panel will choose the projects to receive funding, and develop the payment mechanism and rates. Eligible products will be ethanol, methanol, bio-diesel, synthetic gas, or an equivalent bioenergy product.

Key Measures

The key performance measure of this initiative is whether it stimulates the development of locally owned next generation bioenergy facilities. Critical to that development is whether this level of state support provides the security necessary to allow financial institutions and investors to financially participate in the commercialization of this new, emerging technology.

Statutory Change: Will require new statutory language.

Program Description

The purposes of the Administration and Financial Assistance Program are to provide leadership and direction to the functions of the agency and to provide Minnesota agriculture with financial assistance.

Budget Activities

⇒ Grants and Assistance
⇒ Rural Financing
⇒ Administrative Services

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	6,682	7,732	7,732	7,732	15,464
Technical Adjustments					
Approved Transfer Between Appr			(1,772)	(1,772)	(3,544)
Subtotal - Forecast Base	6,682	7,732	5,960	5,960	11,920
Governor's Recommendations					
Compensation Adjustment		0	41	83	124
Total	**6,682**	**7,732**	**6,001**	**6,043**	**12,044**
Expenditures by Fund					
Direct Appropriations					
General	6,467	6,054	6,001	6,043	12,044
Statutory Appropriations					
Clean Water Revolving Fund	4,984	1,405	2,360	2,802	5,162
Misc Special Revenue	2,612	3,089	3,181	3,253	6,434
Agriculture Fund	388	1,252	82	142	224
Federal	527	555	541	541	1,082
Rural Finance Administration	252	1,148	148	148	296
Miscellaneous Agency	40	6	6	6	12
Gift	0	31	0	0	0
Total	**15,270**	**13,540**	**12,319**	**12,935**	**25,254**
Expenditures by Category					
Total Compensation	4,195	4,797	4,876	4,990	9,866
Other Operating Expenses	3,150	2,519	2,290	2,245	4,535
Payments To Individuals	538	578	572	575	1,147
Local Assistance	1,690	1,651	1,692	1,734	3,426
Other Financial Transactions	5,697	3,995	2,779	3,281	6,060
Transfers	0	0	110	110	220
Total	**15,270**	**13,540**	**12,319**	**12,935**	**25,254**
Expenditures by Activity					
Grants And Assistance	2,618	2,652	2,744	2,786	5,530
Rural Financing	6,139	4,546	3,322	3,824	7,146
Administrative Services	6,513	6,342	6,253	6,325	12,578
Total	**15,270**	**13,540**	**12,319**	**12,935**	**25,254**
Full-Time Equivalents (FTE)	**55.6**	**60.3**	**61.8**	**61.4**	

Activity Description

This activity provides a variety of direct grants and assistance to individuals and organizations.

Population Served

Grants and assistance are provided to dairy producers, low-income and nutritionally at-risk people, farmers in crisis, county fairs and agricultural producer associations, and research and development organizations.

Services Provided

The Dairy Development Profitability and Enhancement program assists dairy producers in the enhancement of their operations. The program has two facets: Dairy Enhancement Team Grants and Dairy Business Planning Grants. Local teams are composed of U of M Extension and MnSCU employees as well as local veterinarians, feed nutritionists and financial lenders. Teams work one-on-one with producers to help them achieve greater profitability, productivity, and efficiency. Through this cooperative effort, producers have been able to eliminate bottlenecks on their operations and accomplish business and family goals. The Dairy Business Planning Grant provides a 50% cost share, up to $5,000 per producer, of the cost of completing a business plan. Options explored by these producers have included on-farm processing, expansion, transferring the farm to the next generation, and environmental upgrades. This grant is available to all dairy producers, but the program prioritizes small to medium-sized producers.

Activity at a Glance

This activity includes the following programs:

- The Dairy Development Profitability and Enhancement Program
- The Farmers Market Nutrition coupon programs (including federal money)
- Milk for food shelves through a grant to Second Harvest Heartland
- The Farm Advocates program
- Mental health assistance through the Minnesota State Colleges and Universities
- County Fair and Agricultural Society Grants
- Grants to the Northern Crops Institute and Northern Minnesota Forage-Turf Seed Advisory Committee
- A grant to the Horticultural Society

The Farmers' Market Nutrition Programs (FMNP) promote farmers' markets and improve the diets of low-income children, pregnant women, and seniors. The program aims to increase direct sales of locally grown produce and encourage consumption of fresh produce among low-income and nutritionally at-risk people by providing checks to those groups. FMNP issues checks to FMNP-WIC recipients through the local WIC (Women, Infant and Children) agencies that can only be redeemed at authorized farmers' markets for locally grown, fresh, unprocessed fruits and vegetables. Seniors receive checks from the agencies that distribute NAPS (Nutrition Assistance Program for Seniors) commodities. The department authorizes markets and vendors to accept the checks and investigates to ensure that vendors comply with program requirements and redeem checks only for eligible items.

The Second Harvest Heartland grant supports the purchase of milk for distribution to Minnesota's food shelves and other charitable organizations that are eligible to receive food from the food banks.

Farm Advocates provide one-on-one assistance for Minnesota farmers who face crisis due to a natural disaster or financial problems. Farm Advocates understand the needs of agricultural families. They are trained and experienced to deal with agricultural lending practices, mediation, lender negotiation, farm programs, crisis counseling and disaster programs, and to recognize the need for legal and social services. Farm Advocates assist farmers who are entering negotiations with a lender, liquidating assets of the farming operation, seeking financial assistance, and/or are receiving an adverse decision from a state or federal agency. Key farm advocate services include: financial planning; lender negotiations; farm program advice; referrals for legal services; and referrals for social and human Services. In addition, mental health counseling for farm families and business operators is supported through farm business management programs at Central Lakes College and Ridgewater College.

Grants to county fairs and agricultural associations provide assistance to fair boards and associations for prize costs. Grants to the Northern Crops Institute and the Northern Minnesota Forage-Turf Seed Advisory Committee provide support for continued research into hardy varieties of crops for use in the northern tier of states and improved production of forage and turf seed related to new varieties. Grants to the Minnesota Horticultural Society support educational programs including the Minnesota Green program, which supplies donated plant materials to over 200 community greening spaces throughout the state.

Historical Perspective

The Farm Advocate program was founded in the mid-1980s.

Minnesota has had state funded FMNP since FY 1989 and has received federal funds since federal FY 1994. The senior FMNP started in Minnesota in federal FY 2001, the first year federal funds were available.

The Dairy Diagnostic program was established in 1996.

The Minnesota Horticultural Society was founded in 1866 and its magazine, *The Northern Gardener*, is the longest continuously published magazine in the state.

Key Measures

Performance measures used to evaluate effectiveness include:

⇒ A minimum of 350 producers will be served annually by a Dairy Profitability and Enhancement Team.
⇒ Four hundred farm families will be served annually by 15 Farm Advocates.
⇒ Fifty percent of all first time check recipients who spend FMNP checks will be new market customers.

Activity Funding

Grants and claims are funded by direct appropriations from the general fund. Appropriations for the Farmers Market Nutrition Programs provide the required match for federal appropriations.

Contact

For additional information contact Steve Ernest, Financial Management Director, at (651) 201-6580 or Steve.Ernest@state.mn.us

AGRICULTURE DEPT
Program: ADMIN & FINANCIAL ASSISTANCE
Activity: GRANTS AND ASSISTANCE

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,132	2,127	2,248	2,290	4,538
Statutory Appropriations					
Federal	486	499	496	496	992
Gift	0	26	0	0	0
Total	**2,618**	**2,652**	**2,744**	**2,786**	**5,530**
Expenditures by Category					
Total Compensation	111	120	124	130	254
Other Operating Expenses	279	303	256	247	503
Payments To Individuals	538	578	572	575	1,147
Local Assistance	1,690	1,651	1,692	1,734	3,426
Transfers	0	0	100	100	200
Total	**2,618**	**2,652**	**2,744**	**2,786**	**5,530**
Full-Time Equivalents (FTE)	**1.9**	**2.1**	**2.1**	**2.1**	

Activity Description

The Agricultural Finance division administers programs designed to enhance Minnesota's agricultural production and processing capacity, provide opportunities for renewable energy and protect the environment.

The Rural Finance Authority (RFA), a separate public body created under M.S. Chapter 41B and authorized to utilize state bonds to develop the state's agricultural resources, is included in this activity.

Activity at a Glance

- 2,549 farmers assisted through RFA
- $166.3 million in RFA real estate participation
- 449 RFA financial service centers available
- 3,044 legal entities certified under Corporate Farm Law guidelines

Population Served

Eligible farmers who wish to purchase a farm, construct improvements on their farm, participate in value added activities, expand their livestock or improve their livestock equipment, reduce production costs, or protect the environment.

Services Provided

Four primary activities are administered by the Agricultural Finance division. They include:

- Minnesota Rural Finance Authority;
- Federal Aggie Bond program;
- Sustainable Agriculture Loan Program, jointly with the Agricultural Resources Management and Development division;
- Minnesota Corporate Farm Law.

The Minnesota Rural Finance Authority is governed by an eleven member board appointed by the governor. The board of the authority consists of the commissioners of agriculture, commerce, employment and economic development, and finance, the state auditor, and six public members appointed by the governor with the advice and consent of the senate. No public member may reside within the metropolitan area.

The RFA partners with local lenders to provide affordable credit to eligible farmers by buying a portion of the real estate loan. The RFA has a contract or participation agreement with more than 400 agricultural lenders throughout Minnesota. The agricultural lender will submit an application to the RFA with a request that the RFA purchase a portion of a qualifying real estate loan. The RFA portion of the loan is carried at a reduced interest rate. The reduced rate offers a cash flow advantage to eligible farmers.

The RFA will purchase a 45% interest in the lender's first mortgage (up to $200,000) to an eligible farmer under the Beginning Farmer, Seller Assisted and Agricultural Improvement Programs. A participation in the Livestock Expansion Loan Program may be up to $275,000 and up to $225,000 under the Restructure II Program. This participation interest is set up on a reduced interest rate to improve the farmer's cash flow and to share the risk of making the loan with the lender. The RFA and lender become partners and each owns a pro-rata share of said mortgage.

The Agricultural Development Bond (Aggie Bond) Program creates a federal tax exemption for banks, and a federal and state tax exemption on interest income to an individual seller in exchange for offering below-market interest rates to the buyer. No state funds go into these loans.

The Agricultural Finance division and the Ag Resources Management and Development division jointly administer the Sustainable Agriculture Loan Program. Agricultural Finance reviews applications authorized under 17.115 for creditworthiness. In 1988, the Minnesota Legislature appropriated $1 million for the Sustainable Agriculture Loan Program. The purpose of this loan program is to facilitate the adoption of alternative management practices that will enhance farm profitability and benefit the rural environment. The appropriation has been set up as a "revolving fund." As the outstanding loans are repaid to the state the principal revolves back to the farmers in the form of new loans.

The division also enforces and facilitates compliance with the Corporate and Alien Farm laws. The law's stated purpose is to protect the family farm as a basic economic unit and promote the stability and well being of rural society by ensuring the non-farm corporations and foreign entities do not won farm land or engage in production agriculture. The Corporate Farm Law (M.S. 500.24) was recodified in 1997 and amended substantially in 2000.

Historical Perspective

The Minnesota Rural Finance Authority was established in 1986 to develop the state's agricultural resource by extending credit on real estate security as allowed under the authority of Article XI, Section 5, Clause (h) of the Minnesota Constitution. The initial program was designed to help lenders and borrowers restructure farm real estate loans that had become undersecured. In response to identified financing needs for agriculture, additional programs were initiated. They included the Basic Farm Loan (1987) and Seller-Assisted (1989) to help finance beginning and low-equity farmers to purchase farm real estate, Agricultural Improvement (1992) for existing farmers that needed to make improvements to their property, Restructure II for existing farmers who were in good standing with their local lender but having cash flow problems due to an imbalance in their debt structure, and Livestock Expansion (1994) to create affordable financing for new, state-of-the-art improvements for livestock production; the Value-Added "Stock" Loan Program (1994) and the Methane Digester Loan Program (2002).

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ To direct more than 60% of the RFA loan participation to Basic, Seller-Assisted, and Agricultural Improvement loan programs.

⇒ To underwrite credits that show capital, liquidity, and debt service capacity comparable to industry standards.

Activity Funding

This activity is supported by the General Fund and fees on the loan programs administered.

Bonding authorization is established by M.S., Section 41B.19, Subd. 1, and is allocated by resolution of the board. Net legislative authorizations received from 1986 through 2005 for the above listed programs are $141 million.

A resolution is passed by the RFA Board requesting that the Department of Finance sell general obligation bonds. The amount of each bond sale is determined by the level of loan activity. The date of each bond sale is coordinated with the Department of Finance. Cash generated from the sale of general obligation bonds is used to purchase up to 45% of a qualifying loan.

The principal and interest receipts from the loan participations are deposited into a dedicated account called the debt service account. Interest rate on the RFA participation is set at a level that will generate sufficient revenue to meet overall debt service requirements. The Department of Finance annually sweeps funds from the debt service account to satisfy debt service on the general obligation bonds.

Additional bond authorization does not increase the need for General Fund appropriations for staffing or administrative costs of these programs.

Contact

For additional information on this activity, please contact Jim Boerboom at (651) 201-6395 or Jim.Boerboom@state.mn.us.

AGRICULTURE DEPT
Program: ADMIN & FINANCIAL ASSISTANCE
Activity: RURAL FINANCING

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	345	495	486	486	972
Statutory Appropriations					
Clean Water Revolving Fund	4,984	1,405	2,360	2,802	5,162
Misc Special Revenue	175	247	246	246	492
Agriculture Fund	383	1,249	80	140	220
Rural Finance Administration	252	1,148	148	148	296
Miscellaneous Agency	0	2	2	2	4
Total	**6,139**	**4,546**	**3,322**	**3,824**	**7,146**
Expenditures by Category					
Total Compensation	314	327	334	343	677
Other Operating Expenses	128	224	209	200	409
Other Financial Transactions	5,697	3,995	2,779	3,281	6,060
Total	**6,139**	**4,546**	**3,322**	**3,824**	**7,146**
Full-Time Equivalents (FTE)	**4.3**	**3.8**	**4.3**	**4.3**	

Activity Description

Administrative Services provides the leadership to the Minnesota Department of Agriculture (MDA) and its employees, and outreach to the agriculture industry and Minnesota consumers. It also provides department-wide support in the areas of human resources, finance and budget, and information technology by assisting divisions in providing efficient and effective programs.

M.S. 17 provides the statutory authority for the commissioner of MDA.

Population Served

In addition to supplying essential assistance to MDA employees and programs, Administrative Services also works with the legislature, producers and processors in the agricultural industry, citizens of Minnesota, and partner state and federal agencies. Minnesota's agriculture industry is the seventh largest in the nation. Minnesota is the fifth largest in ag exports.

Activity at a Glance

- ♦ Commissioner's Office oversees and directs the activity of all divisions in MDA
- ♦ Human Resources and Diversity assist over 500 employees with personnel matters
- ♦ Finance and Budget works to build and manage an annual budget of approximately $70 million
- ♦ Information Technology provides, maintains and updates MDA's hardware, software, and network computer assets
- ♦ Agricultural Statistics is a state/federal partnership that collects, correlates, and analyzes agricultural data
- ♦ MDA has 317 employees located in the Minneapolis/St. Paul metro area, and 220 employees located throughout Minnesota in the areas they serve

Services Provided

Services are provided through the:

- ⇒ Commissioner's Office – provides leadership for the department, sets policy, and interacts with our stakeholders – federal, state, local, and international.
- ⇒ Human Resources – provides employee safety and health program, labor relations program, training program, and diversity program in order to maintain a flexible and diverse workforce that can meet the needs of a changing and demanding workplace.
- ⇒ Finance and Budget – provides centralized accounting, payroll, budgeting, mail, and motor pool services to the employees of MDA.
- ⇒ Information Technology – provides services to all divisions for computer systems analysis, technical support, programming, project management, web design and graphic arts; administers the production of all department licenses; coordinates geographic information systems; manages telephone services; and prepares for future technology needs.
- ⇒ Agricultural Statistics – a joint federal/state division that collects, analyzes, and disseminates statistical information useful to not only agricultural producers and processors, but also to economists.

Historical Perspective

In recent years, there have been many executive challenges and opportunities. Farm production and the economy continue to face formidable challenges; food safety and agriculture security requirements are at the highest level in recent history; the department's budget and human resources have been obligated to respond to numerous critical situations.

The department has made significant advances to align business needs with technology support, moving from a fragmented information technology infrastructure to a highly integrated system providing improved support/services to our employees, customers, and Minnesota citizens. The department has a proven track record of successfully managing and completing complex information technology projects on time and within budget.

2006 marks MDA's first full year in the new Orville L. Freeman Building, located at 625 Robert Street North, in St. Paul. Co-location with the Department of Health and the Board of Animal Health has enhanced coordination on related activities.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ MDA continues to partner with other state departments of agriculture to increase our presence at the national level to ensure Minnesota's agriculture is represented and heard.

⇒ MDA is designing and completing technology projects that will ensure that the projects goals are defined by business practices. Our projects will be completed on time and within budget.

Activity Funding

Leadership and support activities are funded with direct appropriations from the General Fund and indirect cost charges made within the agency for central service operations.

Contact

For additional information on budgets, please contact Steve Ernest, Financial Management Director, at (651) 201-6580 or Steve.Ernest@state.mn.us.

For additional information on policy, please contact Quinn Cheney, Director of Policy Development, at (651) 201-6180 or Quinn.Cheney@state.mn.us.

Additional information, such as the Commissioner's Column is also available on the MDA's web site.

AGRICULTURE DEPT
Program: ADMIN & FINANCIAL ASSISTANCE
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	3,990	3,432	3,267	3,267	6,534
Statutory Appropriations					
Misc Special Revenue	2,437	2,842	2,935	3,007	5,942
Agriculture Fund	5	3	2	2	4
Federal	41	56	45	45	90
Miscellaneous Agency	40	4	4	4	8
Gift	0	5	0	0	0
Total	**6,513**	**6,342**	**6,253**	**6,325**	**12,578**
Expenditures by Category					
Total Compensation	3,770	4,350	4,418	4,517	8,935
Other Operating Expenses	2,743	1,992	1,825	1,798	3,623
Transfers	0	0	10	10	20
Total	**6,513**	**6,342**	**6,253**	**6,325**	**12,578**
Full-Time Equivalents (FTE)	**49.4**	**54.4**	**55.4**	**55.0**	

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$266	$538	$538	$538
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$266	$538	$538	$538

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veteran's Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional officers in the Department of Corrections and state troopers in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with additional percentages as needed to fund the higher pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	Actual	Budgeted	Governor's Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	3,069	3,099	3,099	3,099	6,198
Remediation Fund	116	92	92	92	184
Other Revenues:					
General	7	1	1	1	2
Other Sources:					
General	28	45	77	0	77
Total Non-Dedicated Receipts	**3,220**	**3,237**	**3,269**	**3,192**	**6,461**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	89	128	98	98	196
Agriculture Fund	18,560	15,973	15,388	15,391	30,779
Rural Finance Administration	1	1	1	1	2
Grants:					
Misc Special Revenue	82	104	111	109	220
Federal	5,059	6,794	6,469	6,393	12,862
Other Revenues:					
Misc Special Revenue	2,918	3,009	2,999	2,999	5,998
Agriculture Fund	1,060	838	833	828	1,661
Rural Finance Administration	2,879	1,823	2,077	2,248	4,325
Miscellaneous Agency	6	6	6	6	12
Gift	94	76	51	51	102
Other Sources:					
Clean Water Revolving Fund	2,673	1,405	2,360	2,802	5,162
Misc Special Revenue	121	189	189	189	378
Agriculture Fund	281	58	67	127	194
Rural Finance Administration	6,147	4,876	5,636	6,199	11,835
Miscellaneous Agency	16	2	2	2	4
Total Dedicated Receipts	**39,986**	**35,282**	**36,287**	**37,443**	**73,730**
Agency Total Revenue	**43,206**	**38,519**	**39,556**	**40,635**	**80,191**

The Minnesota Department of Agriculture (MDA) receives funding from many federal sources, including the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the U.S. Environmental Protection Agency (EPA), the U.S. Department of Commerce (USDC) and Homeland Security, among others. Some funding comes directly from the federal agency and other federal funding is received from another state agency as part of a larger grant.

Federal funds are received through: 1.) cooperative agreements, which provide reoccurring funding for a variety of federal programs that MDA administers; 2.) contracts where MDA provides specific services for a fee (i.e. meat inspections); and 3.) project grants where the funds are awarded on a competitive basis for specific activities.

MDA has several cooperative agreements that provide reoccurring funding. The largest of these are the EPA Pesticide Programs Grant and the Farmers Market Nutrition Program Grant.

The EPA Pesticide Programs Grant funds core activities such as pesticide enforcement, applicator certification and training, groundwater monitoring, urban initiative and endangered species activities. MDA matching funds are provided through special revenue funds from the Pesticide Regulatory Account. Matching funds greatly exceed the federal requirements because the federal funds support only a small portion of the state's pesticide program and those activities are eligible as match.

The Farmers Market Nutrition Program provides funding to educate low income, nutritionally-at-risk families about the value of fresh, locally grown produce and to increase direct sales for farmers through farmers' markets. It requires a 30% state match. Matching funds are General Fund dollars. Additional federal funding is provided for a Farmers Market Nutrition Program for Senior Citizens.

The USDA Forest Service and Animal Plant Health Inspection Service (APHIS) fund invasive species program activities through both cooperative agreements and competitive project grants. These funds are for core activities, invasive pest surveys and eradications of pests such as the gypsy moth. MDA matching funds are largely provided through state General Fund appropriations.

Federal contracts include the meat inspection program, funded in partnership with the USDA Food Safety and Inspection Service (FSIS). This program is funded with an appropriation from the General Fund, but then has up to 50% in federal reimbursement returned to the General Fund on a quarterly basis. Also, feed inspection activities (medicated feeds, tissue residue) are funded by the FDA, egg and poultry inspections by the USDA, and egg and poultry laboratory analysis by USDA-Ag Marketing Services.

Competitive project grants are funded both directly from federal agencies and through other state agencies. Examples of competitive grants directly funded are USDA-Ag Marketing Services, USDA-Federal State Marketing Improvement Program (FSMIP), and USDA-Rural Development. Currently, four projects are being funded through the federal 319 (nonpoint source water protection) Program through the Minnesota Pollution Control Agency (MPCA).

Additional assistance that may be sought in the future includes funds to address disease outbreaks, such as avian influenza, and funds to increase protection against terrorist activities. Diseases and terrorist attacks on the food supply could have high potential to cause illness, fear and panic, loss of public confidence in the food supply and severe economic losses. If disease outbreaks or terrorist activities should occur, the Minnesota Department of Agriculture and its partners would need to communicate and respond decisively to limit the extent of the damage and to protect public health. Additional resources are being sought to address these issues.

Federal Program ($ In Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
PESTICIDE & FERTILIZER MGMT						
F36 MPCA 319 Grant ongoing contract for nutrient management & nitrate clinics (match required).	22	SO	50	106	215	202
F37 MPCA Brownfields CERCLA Incident response (no match)	-	SO	-	50	-	-
F40 EPA Great Lakes Groundwater Grant Water quality project in the Great Lakes watershed (no match).	-	SO	-	11	23	-
F50 USDA Pest Record Keeping Education & inspection of private applicator records for compliance (match required – pesticide regulatory account).	2	SO	50	50	50	50
F54 MPCA Source Water Protection Develop educational materials, coordinate water land protection program, collect data and provide technical assistant to public water suppliers (no match).	-	SO	-	40	40	40
F59 Manure Laboratory Certification National lab proficiency test program for manure analysis (match required).	29	SO	70	85	70	70
F60/F61 EPA FIFRA Grant Ongoing grant for pesticide enforcement & groundwater protection and other core programs (match required).	1,365	SO	397	467	388	388
Total	1,418		567	809	786	750
PLANT PROTECTION						
F33 USDA CSREES Grant Cooperative agreement for research & education (no match).	-	SO	6	12	12	12
F56 APHIS Slow the Spread Survey work to detect & stop the spread of Gypsy Moths and other invasive species (match required).	155	SO	452	606	600	600
F57 USDA Forest Survey Gypsy moth survey work to detect & stop the spread of gypsy moths and other invasive species (match required).	103	SO	194	45	45	45
F62/F63 CAPS APHIS Funds for consolidated base surveys and emergency funding for priority pest (i.e. bark beetle) (match required).	62	SO	145	207	357	357
Total	320		797	870	1,014	1,014
DAIRY & FOOD INSPECTION						
F02 USDA Poultry Inspection Ongoing contract for poultry (no match).	-	SO	71	80	80	80

Federal Program ($ In Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
F03 USDA Egg Inspection Ongoing contract for egg inspections of egg handlers and hatcheries (no match).	-	SO	16	20	20	20
F08 HHS-FDA Food Inspection Ongoing contract for food inspections (no match).	-	SO	164	435	435	435
F09 HHS-FDA Medicated Feed Ongoing contract for inspection of licensed feed mills and Tissue Residue Inspections (no match).	-	SO	58	-	-	-
F15 USDA-AMS Meat Grading & Inspection Cooperative agreement for meat grading and certification services (no match).	-	SO	5	-	-	-
F29 USDA Deli Meat Inspection Cooperative agreement for Deli Meat inspections (no match).	-	SO	9	7	-	-
F32 USDC-NOAA Fish Inspection Ongoing contract for fish & fish products (no match).	-	SO	24	26	26	26
F52 Homeland Security Risk Assessment Minnesota Public Safety contract for risk assessment of food supply in Minnesota (no match).	-	SO	157	410	230	230
F55 USDA FERN Food Safety State Food Safety Task Force in meat & poultry processing at retail level (no match)	-	SO	4	14	14	14
F66 BSE Ruminant Feed Ban Increase surveillance to prevent the introduction or amplification of BSE (cattle disease) in commercial food channels (no match).	-	SO	98	260	200	200
F83 Meat Inspection Reimbursement Reimbursement account for 50% of General Fund state meat inspection expenses (match required).	1,032	SO	599	725	725	725
F97 FSIS Retail Food Safety A meat and poultry inspection program to assure consumers an adequate supply of safe, wholesome, and properly labeled meat and poultry products (match required).	12	SO	5	40	40	40
Total	1,044		1,210	2,017	1,770	1,770
LABORATORY SERVICES						
F11 MPCA Improvement Grants Funding for field testing & training of users on the Minnesota Phosphorus Index, Impaired Waters and Riparian Grazing (no match).	-	SO	-	13	17	17
F21 USDA-AMS Grading Standards Ongoing contract for lab analysis of egg & poultry products (no match).	-	SO	74	125	125	125

Federal Program ($ In Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
F33 USDA CSREES Grant Cooperative grant for research & education (no match).	-	SO	22	80	80	80
F52 Homeland Security Risk Assessment Minnesota Public Safety contract for risk assessment of food supply in Minnesota (no match).	-	SO	31	80	80	80
F55 USDA FERN Food Safety State Food Safety Task Force in meat & poultry processing at retail level (no match)	-	SO	47	67	89	89
F58 USDA FERN To develop and improve local food safety and security testing programs (no match).	-	SO	335	350	350	350
F60/F61 EPA FIFRA Grant Ongoing grant for pesticide enforcement & groundwater protection and other core programs (match required – see Pesticide & Fertilizer Management).	-	SO	346	310	310	310
F66 BSE Ruminant Feed Ban Increase surveillance to prevent the introduction or amplification of BSE (cattle disease) in commercial food channels (no match).	-	SO	48	20	20	20
F81 USDA AMS-MDP Cooperative agreement to perform methods development and analytical trials (no Match).	-	SO	298	185	200	200
F96 USDA AMS-PDP Cooperative agreement to collect pesticide data residues and perform evaluation analysis (no match).	-	SO	207	250	250	250
F97 FSIS Retail Food Safety A meat and poultry inspection program to assure the consumers an adequate supply of safe, wholesome, and properly labeled meat and poultry products (match required).	15	SO	20	20	20	20
Total	15		1,428	1,500	1,541	1,541
AG MARKETING SERVICES						
F08 HHS-FDA Food Inspections Ongoing contract for food inspections (no match).	-	SO	5	5	5	5
F20 USDA-FSMIP Marketing Improvement Fund To develop direct marketing for agricultural products (match required).	49	SO	59	60	60	60
F48 USDA-FSMIP Emerging Markets Funds to develop direct marketing for agricultural products in emerging markets (match required).	-	SO	-	194	194	194
Total	49		64	259	259	259

Federal Program ($ In Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
AG RESOURCES MGMT & DEVP						
F11 MPCA Improvement Grants Funding for field testing & training of users on the Minnesota Phosphorus Index, Impaired Waters and Riparian Grazing (match required).	30	SO	-	132	-	-
F13 NPS Improvement Grants MPCA funding for field testing & training of users on the Minnesota Phosphorus Index, Impaired Waters/TMDL and Riparian Grazing (match required)	19	SO	131	29	-	-
F14 NPS Improvement Grants MPCA funding for field testing & training of users on the Minnesota Phosphorus Index, Impaired Waters/TMDL and Riparian Grazing (match required)	67	SO	46	30	50	50
F18 USDA NRCS Equipment Grant Conservation drainage demonstration grant for innovative projects on conservation (no match).	113	SO	69	130	85	45
F21 USDA-AMS Grading Standards Certification cost share of egg & poultry products (no match).	-	SO	60	70	70	70
F33 USDA CSREES Grant Cooperative grant for research and education (no match).*	-	SO	-	-	12	12
F45 USDA-RMA Partnership Outreach Risk Management Federal Crop Insurance partnership agreement for organic strategy implementation assessment (no match).	39	SO	38	151	80	80
F46 USDA-NRCS Soil & Water Funds to provide grazing land technical assistance for resource conservation management (match required).	21	SO	25	45	50	50
F60/F61 EPA FIFRA Grant Ongoing grant for pesticide enforcement & groundwater protection and other core programs (match required).	2	SO	46	86	86	86
F62/F63 CAPS APHIS Grant for consolidated base surveys and emergency funding for priority pest (i.e. bark beetle) (match required).	7	SO	6	20	20	20
F68 USDA RMA Small Sessions Funds to assist in informational resources for growers, agribusiness and agriculture advisors (no match).	-	SO	5	-	-	-
F90 USDA CSREES SARE Funding for sustainable agriculture research and education (no match).	-	SO	66	105	105	105
Total	298		472	798	558	518

Federal Program ($ In Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
GRANTS & ASSISTANCE						
F17 WIC Farmers' Market Nutrition Ongoing contract for food coupons reimbursement for Farmers' Markets (match required).	169	GI	409	396	396	396
F95 Senior Farmers' Market Nutrition Ongoing contract for reimbursements of food coupons for Senior Citizens at Farmers' Markets (no match).	5	GI	80	100	100	100
Total	174		489	496	496	496
ADMINISTRATIVE SERVICES						
F01 USDA Agricultural Statistics Funding for ongoing contract to collect, analyze and publish primary crop & livestock statistical data (no match).	-	SO	12	45	45	45
Total	-		12	45	45	45
Agency Total	**3,318**		**5,059**	**6,794**	**6,469**	**6,393**

*Programs receiving new funding.

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

Abbreviations, Acronyms

AMS	Agricultural Marketing Service (USDA)
APHIS	Animal and Plant Health Inspection Service (USDA)
BSE	bovine spongiform encephalopathy (a disease in cattle)
CAPS	Cooperative Agricultural Pest Survey (APHIS)
CERCLA	Comprehensive Environmental Response, Compensation, & Liability Act
CSREES	Cooperative State Research, Education, and Extension Service (USDA)
DHS	U.S. Department of Homeland Security
EPA	U.S. Environmental Protection Agency
FDA	Food and Drug Administration (HHS)
FERN	Food Emergency Response Network (FSIS)
FIFRA	Federal Insecticide, Fungicide, and Rodenticide Act
FNS	Food and Nutrition Service (USDA)
FSIS	Food Safety and Inspection Service (USDA)
FSMIP	Federal State Marketing Improvement Program (AMS)
HHS	U.S. Department of Health and Human Services
MDA	Minnesota Department of Agriculture
MDP	Microbiological Data Program (AMS)
MPCA	Minnesota Pollution Agency
NOAA	National Oceanic and Atmospheric Administration (USDC)
NPS	non-point source (pollution from widespread sources)
NRCS	Natural Resources Conservation Service (USDA)
PDP	Pesticide Data Program (AMS)
RMA	Risk Management Agency (USDA)
RD	Rural Development (USDA)
SARE	Sustainable Agriculture Research and Education (CSREES)
USDA	U.S. Department of Agriculture
USDC	U.S. Department of Commerce
WIC	Women, Infants and Children (FNS)

	PAGE

➲ Designates that this item is a change item

Agency Purpose

The Agricultural Utilization Research Institute (AURI) was created by the legislature in M.S. 1160.09. The AURI mission is to foster long-term economic benefit through increased business and employment opportunities to rural Minnesota through:

- the identification and expansion of existing markets for new or existing commodities, ingredients, and products;
- the development of new uses or value improvements for Minnesota agricultural commodities; and
- the development of renewable energy opportunities from Minnesota agricultural commodities and co-products.

AURI's efforts are focused on developing and increasing value-added processing opportunities on a statewide basis. This is accomplished by providing project development services, targeted network coordination, and applied scientific assistance in the development of new products and expanded uses for Minnesota agricultural commodities. Assistance is usually provided at the very early stages of product or process development, with a strong emphasis placed on determining overall feasibility. AURI services assist producers and processors to make better decisions about allocating limited resources.

At A Glance

- AURI programs helped support and sustain continued growth and development of value-added processing to small and medium-sized businesses that need help the most to ensure success.
- Over 16,000 producers impacted through assistance with project feasibility assessment and information.
- Clients reported increased or new product sales of over $83.5 million.
- AURI delivered services to over 325 projects statewide in the past biennium and conducted over 20 broad-based, public domain initiatives in value-added agriculture, including renewable energy and related co-products.
- Since its inception in 2004, AURI's Center for Producer-Owned Energy has developed over 25 large-scale agri-energy projects impacting over 7,500 producers across the state. Capitalization is expected to exceed $200 million for implemented projects.

Core Functions

The Agricultural Utilization Research Institute provides technical and applied scientific services to individuals and organizations that are developing value-added businesses across Minnesota. Core functions include:

- providing technical assistance, feasibility assistance, laboratory, and pilot plant services in support of the development of value-added processing capacity in Minnesota;
- acting as the applied research and development service for small and medium-sized commodity processors; and
- promoting, educating and informing agricultural stakeholders about the rewards and risks of participating in value- added processing.

Program Areas

Client services include project development services, laboratory operations such as analytical, process, meats, fats, and oils labs, as well as limited pilot plant operations and development grants for projects.

Industry initiatives focus on broad impact areas and include agricultural energy and side stream research, agri-bio industry development and other feasibility projects that have the potential to impact a large number of producers.

Operations

AURI serves a variety of clients including producers, producer groups, cooperatives, small and medium-sized commodity processors, and entrepreneurs. AURI project staff assists with project development activities and feasibility analysis, while the laboratory and pilot plant staff support the technical elements of project development. Pilot plant and laboratory activities aid clients in product development, troubleshooting, methods training, analysis, and product scale-up activities.

AURI's facilities are strategically located throughout the state to enhance service delivery and client access:

- Crookston: state headquarters, product development lab, and fermentation lab
- Marshall: Center for Producer-Owned Energy; fats and oils lab; analytical labs; and United State Department of Agriculture (USDA) certified meats lab
- Waseca: co-products utilization lab and pilot plant

AURI supports the economic vitality of greater Minnesota by establishing and fortifying key partnerships to increase value-added agriculture's access to the best professional expertise Minnesota offers. This has become a focal point of AURI operations. Enhanced initiatives and collaborations have been established with the U.S. Department of Agriculture, Minnesota State Colleges and Universities, University of Minnesota, Small Business Development Centers, Minnesota departments of Agriculture and Employment and Economic Development, the BioBusiness Alliance of Minnesota and all major commodity groups and farm organizations within the state. AURI staff strives to initiate and integrate these initiatives with processor and producer organizations, cooperatives, and other producer-owned organizations to add value and utilize commodities within our state.

Key Measures

In the past two years, AURI has assisted with the development of value-added projects which have enabled more producers to evaluate and participate in processing projects; enhanced the investment potential in new or existing processing facilities; and has led to increased job opportunities in the state. Additionally, during the biennium, AURI established the Minnesota Center for Producer-Owned Energy utilizing $1 million of USDA grant funding matched with state, private, and commodity group dollars.

Key indicator examples for FY 2005 include:

- over 16,000 producers impacted through assistance with project feasibility assessment and information;
- combined infrastructure investment potential of over $250 million upon implementation of project feasibility and assessment services;
- over $2.6 million of outside investments dollars were leveraged by AURI project expenditures for applied research and market development;
- over 490 value-added processing jobs from AURI project development and technical services activities, as reported directly from clients; and
- over $83.5 million in increased/new sales.

Budget

The projected budget for FY 2007 is $3.5 million. Current organizational personnel include 21 full-time equivalent staff, with plans to add more if additional outside grants are realized. In the past decade, the AURI state appropriation has declined from over $4.2 million per year in the late 1990's to $1.6 million currently. At present, the AURI state appropriation is approximately 46% of the projected FY 2007 operations budget. AURI uses state funds to leverage federal and private grants. Commodity groups participate in select initiatives on a cost-sharing basis.

Contact

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Teresa Spaeth, Executive Director

The AURI web site, at www.auri.org and www.mncpoe.org, provides information on programs, research, and contacts in the organization.

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,600	1,600	1,600	1,600	3,200
Recommended	**1,600**	**1,600**	**2,000**	**2,000**	**4,000**
Change		0	400	400	800
% Biennial Change from 2006-07					25%
Expenditures by Fund					
Direct Appropriations					
General	1,600	1,600	2,000	2,000	4,000
Total	**1,600**	**1,600**	**2,000**	**2,000**	**4,000**
Expenditures by Category					
Local Assistance	1,600	1,600	2,000	2,000	4,000
Total	**1,600**	**1,600**	**2,000**	**2,000**	**4,000**
Expenditures by Program					
Ag Utilization Research Inst	1,600	1,600	2,000	2,000	4,000
Total	**1,600**	**1,600**	**2,000**	**2,000**	**4,000**

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**1,600**	**1,600**	**1,600**	**3,200**
Subtotal - Forecast Base	**1,600**	**1,600**	**1,600**	**3,200**
Change Items				
AURI Supplement	0	400	400	800
Total Governor's Recommendations	**1,600**	**2,000**	**2,000**	**4,000**

Change Item: AURI Supplement

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$400	$400	$400	$400
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$400	$400	$400	$400

Recommendation

The Governor recommends increasing the amount appropriated to the Agricultural Utilization Research Institute (AURI) to support value-added development in renewable energy and producer-owned cooperatives through its work with various commodity groups, farm organizations, nonprofits, and educational institutions.

Background

AURI provides technical and feasibility assistance, laboratory and pilot plant services, and project management for value-added agriculture throughout rural Minnesota. AURI works with small to medium sized businesses while giving farmers a resource to improve the value of the products that they grow. Over its 19 year history, AURI has not only maintained internal scientific and project management professionals, but has developed a network of resources across the state. Since 2004, AURI has developed 25 large-scale AGRI-energy projects impacting over 7,500 producers in rural locations throughout Minnesota. In addition, AURI has fostered the development of over 325 projects in AGRI-processing, renewable energy, and co–product development. Currently AURI is working to facilitate the coordination of a statewide biofuels strategy that assures Minnesota remains the nation's leader in renewable energy development.

To assist with budget challenges in FY 2005-06, AURI received a $1 million federal grant that focused on renewable energy projects. AURI will continue to seek federal funds where available; however, in most cases these funds require a one to one cash match so increased state funding would help to facilitate the process.

Relationship to Base Budget

Last biennium AURI received $1.6 million yearly from the General Fund. The additional funding represents a 25% increase per year to the base budget.

Key Measures

AURI will utilize funding throughout Minnesota to:

⇒ Sustain rural economic development; retain agricultural processing capacity within the state; and increase usage of Minnesota grown commodities.

⇒ Collaborate with commodity groups and farm organizations to partner on a variety of projects.

⇒ Continue to identify and apply for federal funds and other grants where available to maximize leverage of state funding.

Statutory Change: Not Applicable

➲ Designates that this item is a change item

Agency Purpose

The Minnesota Amateur Sports Commission (MASC) was created in Minnesota statutes to promote the economic and social benefits of sport for Minnesota citizens and organizations. The MASC contributes to the statewide system of amateur sports by:

- generating economic benefits through sport events;
- providing increased amateur sport opportunities; and
- improving infrastructure through developing new sport facilities.

Core Functions

The MASC provides strategic direction to the state's amateur sports community in order to increase the state economic benefits from amateur sport by increasing sport opportunities and supporting facility improvements. These core functions translate to:

- hosting major amateur sport tourism events;
- operating the annual Star of the North State Games; and
- overseeing and supporting the operations of the National Sports Center.

At A Glance

	2004	2005
♦ Out-state annual economic impact of amateur sports	$65.1 mil	$67.8 mil
♦ Out-state annual economic impact of the NSC	$41.4 mil	$42.5 mil
♦ Annual participants in MASC affiliate facilities and programs	4.58 mil	4.77 mil
♦ Annual visitors to NSC	3.28 mil	3.37 mil

- The NSC is the state's most visited sport facility.
- Star of the North Games hosts up to 8,000 Minnesota athletes annually.

These functions support ongoing operating goals:

⇒ Identifying and bidding for major amateur sport events that can bring financial impact to Minnesota, such as the 2006 USA Women's National Team vs. Sweden soccer game.

⇒ Creating and developing new "homegrown" amateur sport events, such as the Schwan's USA Cup.

⇒ Administering the annual state Olympic games and rotating the event to various regions throughout the state. For example, during the summer of 2006, the Star of the North State Games was staged in Rochester.

⇒ Overseeing MASC's National Sports Center (NSC) operations. The NSC is the most-visited sports facility in Minnesota with an annual visitorship of 3.37 million and an out-of-state economic impact of over $40 million.

Operations

The MASC serves a varied customer base. The local, national, and international amateur sport participants and their families are the primary customers of the agency. Amateur sport athletes participate in MASC sport programs at the National Sports Center and other MASC affiliate facilities. The MASC also serves and partners with convention and visitors bureaus, chambers of commerce, and community organizations on sport tourism promotion, especially in event bidding and hosting.

Sport Event Research and Bidding - The MASC actively researches new event opportunities for Minnesota. Once an event is identified, the MASC will partner with local government units, facilities, convention and visitors bureaus, and amateur sport organizations, in order to host the event.

Creation of the New Sport Events - Staff of the MASC research new event concepts and work to develop new "homegrown" events for our state.

Operating the state Olympic games and selecting event -The MASC partners with its Star of the North State Games Board to 1) identify cities through Minnesota to host the games; 2) host the selected annual state games event involving up to 8,000 athletes; and 3) establish and administer the policy of the games.

Research and develop major amateur sport facilities - Since 1987, the MASC has partnered with state and local government units to assist the development of the following facilities:

National Sports Center	Blaine
National Hockey Center	St. Cloud
University of Minnesota/Aquatic Center	Minneapolis
Giants Ridge Golf & Ski Resort	Biwabik
National Kayak Center	Carlton
Ole Mangseth Memorial Ski Jump	Coleraine
John Rose Minnesota OVAL	Roseville
National Volleyball Center	Rochester
Range Recreation Civic Center	Eveleth
Minneapolis Sports Center	Minneapolis
Bush Lake Ski Jump	Bloomington

Budget

The MASC's budget for the FY 2006-07 biennium is $566,000 and is appropriated from the General Fund. The commission has a total of three full-time staff and limited part-time staff. The MASC is moving toward a dedicated funding model where lease proceeds from a 16-acre parcel of land at NSC would eliminate the need for a General Fund appropriation.

Contact

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Blaine, Minnesota 55449

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www.mnsports.org

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	300	266	266	266	532
Recommended	**300**	**266**	**210**	**215**	**425**
Change		0	(56)	(51)	(107)
% Biennial Change from 2006-07					-24.9%
Expenditures by Fund					
Direct Appropriations					
General	286	286	210	215	425
Gift	0	14	0	0	0
Open Appropriations					
General	750	750	750	750	1,500
Total	**1,036**	**1,050**	**960**	**965**	**1,925**
Expenditures by Category					
Total Compensation	279	298	208	213	421
Other Operating Expenses	7	2	2	2	4
Local Assistance	750	750	750	750	1,500
Total	**1,036**	**1,050**	**960**	**965**	**1,925**
Expenditures by Program					
Amateur Sports Commission	1,036	1,050	960	965	1,925
Total	**1,036**	**1,050**	**960**	**965**	**1,925**
Full-Time Equivalents (FTE)	**3.4**	**3.4**	**3.2**	**3.0**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**266**	**266**	**266**	**532**
Technical Adjustments				
One-time Appropriations		(60)	(60)	(120)
Subtotal - Forecast Base	**266**	**206**	**206**	**412**
Change Items				
Lease Proceeds Offset	0	0	0	0
Compensation Adjustment	0	4	9	13
Total Governor's Recommendations	**266**	**210**	**215**	**425**
Fund: GENERAL				
Planned Open Spending	**750**	**750**	**750**	**1,500**
Total Governor's Recommendations	**750**	**750**	**750**	**1,500**

Change Item: Lease Proceeds Offset

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation
The Governor recommends reducing the General Fund appropriation for the Amateur Sports Commission by the amount earned from leasing state land adjacent to the National Sports Center in Blaine.

Background
In 2005 (updated in 2006), the Legislature granted the Amateur Sports Commission authority to lease up to 20 percent of the land originally purchased for use as athletic fields to a private or public entity for up to three 30-year terms so long as the use provides some benefit to amateur sports. Under Laws of 2006, Chapter 282, section 11, up to $300,000 of the lease payments received by the commission each fiscal year is appropriated to the commission for its operations. According to M.S. 16A.72, any lease proceeds exceeding the $300,000 annual cap would be non-dedicated receipts to the General Fund.

After this authority was granted, the Commission published an RFP with the stated goals of developing the land to enhance the National Sports Center as a sports tourism destination and generating a revenue stream to support agency costs into the future. The Commission then selected a developer to build a hotel and entertainment complex that will serve visiting athletes, spectators, and other tourists. Lease negotiations between the Commission, the Attorney General, and the developer began in August 2006 and are expected to continue into 2007. The Commission has also worked with the Department of Administration to determine the market lease value of the land. The average of the lease values reported by two independent appraisers is approximately $300,000 per year.

Relationship to Base Budget
The Amateur Sports Commission receives a biennial General Fund appropriation of $412,000. The Governor recommends the full appropriation for FY 2008-09 with rider language that reduces the appropriation by the amount earned from lease payments.

Key Measures
The success of this initiative will be measured by the extent to which the Commission:

⇒ Attracts a major development to the National Sports Center in Blaine that enhances the center as a sports tourism destination.

⇒ Monitors the development and use of state land to enforce compliance with state laws and to promote best use of state resources.

⇒ Generates a stable revenue stream from the lease agreement to fund Commission operations.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4	$9	$9	$9
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4	$9	$9	$9

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Other Revenues:					
Gift	2	0	0	0	0
Total Dedicated Receipts	**2**	**0**	**0**	**0**	**0**
Agency Total Revenue	**2**	**0**	**0**	**0**	**0**

➲ Designates that this item is a change item

Agency Purpose

The Board of Animal Health is Minnesota's official animal disease control and eradication agency. In carrying out its mission, the Board is part of a network of state agencies that protect public health, provide an abundant, wholesome food supply to Minnesota consumers, and enable orderly commerce in animal agriculture.

At A Glance

The Minnesota Board of Animal Health has been actively reducing, controlling, and eradicating diseases for more than a century.

Program highlights include:

- ♦ Enhanced surveillance for avian influenza in domestic poultry and implemented statewide biosecurity education and awareness campaign
- ♦ Assigned national identification numbers to more than 11,000 premises
- ♦ Detected bovine tuberculosis in Minnesota cattle, traced the animal to its herd of origin and eliminated the disease
- ♦ Remained a national leader in Johne's disease control with over 1,900 cattle herds enrolled in voluntary program
- ♦ Implemented new rules to identify and eliminate scrapie in Minnesota sheep flocks, bringing the state in line with federal regulations

Core Functions

The Minnesota Board of Animal Health's mission is to regulate and protect the health of Minnesota domestic animal populations by preventing, controlling, and eradicating animal diseases. In doing so, the Board supports both the livestock industry and animal health professionals.

Our core functions are to:

- ♦ protect Minnesota's livestock from foreign animal diseases;
- ♦ respond to disease outbreaks by identifying, locating, and controlling the movement of infected animals;
- ♦ coordinate mandatory and voluntary animal disease control programs as directed by animal health statutes and rules;
- ♦ regulate the importation of animals into Minnesota and help producers to facilitate the exportation of animals from Minnesota;
- ♦ educate and train Minnesota livestock producers on effective disease control measures;
- ♦ educate and train veterinarians in animal disease control programs and techniques;
- ♦ coordinate and prepare Minnesota's response to bio-terrorism and other potential animal health emergencies;
- ♦ monitor emerging animal disease threats nationally and globally; and
- ♦ inspect domestic animal facilities to ensure that disease control measures are taken.

Operations

Based upon the advice of the five-member board, the Board's disease control programs are directed by veterinarians at the St. Paul office and the Minnesota Poultry Testing Laboratory (MPTL) in Willmar. Activities such as animal testing and on-site inspections are conducted by a statewide field staff made up of veterinarians, agricultural regulatory specialists, and laboratory staff at MPTL. Educational outreach on issues of disease prevention and control is conducted throughout the state by the staff as a whole.

The Board's principal customers are Minnesota livestock producers, veterinarians, and pet owners. However the work of the Board would not be possible without the assistance and partnership of the University of Minnesota Veterinary Diagnostic Laboratory, the United States Department of Agriculture (USDA), the Minnesota Department of Agriculture (MDA), and other state agencies whose missions relate to animal and human health.

The Board maintains partnerships with livestock and poultry associations. These groups have served as an invaluable conduit for effectively channeling information to producers.

Key Measures

Board success is measured by the ability to control animal disease introductions in the state. Because the Board serves in both a preventative and a reactive capacity, and because animal diseases differ in communicability and detectibility, measures of success differ in each case.

The Board of Animal Health has been working with Minnesota turkey producers for more than twenty years to test flocks for avian influenza (AI). The surveillance program has proven effective in preventing the spread of low-pathogenic AI from flock to flock and is currently the basis for Minnesota's highly pathogenic AI surveillance program. The program has been recently expanded to include pre-market testing for meat-type chickens and turkeys in order to prevent infected birds from reaching the food supply. There are multiple goals of the AI surveillance program, including detection and elimination of AI where it exists (especially highly pathogenic), prevention of the spread of the virus, and protection of the food supply. Within the upcoming biennium, the Board also aims to expand AI surveillance to backyard poultry flocks.

The goal of the Board's chronic wasting disease (CWD) surveillance program is twofold:

- to prevent the introduction of CWD into Minnesota's farmed deer; and
- elk populations and detect and eliminate the disease quickly if it is found.

The Board has implemented strict import regulations for deer and elk and mandatory CWD surveillance has been instituted to detect the disease in the farmed deer and elk populations. In the two incidents where CWD has been found in farmed deer or elk in Minnesota, an investigation was conducted and the disease was quickly eliminated. Success will be measured firstly by bringing all of Minnesota's deer and elk farmers into compliance with the program and secondly by determining whether the regulations prevent the introduction of the disease into Minnesota's farmed deer and elk populations and the expedience with which the disease is investigated and eliminated, should it be found.

In 2005, routine slaughter surveillance detected a cow infected with bovine tuberculosis (TB). The infected animal was traced to a beef cattle herd in the northwest corner of the state. An investigation was initiated and the resulting traces to and from the infected herd uncovered four additional infected herds. By quickly tracing and testing animals in hundreds of cattle herds, the Board, with assistance from MDA and USDA, ensured that Minnesota will again eliminate bovine TB. The Board's success will be measured by the ability to satisfy the requirements of the Minnesota Bovine TB Management Plan and the reinstatement of Minnesota's bovine TB-free status in early 2008.

The Board utilizes a variety of methods, including electronic communications, public meetings, and meetings with stakeholder groups to increase the general level of awareness among animal agriculture stakeholders of the state of affairs of domestic animal health in Minnesota. Success will be measured by the expansion of our stakeholder contact lists and by the levels of cooperation the board receives from livestock producers with our regulatory and voluntary disease control programs. Anecdotal evidence of producer satisfaction will also be used to measure the success of our public awareness goals.

Budget

Over half of all funds expended by the Board of Animal Health are appropriated from the General Fund. Most of the remainder comes from federal funds. A fractional amount is collected as inspection fees for farmed cervidae operations and are used to fund farmed cervidae registration and the chronic wasting disease surveillance program.

The Board continues to apply for federal funds where concurrent goals are shared between Board and federal programs.

Contact

Minnesota Board of Animal Health
Orville L. Freeman Building
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Saint Paul, Minnesota 55155

Web site:
http://www.bah.state.mn.us/

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Phone: (651) 296-2942
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Dollars in Thousands	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	3,536	3,669	3,669	3,669	7,338
Recommended	**3,536**	**3,669**	**3,452**	**3,411**	**6,863**
Change		0	(217)	(258)	(475)
% Biennial Change from 2006-07					-4.7%
Expenditures by Fund					
Direct Appropriations					
General	3,296	3,972	3,452	3,411	6,863
Statutory Appropriations					
Misc Special Revenue	41	178	51	51	102
Federal	2,425	2,072	2,086	2,086	4,172
Total	**5,762**	**6,222**	**5,589**	**5,548**	**11,137**
Expenditures by Category					
Total Compensation	2,757	3,397	3,650	3,674	7,324
Other Operating Expenses	3,005	2,825	1,939	1,874	3,813
Total	**5,762**	**6,222**	**5,589**	**5,548**	**11,137**
Expenditures by Program					
Livestock And Poultry Health	5,762	6,222	5,589	5,548	11,137
Total	**5,762**	**6,222**	**5,589**	**5,548**	**11,137**
Full-Time Equivalents (FTE)	**38.1**	**46.3**	**45.1**	**45.1**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**3,669**	**3,669**	**3,669**	**7,338**
Technical Adjustments				
One-time Appropriations		(708)	(708)	(1,416)
Subtotal - Forecast Base	**3,669**	**2,961**	**2,961**	**5,922**
Change Items				
Elimination of Bovine Tuberculosis	0	448	363	811
Compensation Adjustment	0	43	87	130
Total Governor's Recommendations	**3,669**	**3,452**	**3,411**	**6,863**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**178**	**51**	**51**	**102**
Total Governor's Recommendations	**178**	**51**	**51**	**102**
Fund: FEDERAL				
Planned Statutory Spending	**2,072**	**2,086**	**2,086**	**4,172**
Total Governor's Recommendations	**2,072**	**2,086**	**2,086**	**4,172**

Change Item: Elimination of Bovine Tuberculosis

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$448	$363	$159	$156
Revenue	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenue	0	0	0	0
Net Fiscal Impact	$448	$363	$159	$156

Recommendation

The Governor recommends funding to support Bovine Tuberculosis (TB) eradication and surveillance activities. The funds will be used to pay veterinarians and other staff to test cattle herds and provide technical and administrative support for the eradication and surveillance efforts.

Background

Since 1976, Minnesota had been declared a Bovine Tuberculosis Accredited Free state. In the summer of 2005, a TB-infected cattle herd was identified in Roseau County, Minnesota. Subsequent testing identified six additional TB-infected cattle herds. Due to these findings, the United States Department of Agriculture (USDA) downgraded Minnesota's Bovine Tuberculosis status to Modified Accredited Advanced. The loss of status imposes federal requirements on interstate movement of cattle and puts Minnesota cattlemen at a competitive disadvantage in the marketplace.

The Minnesota Board of Animal Health has worked with USDA to develop a Bovine Tuberculosis Management Plan to eliminate TB and return Minnesota to TB-free status. Two years following the depopulation of the last infected herd, if the conditions in this plan are met, Minnesota will be eligible to reapply for TB-free status. Regaining status is in the long-term interest of the state as Minnesota's cattle industry contributes $2 billion to our economy.

Relationship to Base Budget

In FY 2006-07, the Board received a one-time appropriation of $685,000 towards the elimination of TB from cattle herds in Minnesota. In addition, the USDA has contributed more than $5.4 million to Minnesota's TB eradication efforts. USDA funding supports indemnification and depopulation of TB-positive herds, exposed and suspect animals, and several federal teams to assist Minnesota's animal health officials in TB surveillance efforts in cattle.

The discovery of additional TB-infected herds and the TB Eradication Program has led to Board expenses in excess of approximately $1 million over the next four years. To conduct TB testing statewide, additional funds are needed for staff, equipment, laboratory fees, transportation, and disposal costs for suspect animals. TB tests have been ongoing since the winter of 2005 and will continue for two more years, as approximately 2,000 herds are tested.

Key Measures

The Board will utilize funding to:

⇒ Administer TB tests for approximately 2,000 herds and increase surveillance for TB in Minnesota for all cattle herds.

⇒ Eradicate TB from Minnesota and regain TB-free status.

Statutory Change: Not Applicable

ANIMAL HEALTH BOARD

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$43	$87	$87	$87
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$43	$87	$87	$87

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Dollars in Thousands					
Non Dedicated Revenue:					
Departmental Earnings:					
General	9	4	4	4	8
Total Non-Dedicated Receipts	**9**	**4**	**4**	**4**	**8**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	45	50	50	50	100
Grants:					
Misc Special Revenue	38	0	0	0	0
Federal	2,279	2,072	2,086	2,086	4,172
Other Revenues:					
Misc Special Revenue	1	1	1	1	2
Total Dedicated Receipts	**2,363**	**2,123**	**2,137**	**2,137**	**4,274**
Agency Total Revenue	**2,372**	**2,127**	**2,141**	**2,141**	**4,282**

Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Avian Influenza High Pathogen	0	SO	0	45	45	45
Avian Influenza Live Bird Market	40	SO	40	52	52	52
Avian Influenza National Poultry Improvement Program	20	SO	20	40	40	40
Avian Pneumovirus	652	SO	629	200	0	0
Bovine Spongiform Encephalopathy (BSE)	84	SO	84	0	0	0
Chronic Wasting Disease	88	SO	88	70	70	70
Emergency Management	71	SO	65	0	0	0
Foot and Mouth/Swine Feeding	40	SO	40	28	38	38
Foreign Animal Disease	82	SO	82	77	83	83
Johne's Demonstration Herd Program	284	SO	284	196	204	204
Johne's Regular Program	410	SO	410	457	500	500
National Animal Identification	486	SO	369	203	350	350
National Poultry Improvement Program Supplemental Surveillance	0	SO	0	167	167	167
Pseudorabies	28	SO	28	28	28	28
Scrapie	140	SO	140	140	140	140
Bovine Tuberculosis	0	SO	0	264	264	264
Upland Game Bird	0	SO	0	105	105	105
Agency Total	2,425		2,279	2,072	2,086	2,086

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

CONTENTS

➲ Designates that this item is a change item

Agency Purpose

The Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design was established to safeguard life, health, and property and to promote the public's welfare. M.S. 326.15 mandates that the board examine, certify, license, and regulate individuals practicing architecture, professional engineering, land surveying, landscape architecture, professional geology, and professional soil science, and those who use the title certified interior designer.

At A Glance

Annual Business Process:

Examination: Through the board, approximately 3,600 examinations are conducted for those candidates meeting the board's education and experience requirements each biennium.

Licensure: The board licenses and certifies 16,000 individuals who meet the established qualifications. Online applications are available and online renewal will be in place by the end of 2006.

Enforcement: During the 2004-05 biennium the board received 203 complaints alleging violation of its rules and laws. The board in conjunction with the Attorney General's office has continued to receive, file, and investigate complaints of violation of the statutes and rules.

Core Functions

The board protects the public by regulating the seven professions. Core functions support the policy making process and administration of the board. These core functions include:

- ensuring that those entering the professions meet standards of competency by way of education, experience, and examination;
- enforcing the laws and rules governing the professions in a fair, expeditious, and uniform fashion;
- educating the public on the requirements and exemptions to licensed practice; and
- ensuring that the professionals regulated by the board will continue to remain competent in their areas of practice through mandated continuing education and adherence to established standards of a code of conduct.

Operations

The board serves a diverse customer base. The licensees, certificate holders, and applicants are the primary customers of the licensing staff with application processing, verification of information, evaluation, and examination being the major operational functions.

The board's outreach program provides information to Minnesota citizens, board members, legislators, building officials, fire marshals, other state agencies, and national councils.

Key Measures

The board will be implementing an updated database in March of 2007 that will provide a method of tracking and length of time for delivery of services to the public.

The board's online data allows applicants to obtain their forms and statutes 24 hours a day.

License applications are evaluated and currently processed within 45 – 60 days, with the implementation of the updated database results will be tracked with each exam cycle.

Complaint files are processed by staff in 72 hours and resolved with the technical assistance of board members and will be tracked with our revised database for trends on a time line.

Budget

The board's FY 2006-07 budget was $1.57 million in General Fund direct appropriations, and it has nine full-time equivalent employees. The board collects between $1 and $1.6 million each year from the following sources of non-dedicated revenue:

- examinations;
- licenses;
- fines; and
- filings.

The board's license fees are set in statute.

Contact

See our web site: http://www.aelslagid.state.mn.us for information on statutes, rules, newsletters, rosters, applications, and enforcement action.

Doreen Frost, Executive Secretary
Phone: (651) 296-2388
Fax: (651) 297-5310

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	785	785	785	785	1,570
Recommended	**785**	**785**	**795**	**805**	**1,600**
Change		0	10	20	30
% Biennial Change from 2006-07					1.9%
Expenditures by Fund					
Direct Appropriations					
General	721	1,111	795	805	1,600
Total	**721**	**1,111**	**795**	**805**	**1,600**
Expenditures by Category					
Total Compensation	323	483	503	533	1,036
Other Operating Expenses	398	628	292	272	564
Total	**721**	**1,111**	**795**	**805**	**1,600**
Expenditures by Program					
Aelsla	721	1,111	795	805	1,600
Total	**721**	**1,111**	**795**	**805**	**1,600**
Full-Time Equivalents (FTE)	**5.6**	**8.6**	**8.6**	**8.6**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**785**	**785**	**785**	**1,570**
Subtotal - Forecast Base	**785**	**785**	**785**	**1,570**
Change Items				
Compensation Adjustment	0	10	20	30
Total Governor's Recommendations	**785**	**795**	**805**	**1,600**

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$10	$20	$20	$20
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$10	$20	$20	$20

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	1,773	975	1,775	975	2,750
Total Non-Dedicated Receipts	**1,773**	**975**	**1,775**	**975**	**2,750**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**1,773**	**975**	**1,775**	**975**	**2,750**

➲ Designates that this item is a change item

Agency Purpose

The Minnesota State Arts Board's mission, as reflected in its mission statement, is to:

⇒ Serve as a leading catalyst for creating a healthy environment for the arts that fosters broad public participation in, and support for, the arts in Minnesota.
⇒ Promote artistic excellence and preserve the diverse cultural heritage of the people of Minnesota through its support of artists and organizations.
⇒ Act as a responsible steward of the public trust.
⇒ Work with the statewide network of regional arts councils to ensure accessibility to arts activities for all Minnesotans.

Its vision is to ensure that all Minnesotans have the opportunity to participate in the arts.

The Arts Board was established in its current form in 1976, by M.S. Chapter 129D. However, it had several predecessor organizations that have been serving artists, arts organizations, and arts participants in Minnesota since 1903.

At A Glance

- The arts are a billion dollar industry in Minnesota.
- Minnesota is home to:
  - ⇒ 30,000 individual artists and
  - ⇒ 1,600 nonprofit arts organizations
- Together, the Minnesota State Arts Board and the state's 11 regional arts councils serve communities, residents, and visitors in all 87 Minnesota counties.
- Arts Board and regional arts council-funded activities served a combined audience of more than 20 million children and adults during the FY 2004-05 biennium.
- Arts and cultural activities spur other local spending. Out-of-state visitors who attend Minnesota arts event spend $45 - over and above the price of arts admission - on lodging, meals, retail, and transportation.

Core Functions

The Arts Board provides grants and services to the statewide arts community.

Arts Board grants – In FY 2006, the Arts Board awarded $6 million to Minnesota artists, arts organizations, and educational institutions through its three grant programs:
⇒ Institutional/Presenter Support – these funds are an investment in the state's leading arts organizations and provide them with the flexibility essential to their growth and vitality.
⇒ Artist Assistance – supporting the artistic and professional growth of artists builds the strong foundation necessary for a healthy arts community.
⇒ Arts in Education – through these activities, hundreds of thousands of children experience the arts, develop their cognitive skills, and achieve key competencies necessary to meet the state's graduation standards.

Regional Arts Councils (RACs) – The Arts Board serves as fiscal agent for $2.4 million that are distributed to Minnesota's 11 regional arts councils. Together the Arts Board and the regional councils comprise a statewide, decentralized service system that effectively reaches citizens in every county in Minnesota. Regional arts councils provide grants and support services tailored to meet the need of artists, arts organizations, and arts audiences in their particular areas of the state.

Other services/partnerships – The Arts Board leverages its resources and its reach by collaborating with other public agencies and nonprofit organizations on projects that stimulate and encourage the creation, performance, and appreciation of the arts in the state. These include:
⇒ Managing the state's Percent for Art in Public Places program in cooperation with the Minnesota Department of Administration. The program commissions artists to create new work or purchases existing artwork to be installed in new or renovated public buildings.
⇒ Working in partnership with Explore Minnesota Tourism, the Minnesota Historical Society, the Minnesota Department of Natural Resources, and the Minnesota Department of Transportation on initiatives to promote cultural tourism in the state and bring greater visibility to cultural assets along Minnesota's scenic byways.
⇒ Collaborating with the Minnesota Department of Public Safety Office of Justice Program to sponsor Art of Recovery, an annual exhibition that features artwork by individuals who have been victims of crime.
⇒ Participating in a nationwide effort, funded by The Wallace Foundation, to broaden, deepen, and diversify participation in the arts. Minnesota is one of thirteen states selected for this program which offers training, project grants, research, and evaluation.

⇒ Managing the state's Poetry Out Loud contest, in conjunction with the National Endowment for the Art's national poetry recitation contest.

Operations

The Arts Board is a primary service provider to the Minnesota arts community. It provides financial support, technical assistance, and other resources that contribute to the success of artists, arts organizations, nonprofits, schools, and communities throughout the state. Given the economic, educational, and social benefits the arts provide, ultimately, Minnesota citizens are the principal beneficiaries of the Arts Board's activities.

The board has established the following goals and strategies (bullets) to guide its day-to-day activities:

⇒ Increase the level of support needed to sustain and grow a healthy arts community
- Financially support artists and organizations throughout Minnesota.
- Seek additional public and private financial support for artists and organizations throughout Minnesota.
- Expand the significant nonfinancial contributions individuals and organizations make to the arts.

⇒ Ensure that public services and grants are delivered effectively throughout the statewide arts system
- Carefully examine how resources are allocated in the following areas: formula-based funding; financial and technical support for community-based arts organizations; and education, outreach, and touring.
- Ensure that resources are allocated to provide the best return on investment in the arts for the people of Minnesota.
- Work collaboratively with the regional arts councils to examine the existing model to ensure effective delivery of grants and technical assistance services to artists and organizations throughout the state.
- Work in concert with the regional arts councils to evaluate the statewide network and determine whether any changes would better meet the needs of artists, organizations, and audiences today and in the future.
- Solicit advice from arts funders, institutions, artists, and other stakeholders about how to better meet the needs of the arts community.

⇒ Serve as a leader, promoting the value of the arts to Minnesota's quality of life
- Communicate the importance of public and private investment in the arts.
- Continue to build partnerships within the leadership of the arts community.
- Achieve and maintain recognition locally, regionally, and nationally as a leader in the arts community.

⇒ Support increased access and opportunities in arts education
- Continue to emphasize arts in education as a primary component in all Arts Board grant programs.
- Support in-school residencies with professional teaching artists.
- Continue partnership with the Perpich Center for Arts Education.
- Support the activities of the Comprehensive Arts Planning Program.

Key Measures

Annually, the Minnesota State Arts Board accomplishes the following:
- provides general support to at least 140 Minnesota' arts organizations;
- supports 500 weeks of residencies by artists in schools across the state;
- provides timely, targeted support to 100 Minnesota artists; and
- provides at least $100,000 to arts activities in traditionally underserved communities.

Budget

The Arts Board's FY 2007 budget is $9.7 million. Over 90% of the budget ($8,593,000) comes from the state's General Fund. The remaining portion comes from federal (National Endowment for the Arts) and private funds. The board has 9.75 FTE employees.

Contact

Web site:	www.arts.state.mn.us
Phone:	(651) 215-1600 or (800) 866-2787
Interim executive director:	James A. Dusso, james.dusso@arts.state.mn.us

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
					Dollars in Thousands
Direct Appropriations by Fund					
General					
Current Appropriation	8,593	8,593	8,593	8,593	17,186
Recommended	**8,593**	**8,593**	**9,100**	**9,107**	**18,207**
Change		0	507	514	1,021
% Biennial Change from 2006-07					5.9%
Expenditures by Fund					
Direct Appropriations					
General	8,547	8,642	9,100	9,107	18,207
Statutory Appropriations					
Misc Special Revenue	22	44	2	2	4
Federal	641	672	670	670	1,340
Gift	118	165	40	40	80
Total	**9,328**	**9,523**	**9,812**	**9,819**	**19,631**
Expenditures by Category					
Total Compensation	627	623	661	687	1,348
Other Operating Expenses	281	400	224	205	429
Local Assistance	8,420	8,500	8,927	8,927	17,854
Total	**9,328**	**9,523**	**9,812**	**9,819**	**19,631**
Expenditures by Program					
Percent For Art	0	42	0	0	0
Operations & Services	908	981	885	892	1,777
Grant Programs	5,998	6,078	6,381	6,381	12,762
Region Arts Fisc Agent	2,422	2,422	2,546	2,546	5,092
Total	**9,328**	**9,523**	**9,812**	**9,819**	**19,631**
Full-Time Equivalents (FTE)	**8.5**	**9.7**	**8.1**	**8.0**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**8,593**	**8,593**	**8,593**	**17,186**
Subtotal - Forecast Base	**8,593**	**8,593**	**8,593**	**17,186**
Change Items				
Expand Arts Board Funding	0	500	500	1,000
Compensation Adjustment	0	7	14	21
Total Governor's Recommendations	**8,593**	**9,100**	**9,107**	**18,207**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**44**	**2**	**2**	**4**
Total Governor's Recommendations	**44**	**2**	**2**	**4**
Fund: FEDERAL				
Planned Statutory Spending	**672**	**670**	**670**	**1,340**
Total Governor's Recommendations	**672**	**670**	**670**	**1,340**
Fund: GIFT				
Planned Statutory Spending	**165**	**40**	**40**	**80**
Total Governor's Recommendations	**165**	**40**	**40**	**80**

Change Item: Expand Arts Board Funding

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation

The Governor recommends increasing the state's investment in the arts by $1 million for the FY 2008-09 biennium.

Background

Since the 1970s, Minnesota has benefited from a sophisticated delivery system for public arts funding and services. The partnership between the Minnesota State Arts Board and the state's 11 regional arts councils ensures that statewide and local needs are met, and that grant programs and services provided are tailored to those needs.

The board and the regional arts councils are conduits; ultimately Minnesota citizens of all ages experience the change in schools, neighborhoods, and communities throughout the state. State funding helps make arts activities affordable and accessible to all.

Funding for arts in education programs helps schools achieve graduation standards in the arts, and studying the arts improves students' overall academic achievement. Funding for outreach, touring, and community-based arts events "shares the wealth," so no matter where a resident lives, he or she will have access to the high quality arts experiences the state has to offer. And, state investment helps leverage support from other donors who see Arts Board or regional arts council funding as a sign of quality and fiscal responsibility.

Although the state has provided capital support for a small number of arts organizations in the past five years, general fund support for the Arts Board and regional arts councils is the only way the state invests in individual artists; in teaching artists who inspire students; in classes, workshops, and other programs that build understanding and appreciation of the arts; and in the performances, exhibitions, and publications that serve millions of Minnesota residents and visitors each year.

Relationship to Base Budget

This increase would be 5.8% increase to the Arts Boards General Fund budget.

Key Measures

Minnesota Statutes, chapter 129D, charges the Arts Board to "stimulate and encourage the creation, performance, and appreciation of the arts in the state." Specifically, the increased funding will enable us to:

⇒ Increase financial support for artists and art organizations and for community-based arts festivals and events.
⇒ Make additional grants to individual artists in all disciplines.
⇒ Ensure that constituents throughout the state have access to arts information, services, and technical assistance that will improve their artistic and organizational capacity.
⇒ Allow regional arts councils to provide more grants, technical assistance, and to tailor services to the needs and interests of their particular region of the state.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$7	$14	$14	$14
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$7	$14	$14	$14

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Grants:					
Federal	641	672	670	670	1,340
Other Revenues:					
Misc Special Revenue	1	1	1	1	2
Gift	11	45	40	40	80
Other Sources:					
Misc Special Revenue	63	1	1	1	2
Total Dedicated Receipts	**716**	**719**	**712**	**712**	**1,424**
Agency Total Revenue	**716**	**719**	**712**	**712**	**1,424**

➲ Designates that this item is a change item

Agency Purpose

The Council on Asian-Pacific Minnesotans ('Council' or 'CAPM') was created by the Minnesota State Legislature in 1985 to fulfill the following primary objectives: advise the governor and state legislators on issues pertaining to Asian Pacific people; ensure Asian Pacific Minnesotans are more incorporated and engaged in the governmental and policymaking process; see that residents of Asian Pacific descent have sufficient access to state government services; promote the talents and resources of Asian Pacific people where appropriate; and act as a broker between the Asian Pacific community in Minnesota and mainstream society.

Serving as a conduit to state government for Asian Pacific organizations and individuals, the Council recommends legislation to the governor and state legislature designed to improve the economic and social condition of all Asian Pacific Minnesotans. Furthermore, the Council may provide comment and/or recommendations regarding any application for federal funds submitted by state departments or agencies that stand to impact programs pertinent to Asian-Pacific Minnesotans.

M.S. 3.9226

Core Functions

On behalf of this population, the Council plays the role of advisor, advocate, and broker. In these capacities, it deals with problems unique to non-English speaking immigrants and refugees; administrative and legislative barriers blocking Asian-Pacific people's access to benefits and services; opportunities for affordable housing and health care; and taking appropriate measures to increase Asian Pacific peoples' level of preparedness for, and overall presence in, the state's ever-evolving workforce.

At A Glance

The number of Asians and Pacific Islanders has more than doubled from 1990 through 2005, rising from about 78,000 to about 178,000. An additional 16,000 people said they were part Asian or Pacific Islander. When those mixed-race people are apportioned among their races, the Asian population grew 128%.

Statewide Population	178,000	3.6%
Hennepin County	69,003	6.2%
Ramsey County	52,313	10.2%
Dakota County	17,127	4.2%
Anoka County	11,962	4.1%
Washington County	9,295	4.2%

◆ Refugee Experience Background
Approximately 55% of the community has a refugee background, meaning having fled their war torn countries due to persecution based on one of the following five criteria: religion, political opinion, membership in a social group, race, or nationality.

Young Community	Average Age
Asian American	24.5
Pacific Islander American	28.9

Students by School District	1990	2000
Saint Paul	6,516	13,985
Minneapolis	4,028	7,134
Osseo	598	1,705
Rochester	889	1,337
Rosemount	561	1,315

The Council may perform its own research or contract for studies to be conducted for use in developing policy recommendations intended to benefit the Asian Pacific community. Areas of focus may include education, workforce development, human rights, mental health, affordable housing, economic development, violence prevention/intervention, immigration and refugee issues, social welfare, or any other timely subject matter. For a more thorough understanding of these issues or to facilitate a community dialogue, the Council frequently hosts roundtable discussions, forums, and workshops. It also convenes workgroups, taskforces, and special committees focusing on issues of particular importance — issues that require more detailed examination or ones where the need for solutions is conveyed with a sense of urgency by the community.

Operations

The CAPM consists of 23 members, 19 of whom are appointed by the governor and represent a broad cross section of the Asian-Pacific community. In addition, two members of the house of representatives and two members of the senate are appointed under the rules of their respective bodies. They serve as non-voting members. The Council maintains a staff of four under the leadership of the executive director.

The council serves individuals and ethnic groups from over 40 countries, including Afghanistan, Australia, Bangladesh, Bhutan, Brunei, Burma (Myanmar), Cambodia, China, Cook Islands, Federated States of Micronesia, Federated States of Midway Islands, Fiji, French Polynesia, Guam, Hawaii's, Hong Kong, India, Indonesia, Iran, Japan, Kazakhstan, Kiribati, Kyrgyzstan, Laos (Hmong and Lao), Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Caledonia, New Zealand, North Korea, Northern Mariana Islands, Pakistan, Palau, Papua New Guinea, Philippines, Pitcairn Islands, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Tahiti, Taiwan, Tajikistan, Thailand, Tibet, Tonga, Turkmenistan, Tuvalu, Uzbekistan, Vanuatu, and Vietnam.

Budget

FY 2006-07 Budget

$479,000 General Fund

⇒ 75% of General Funds support approximately four full-time employees.
⇒ 25% of General Funds provide operational support.
⇒ 5% of all funds support Asian Pacific American Heritage Month activities and/or special events and services.

Contact

Council on Asian-Pacific Minnesotans
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Web site: www.state.mn.us/ebranch/capm

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	239	240	240	240	480
Recommended	**239**	**240**	**287**	**285**	**572**
Change		0	47	45	92
% Biennial Change from 2006-07					19.4%
Expenditures by Fund					
Direct Appropriations					
General	243	240	287	285	572
Statutory Appropriations					
Misc Special Revenue	13	13	13	14	27
Gift	24	17	18	18	36
Total	**280**	**270**	**318**	**317**	**635**
Expenditures by Category					
Total Compensation	230	211	259	257	516
Other Operating Expenses	50	59	59	60	119
Total	**280**	**270**	**318**	**317**	**635**
Expenditures by Program					
Cncl Asian Pacific	280	270	318	317	635
Total	**280**	**270**	**318**	**317**	**635**
Full-Time Equivalents (FTE)	**3.8**	**3.4**	**4.0**	**4.0**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**240**	**240**	**240**	**480**
Subtotal - Forecast Base	**240**	**240**	**240**	**480**
Change Items				
Asian-Pacific Council Operations	0	43	36	79
Technology Upgrade Plan	0	0	0	0
Compensation Adjustment	0	4	9	13
Total Governor's Recommendations	**240**	**287**	**285**	**572**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**13**	**13**	**14**	**27**
Total Governor's Recommendations	**13**	**13**	**14**	**27**
Fund: GIFT				
Planned Statutory Spending	**17**	**18**	**18**	**36**
Total Governor's Recommendations	**17**	**18**	**18**	**36**

Change Item: Asian Pacific Council Operations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$43	$36	$36	$36
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$43	$36	$36	$36

Recommendation

The Governor recommends an increase of $43,000 in FY 2008 and $36,000 in FY 2009 from the General Fund for the Asian-Pacific Council to provide the staffing level necessary to be responsive to the growing statewide Asian-American and Pacific Islander community. This funding, along with the separately proposed compensation increase, will provide full funding for four full-time employees (FTE).

Background

The Asian-American and Pacific Islander population has grown at a fast pace and demand for the council's services has grown accordingly. Staff time is used to meet with stakeholders, garner input and data and devise policy positions and/or actions that are needed to address the issues. Recent budget pressures have meant fewer community meetings and reports and slower response times to policy-makers and community members.

Relationship to Base Budget

This proposal represents a 16.5% increase in the Council's General Fund budget of $480,000 for the FY 2008-09 biennium.

Key Measures

This funding will provide full funding for four FTE, and will enable the council to engage in the following activities:

- ♦ hosting three or four forums to bring together the community and legislators to discuss issues and recommend solutions;
- ♦ providing leadership on a citizenship drive to educate foreign born community members about the citizenship process and how to actively engage in the civic life of the state; and
- ♦ providing leadership to address lagging high school graduation rates for those with a refugee background.

Statutory Change: Not Applicable

Change Item: Technology Upgrade Plan

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends funding the Asian-Pacific Council's Technology Upgrade Plan as part of the Small Agency Technology initiative carried by the Office of Enterprise Technology (OET). To receive a portion of the funds appropriated to OET for small agency projects, the Asian-Pacific Council will work with OET to design an effective work plan and then execute an interagency agreement to transfer the funds.

Background

Through the Small Agency Technology initiative, agencies receive funding and technical assistance for projects that help maintain current systems, develop new technology to streamline business processes, and expand electronic provision of government services.

This project will replace aging computers, outdated software, and provide for a new network server. The council's website was designed in 1998, and also needs updating. All components are standard office infrastructure. These resources are critical for the council to fulfill their policy, research and advocacy mission, and to be able to disseminate important information to their communities.

Key Measures

⇒ By coordinating small agency technology programs, OET will help the state realize economies of scale and ensure consistent methodology for project planning and implementation.

⇒ By working with OET on this Technology Upgrade project, the Asian-Pacific Council will accurately document technology problems that impede the agency from fulfilling its mission, determine the extent of foundational technology upgrades required for effective operations, and then implement changes in a cost-effective manner that better align technology with agency business needs.

Relationship to Base Budget

This is a one-time expense and will not be added to the agency base budget.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4	$9	$9	$9
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4	$9	$9	$9

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services (DHS) and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections (DOC) and the State Patrol Division in the Department of Public Safety (DPS), the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Other Revenues:					
Misc Special Revenue	13	13	13	14	27
Gift	20	20	20	20	40
Total Dedicated Receipts	**33**	**33**	**33**	**34**	**67**
Agency Total Revenue	**33**	**33**	**33**	**34**	**67**

➲ Designates that this item is a change item

State of Minnesota
Department of Finance

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January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the Attorney General. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

For the Attorney General, the Governor recommends a direct General Fund appropriation of $23.368 million in FY2008 and $23.979 million in FY 2009. Consistent with the recommendations for other executive branch agencies, constitutional officers and the legislature, this budget recommendation includes a 2% annual compensation increase of $497,000 over the biennium. The Governor makes no specific recommendations on agency change requests for the FY 2008-09 biennium.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

Agency Purpose

The attorney general is the chief legal officer for the state. The duties of the office arise from the Constitution, state statutes, and common law. Every board, commission, and agency of the state of Minnesota receives legal counsel and representation in the courts by the attorney general. The attorney general also acts in a parens patrie capacity on behalf of the people of the state. Minnesota's attorney general is elected by the state's voters and serves a four-year term.

At A Glance

- During FY 2006, the AGO saved the state more than $411 million in defending claims against state agencies.
- During FY 2006, the AGO recovered more than $26 million for the state and consumers.
- During FY 2006, the AGO pursued $32.5 million in pending penalties and judgments.
- Over 5,400 "implied consent" cases relating to drunk driving arrests were prosecuted.
- During FY 2006, the AGO civilly committed 35 sex offenders as sexually dangerous persons or sexually psychopathic personalities.

Core Functions

The attorney general has jurisdiction to:

- provide legal representation for state agencies;
- prosecute criminal actions at the request of local prosecutors;
- initiate legal actions to enforce civil laws; and
- provide education, information, and mediation to agencies and citizens of the state.

Operations

The Attorney General's Office (AGO) is divided into four sections, each headed by a deputy attorney general, and an administrative support section. Sections are divided into divisions specializing in fields such as trial, health, transportation, consumer protection, antitrust, finance, human services, agriculture, environment, utilities, public safety, and occupational licensing. As of 6/30/2006, the office has 358 full-time equivalent employees.

The AGO has direct and ongoing interaction with state agencies and officials, the legislature and staff, government entities and individual citizens. Much of the work of the office involves appearances before the courts and in administrative proceedings. The attorney general's work is categorized as follows.

Attorney General Representation

⇒ Protecting the public from unscrupulous and incompetent licensed professionals.
⇒ Protecting the state's natural resources.
⇒ Protecting taxpayers' dollars.
⇒ Providing opinions on legal issues to local governments and school districts.
⇒ Providing legal advice and representation on matters impacting transportation, human services, the environment, agricultural matters, public safety and other topics.
⇒ Representing counties in criminal matters in appellate courts.

Defense of Claims

⇒ Defending the state against claims and using alternative dispute resolution methods to save on legal costs.
⇒ Advising state agencies on legal issues to limit litigation.

Citizen Protection

⇒ Assisting county attorneys in prosecuting serious crimes such as murder, gang operations, drug dealing, and drunken driving.
⇒ Assisting county attorneys in civilly committing sexual predators.
⇒ Enforcing laws governing consumer protection, charities, Medicaid, anti-trust and unfair business practices.
⇒ Advocating interests of residential and small business utility customers before the Public Utilities Commission (PUC).

Budget

Of the total agency request for the FY 2008-09 biennium, 65.6% comes from the General Fund; 25.1% is received from other state entities through partner agreement billings for legal services; 6.3% is received from other appropriations (Fund 171, Fund 330, and Fund 331); and 4.0% is received from federal and special revenue funds.

Contact

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	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Dollars in Thousands					
Direct Appropriations by Fund					
General					
Current Appropriation	22,745	22,769	22,769	22,769	45,538
Recommended	**22,745**	**22,769**	**23,368**	**23,979**	**47,347**
Change		0	599	1,210	1,809
% Biennial Change from 2006-07					4%
State Government Spec Revenue					
Current Appropriation	1,778	1,794	1,794	1,794	3,588
Recommended	**1,778**	**1,794**	**1,719**	**1,724**	**3,443**
Change		0	(75)	(70)	(145)
% Biennial Change from 2006-07					-3.6%
Environmental					
Current Appropriation	145	145	145	145	290
Recommended	**145**	**145**	**145**	**145**	**290**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Remediation Fund					
Current Appropriation	484	484	484	484	968
Recommended	**484**	**484**	**250**	**250**	**500**
Change		0	(234)	(234)	(468)
% Biennial Change from 2006-07					-48.3%
Expenditures by Fund					
Direct Appropriations					
General	24,657	29,546	23,368	23,979	47,347
State Government Spec Revenue	2,380	2,748	1,719	1,724	3,443
Environmental	17	145	145	145	290
Remediation Fund	126	484	250	250	500
Statutory Appropriations					
General	5,335	5,746	5,717	5,717	11,434
Misc Special Revenue	203	193	138	138	276
Federal	1,056	1,301	1,301	1,301	2,602
Miscellaneous Agency	892	66	60	60	120
Total	**34,666**	**40,229**	**32,698**	**33,314**	**66,012**
Expenditures by Category					
Total Compensation	29,193	33,759	29,786	30,402	60,188
Other Operating Expenses	5,473	6,470	6,202	6,202	12,404
Transfers	0	0	(3,290)	(3,290)	(6,580)
Total	**34,666**	**40,229**	**32,698**	**33,314**	**66,012**
Expenditures by Program					
Attorney General	34,666	40,229	32,099	32,104	64,203
Compensation Adjustment	0	0	599	1,210	1,809
Total	**34,666**	**40,229**	**32,698**	**33,314**	**66,012**
Full-Time Equivalents (FTE)	**353.3**	**357.7**	**357.7**	**357.7**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**22,769**	**22,769**	**22,769**	**45,538**
Subtotal - Forecast Base	**22,769**	**22,769**	**22,769**	**45,538**
Change Items				
Compensation Adjustment	0	599	1,210	1,809
Total Governor's Recommendations	**22,769**	**23,368**	**23,979**	**47,347**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**1,794**	**1,794**	**1,794**	**3,588**
Technical Adjustments				
End-of-session Estimate		(75)	(70)	(145)
Subtotal - Forecast Base	**1,794**	**1,719**	**1,724**	**3,443**
Total Governor's Recommendations	**1,794**	**1,719**	**1,724**	**3,443**
Fund: ENVIRONMENTAL				
FY 2007 Appropriations	**145**	**145**	**145**	**290**
Subtotal - Forecast Base	**145**	**145**	**145**	**290**
Total Governor's Recommendations	**145**	**145**	**145**	**290**
Fund: REMEDIATION FUND				
FY 2007 Appropriations	**484**	**484**	**484**	**968**
Technical Adjustments				
End-of-session Estimate		(234)	(234)	(468)
Subtotal - Forecast Base	**484**	**250**	**250**	**500**
Total Governor's Recommendations	**484**	**250**	**250**	**500**
Fund: GENERAL				
Planned Statutory Spending	**5,746**	**5,717**	**5,717**	**11,434**
Total Governor's Recommendations	**5,746**	**5,717**	**5,717**	**11,434**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**193**	**138**	**138**	**276**
Total Governor's Recommendations	**193**	**138**	**138**	**276**
Fund: FEDERAL				
Planned Statutory Spending	**1,301**	**1,301**	**1,301**	**2,602**
Total Governor's Recommendations	**1,301**	**1,301**	**1,301**	**2,602**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**66**	**60**	**60**	**120**
Total Governor's Recommendations	**66**	**60**	**60**	**120**

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	24,657	29,546	22,769	22,769	45,538
State Government Spec Revenue	2,380	2,748	1,719	1,724	3,443
Environmental	17	145	145	145	290
Remediation Fund	126	484	250	250	500
Statutory Appropriations					
General	5,335	5,746	5,717	5,717	11,434
Misc Special Revenue	203	193	138	138	276
Federal	1,056	1,301	1,301	1,301	2,602
Miscellaneous Agency	892	66	60	60	120
Total	**34,666**	**40,229**	**32,099**	**32,104**	**64,203**
Expenditures by Category					
Total Compensation	29,193	33,759	29,187	29,192	58,379
Other Operating Expenses	5,473	6,470	6,202	6,202	12,404
Transfers	0	0	(3,290)	(3,290)	(6,580)
Total	**34,666**	**40,229**	**32,099**	**32,104**	**64,203**
Expenditures by Activity					
Government Operations	6,611	8,436	4,726	4,726	9,452
Government Regulation	7,306	8,840	6,701	6,706	13,407
Solicitor General	10,014	10,467	8,920	8,920	17,840
Government Services	5,584	5,945	5,266	5,266	10,532
Administration	5,151	6,541	6,486	6,486	12,972
Total	**34,666**	**40,229**	**32,099**	**32,104**	**64,203**
Full-Time Equivalents (FTE)	**353.3**	**357.7**	**357.7**	**357.7**	

Activity Description

Provide a wide range of cost-effective, efficient legal services to state agencies.

Activity at a Glance

- ♦ Provide expert legal advice and representation to state agencies

Population Served

- ♦ Department of Agriculture
- ♦ Department of Natural Resources (DNR)
- ♦ Department of Human Rights
- ♦ Department of Human Services
- ♦ Department of Finance
- ♦ Department of Administration
- ♦ State boards (non-health professions)
- ♦ Department of Corrections
- ♦ Department of Transportation (DOT)
- ♦ Department of Commerce (utilities issues)
- ♦ Department of Labor and Industry
- ♦ Department of Employment and Economic Development
- ♦ State Board of Investment
- ♦ Housing Finance Agency
- ♦ Teachers Retirement Association
- ♦ Minnesota State Retirement System
- ♦ Public Utilities Commission
- ♦ Department of Military Affairs

Services Provided

- ♦ Expert legal advice and representation to state agencies.
- ♦ Mediates and litigates human rights cases.
- ♦ Litigates workers compensation and public employee pension cases.
- ♦ Defends state agencies against litigation brought by various parties.
- ♦ Negotiates settlements in lawsuits brought against state agencies when warranted.
- ♦ Represents the state in prisoner litigation.
- ♦ Provides eminent domain representation to the DOT
- ♦ Provides representation for Department of Commerce on behalf of utility ratepayers before the Public Utilities Commission.
- ♦ Litigates OSHA workplace safety cases.
- ♦ Represents state boards in disciplinary proceedings.

Historical Perspective

- ⇒ Provided legal support to the DNR in the area of ecological services, enforcement, fish, forestry, Indian law issues, minerals, real estate acquisitions, and real estate land exchange.
- ⇒ During FY 2006, the Attorney General Office (AGO) provided legal advice including drafting, review of and approval of, approximately 97 DNR real estate transactions involving over 17,171 acres of land.
- ⇒ Obtained compensatory relief for Minnesota citizens in the amount of $1,922,200 resulting from claims of discrimination filed with the Department of Human Rights.
- ⇒ Represented the Department of Human Services on issues involving public assistance, child support, licensing, health care, child welfare, and mental health. Defended Department in a number of legal actions challenging recent policy changes in public assistance and health care. Handled a large volume of licensing litigation under new licensing statutes that became effective in calendar years 2003 and 2004.

⇒ Facilitated over $1.6 billion in bond issuance for state agencies in FY 2006.
⇒ Defended the state in litigation over contract and lease issues and data practices challenges.
⇒ Litigated eminent domain actions and appeals.
⇒ Represented DOT in its statutory prevailing wage enforcement responsibilities.

Key Measures

- Claims brought against the state are defended.
- Interests of state agencies are advanced.
- Litigation brought by prisoners in correctional facilities is defended successfully.
- The AGO provides quality advice regarding the legal aspects of state transportation projects.

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ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: GOVERNMENT OPERATIONS

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	3,844	5,745	2,035	2,035	4,070
Statutory Appropriations					
General	2,767	2,691	2,691	2,691	5,382
Total	**6,611**	**8,436**	**4,726**	**4,726**	**9,452**
Expenditures by Category					
Total Compensation	6,482	8,296	6,922	6,922	13,844
Other Operating Expenses	129	140	140	140	280
Transfers	0	0	(2,336)	(2,336)	(4,672)
Total	**6,611**	**8,436**	**4,726**	**4,726**	**9,452**
Full-Time Equivalents (FTE)	**74.7**	**73.8**	**73.8**	**73.8**	

Activity Description

Provide a wide range of legal services to state agencies and citizens of Minnesota.

Activity at a Glance

- ♦ Provides legal services to state agencies
- ♦ Litigates on behalf of the state

Population Served

- ♦ Pollution Control Agency
- ♦ Department of Health
- ♦ Board of Medical Practice
- ♦ Health-related Licensing Boards
- ♦ Citizens and businesses

Services Provided

- ♦ Provides client advice and legal representation to state agencies in the application and enforcement of state laws.
- ♦ Assists client agencies to recover fines, penalties and restitution.
- ♦ Provides client defense in suits brought against state agencies.
- ♦ Provides investigative services to health-related licensing boards.
- ♦ Investigates and, when appropriate initiates legal action against persons engaged in anticompetitive conduct as well as utilities engaged in unlawful conduct.
- ♦ Represents the interests of residential customers and small business in proceedings before the Public Utilities Commission.
- ♦ Register and provide oversight of charities and non-profit organizations.

Historical Perspective

- ⇒ Provided legal assistance to the Pollution Control Agency in the areas of environmental law enforcement and environmental review litigation.
- ⇒ Provided legal services to the Department of Health including the litigation of cases concerning maltreatment of vulnerable adults in nursing homes and other healthcare facilities.
- ⇒ Initiated legal action against drug manufacturers and computer memory chip manufacturers for engaging in anti-competitive and illegal acts.
- ⇒ Provided legal representation and investigative services to 15 health-related licensing boards.
- ⇒ Handled utility complaints from residential and small business consumers.
- ⇒ Represented the interests of consumers and small businesses in issues before the Public Utilities Commission, including rate increases proposed by Xcel Energy and Centerpoint Energy.
- ⇒ Defended Wireless Consumer Protection Act against challenge by the industry.
- ⇒ Maintained public registration information about over 8,000 charitable organizations, charitable trusts, and professional fundraisers.

Key Measures

- ♦ Effective and efficient legal advice is provided to state agencies.
- ♦ State agencies receive expert representation in all litigated matters.
- ♦ Investigations conducted are focused, thorough and timely.
- ♦ The rights of consumers and small businesses are protected in the purchase of and payment for services from utility companies.
- ♦ Prompt action is taken against those who engage in anti-competitive practices in the marketplace.
- ♦ Charities and non-profits registered in Minnesota comply with state law.

Contact

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ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: GOVERNMENT REGULATION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	3,225	3,529	2,653	2,653	5,306
State Government Spec Revenue	2,359	2,727	1,698	1,703	3,401
Remediation Fund	126	484	250	250	500
Statutory Appropriations					
General	1,596	2,100	2,100	2,100	4,200
Total	**7,306**	**8,840**	**6,701**	**6,706**	**13,407**
Expenditures by Category					
Total Compensation	6,827	8,031	7,080	7,085	14,165
Other Operating Expenses	479	809	575	575	1,150
Transfers	0	0	(954)	(954)	(1,908)
Total	**7,306**	**8,840**	**6,701**	**6,706**	**13,407**
Full-Time Equivalents (FTE)	**82.1**	**87.7**	**87.7**	**87.7**	

Activity Description

Assist county attorneys in prosecuting serious crime statewide. Defend felony convictions upon appeal. Obtain civil commitment of sex offenders. Criminal prosecution and civil enforcement of Medicaid Fraud violations including abuse or neglect of vulnerable adults. Enforce Minnesota consumer and nonprofit laws. Represents the department of Public Safety.

Activity at a Glance

- Handles over 5,000 implied consent cases (drunk driver license revocations) annually
- Assisted county attorneys in prosecuting serious crime

Population Served

- Department of Public Safety
- Agencies connected with gambling
- Minnesota counties
- Citizens of the state of Minnesota
- Vulnerable adults

Services Provided

- Obtains civil commitment of sex offenders under psychopathic personality and sexually dangerous person statutes.
- Assists county attorneys in prosecuting serious crime statewide.
- Handles over 5,000 implied consent cases (drunk driver license revocations) annually.
- Handles drunk-driving-related appeals of convictions.
- Provides training and prosecutorial assistance to local prosecutors throughout Minnesota.
- Defends felony convictions upon appeal.
- Enforce the state's consumer protection laws.
- Educate and advise consumers of their rights.
- Provide legal advice and representation to the department of Public Safety.

Historical Perspective

⇒ Represented the Public Safety Department.
⇒ Defended the state against challenges to DWI statutes.
⇒ Handled over 5,000 district court implied consent proceedings that challenged revocations of driving privileges.
⇒ Handled criminal appeals for county attorneys.
⇒ The Attorney General Office (AGO) Medicaid Fraud Division opened 38 abuse, neglect or fraud investigations.
⇒ In FY 2006 the Medicaid Fraud unit recovered Medicaid funds from providers who fraudulently billed the program for services provided. Over $2 million was recovered for Medicare and Medicaid programs.
⇒ The AGO's Trial Division prosecuted violent and serious crime.
⇒ The AGO prosecuted methamphetamine and other drug cases referred to it by county attorneys.
⇒ The AGO assisted county attorneys in the commitment of sexually dangerous person/sexual psychopathic personality commitment cases.
⇒ The AGO trained law enforcement officers and prosecutors throughout the state on law-enforcement related issues.

Key Measures

- Implied consent cases are prosecuted vigorously.
- Challenges to DWI laws are defended effectively.
- Prosecutions are successful.
- Citizens are protected from criminal activities.

- Vulnerable adults are protected.
- Medicaid Fraud regulations are enforced.
- Top quality prosecution resources are provided to county attorneys across the state.
- Criminal convictions are upheld.
- Respond effectively to crime growth areas.
- Minnesota's citizens are protected from wrongful acts and illegal conduct.
- Minnesota's citizens are educated about their rights and responsibilities in the marketplace.
- The department of Public Safety receives effective and efficient legal representation.

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ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: SOLICITOR GENERAL

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	8,665	9,837	8,325	8,325	16,650
Environmental	17	145	145	145	290
Statutory Appropriations					
General	288	269	240	240	480
Federal	152	150	150	150	300
Miscellaneous Agency	892	66	60	60	120
Total	**10,014**	**10,467**	**8,920**	**8,920**	**17,840**
Expenditures by Category					
Total Compensation	8,394	9,480	7,967	7,967	15,934
Other Operating Expenses	1,620	987	953	953	1,906
Total	**10,014**	**10,467**	**8,920**	**8,920**	**17,840**
Full-Time Equivalents (FTE)	**117.7**	**117.5**	**117.5**	**117.5**	

Activity Description
Provide a wide range of legal services to state agencies.

Population Served
- Citizens of the state
- All state agencies
- Minnesota State Colleges and Universities (MnSCU)
- Department of Education
- Department of Revenue
- Department of Employee Relations
- Public Utilities Commission (PUC)

Activity at a Glance

- Saved the state hundreds of millions of dollars by its defense and resolution of tort and employment law claims and its litigation of tax and utilities cases.

Services Provided
- Defense of challenges to the constitutionality of Minnesota law.
- Defense of tort claims against the state and its employees.
- Defense of employment claims against the state and its employees.
- Representation of state educational agencies.
- Litigating for Public Utilities Commission (PUC).
- Tax litigation for Revenue Department.

Historical Perspective
⇒ Saved the state millions of dollars by its defense and resolution of tort and employment law claims.
⇒ Represented MnSCU's 34 colleges and universities in litigation, discrimination/harassment issues, data practices issues and technology issues.
⇒ Provided legal advice to department of Education regarding charter schools, special education and desegregation issues.
⇒ Obtained hundreds of millions of dollars of tax revenue for the department of Revenue.
⇒ Successfully defended state laws against constitutional attacks.
⇒ Obtained millions of dollars for PUC.

Key Measures
- Constitutional challenges are defended successfully.
- Tort and employment law claims brought against the state and its employer are successfully defended or settled thereby minimizing the state's fiscal and employment law exposure.
- Litigation brought against state educational institutions is defended successfully.
- The department of Revenue's interests in tax collection and tax litigation matters are represented effectively.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	3,985	4,097	3,418	3,418	6,836
State Government Spec Revenue	21	21	21	21	42
Statutory Appropriations					
General	674	676	676	676	1,352
Federal	904	1,151	1,151	1,151	2,302
Total	**5,584**	**5,945**	**5,266**	**5,266**	**10,532**
Expenditures by Category					
Total Compensation	5,217	5,460	4,781	4,781	9,562
Other Operating Expenses	367	485	485	485	970
Total	**5,584**	**5,945**	**5,266**	**5,266**	**10,532**
Full-Time Equivalents (FTE)	**51.3**	**51.0**	**51.0**	**51.0**	

Activity Description
Administrative Services provides overall administrative support to the Attorney General's Office (AGO).

Population Served
- Employees of the AGO
- State agencies and other government agencies
- Citizens of Minnesota

Services Provided
- Development and implementation of new administrative policies and procedures
- Upgrading and maintaining the AGO's systems network
- Budget development
- Purchasing
- Accounting
- Docketing/timekeeping system that provides billing information to state agencies
- Human resources services/personnel transactions

Key Measures
- Office mission is clear
- Procedures are implemented
- Budget is developed to provide funding for AGO activities
- AGO systems are up-to-date and operate efficiently
- Fiscal activities are accurate, complete and meet state standards
- Docketing/timekeeping is accurate. Invoices are produced on time
- Personnel transactions are accurate and timely

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ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: ADMINISTRATION

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	4,938	6,338	6,338	6,338	12,676
Statutory Appropriations					
General	10	10	10	10	20
Misc Special Revenue	203	193	138	138	276
Total	**5,151**	**6,541**	**6,486**	**6,486**	**12,972**
Expenditures by Category					
Total Compensation	2,273	2,492	2,437	2,437	4,874
Other Operating Expenses	2,878	4,049	4,049	4,049	8,098
Total	**5,151**	**6,541**	**6,486**	**6,486**	**12,972**
Full-Time Equivalents (FTE)	**27.5**	**27.7**	**27.7**	**27.7**	

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$599	$1210	$1210	$1210
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$599	$1,210	$1,210	$1,210

Recommendation
The Governor recommends additional funding for compensation related costs associated with the operation of the Attorney General's office. This amount represents an annual increase of 2% for general funded personnel costs.

Background
The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing complete balanced budget.

As with the executive branch, the Governor suggests that these offices and institutions receive a compensation adjustment to reflect rising costs due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases. For agencies receiving appropriations from the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

STATE OF MINNESOTA
OFFICE OF THE ATTORNEY GENERAL

LORI SWANSON
ATTORNEY GENERAL

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ST. PAUL, MN 55155
TELEPHONE: (651) 296-6196

January 22, 2007

To the 2007 Legislature:

Re: The Attorney General's Budget Request for FY 08/09

Dear Members:

Attached is the budget request for the Attorney General's Office (AGO) for Fiscal Years 2008 and 2009. Our office proposes to carry out its mission to protect the interests of Minnesota's citizens by:

Agency Representation (the AGO serves as legal counsel to all state agencies)

- Enforcing state laws
- Protecting taxpayer dollars
- Protecting the public from unsafe health care and childcare providers, intoxicated drivers, sexual predators and unethical licensed professionals
- Providing legal advice and representation to state agencies
- Reviewing state contracts, grants and bond issues to safeguard state resources

Defense of Claims (the AGO serves as defense counsel for the legislature, the State)

- Defending legislation and constitutional challenges
- Representing agencies in litigation brought against the State
- Saving the state millions of dollars by successfully defending claims against the State

Public Protection

- Enforcing the State's consumer, charities, Medicaid and antitrust laws to protect its citizens from fraud and to ensure fair business practices
- Advocating for the interests of residential and small business utility customers before the Public Utilities Commission
- Assisting county attorneys in prosecuting serious crimes and upholding criminal convictions on appeal to safeguard the public interest

The AGO returns, saves and protects taxpayer dollars. The AGO accomplishes this by an ongoing effort to provide high quality cost-effective legal services. The AGO works with state agencies to help them avoid legal problems before they occur. It has aggressively used alternative dispute resolution to prevent costly litigation.

The AGO carries out its mission by:

- Attracting highly qualified attorneys, legal assistants and support staff who provide effective/efficient legal services
- Addressing threats to the public by working with local authorities in areas such as the civil commitment of sexual predators, equity stripping, felony crime and gang violence
- Working with state agencies, county attorneys and other constituent groups to enable them to carry out their programs more effectively
- Working with agencies to educate staff about issues such as employment law, tort claims and the implementation of new statutes to reduce exposure to claims and to prevent costly litigation for the State

- Developing legislative proposals to address the concerns of Minnesota's citizens
- Regularly examining staffing levels to ensure the efficient delivery of legal services by a core group of employees. Since 1999 the AGO has significantly reduced staff. At this point the AGO has one-third fewer employees than in 1999.

The AGO is committed to operating in a fiscally responsible manner. Ongoing fiscal challenges to the AGO include:

- Maintaining adequate funding for the Office in light of increasing demand for quality legal services
- Meeting the constantly changing demand for AGO services driven by new initiatives, amended laws, increased litigation and concerns about public safety
- Developing necessary legal expertise, recruiting and retaining highly qualified attorneys

Currently the AGO is funded by a mix of general fund appropriations and by funding agreements with "partner agencies".

As you review our budget request, please contact me to discuss any issues or questions you have.

Very truly yours,

Lori Swanson
Attorney General

Agency Change Item: Additional Positions

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,745	$1,745	$1,745	$1,745
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	$1,745	$1, 745	$1, 745	$1, 745

Recommendation

The Attorney General's Office (AGO) requests funding for 13 additional attorney positions and one investigator position to handle legal work involving: the civil commitment of sex offenders, the prosecution of serious drug cases, predatory lending cases, antitrust violations, criminal appeals, and illegal actions of the pharmaceutical industry. This work is directly related to public safety, pro-active legal services to protect the citizens of Minnesota and litigation on behalf of state agencies. It is expected that recoveries obtained from litigation with pharmaceutical and lending industries will greatly exceed this budget request.

Background

Civil Commitment

Two attorney positions are requested to handle civil commitment cases. County attorneys from most counties in the state refer civil commitments for sex offenders to the AGO. Since the murder of Dru Sjodin in November 2003, the number of criminal commitment cases for sex offenders handled by the AGO has dramatically increased. In calendar year 2002, approximately 10 cases were referred for civil commitment to counties assisted by the AGO. In calendar years 2003 the total number of cases referred was less than ten. In contrast, in calendar year 2005 the AGO filed 46 petitions to commit sexual predators as sexually dangerous persons or sexually psychopathic personalities. It is anticipated that the caseload in this area will continue to grow. This office assists in all aspects of commitment litigation, including preparation of commitment petitions, handling of pre-trial matters, and litigation of the case at the hearing. It also is responsible for administrative hearings required by the Community Notification Act when a registered sex offender challenges an assessment of the offender's level of potential danger.

These attorney positions are necessary to handle the dramatic increase in cases. Even with the addition of two attorneys, the caseloads for these attorneys at current levels will be significantly higher than current caseloads.

Drug Cases

Two attorney positions are needed to assist with prosecuting methamphetamine and other serious drug cases. The office works closely with county attorney offices throughout the state to handle prosecution of the criminal activity of gang members involved in drug trafficking. Attorneys in the office prosecute drug cases, train county attorneys to handle prosecutions independently, and provide advice to county attorneys. During the past year we have seen a decrease in methamphetamine manufacture within the state but an increase in the number of methamphetamine sale and possession cases as drugs manufactured outside the state are sold within the state. In addition, the federal government recently reduced the limited funding it had been providing to offset part of the cost of an attorney to prosecute these cases. The additional positions will enable the office to address the ongoing and increasing demand for assistance in prosecuting drug cases.

Veterans' Assistance

The AGO requests funding for two additional attorney positions to represent veterans in benefit disputes with the federal government. An increasing number of veterans are concerned about the difficulties they are encountering in obtaining healthcare and other benefits from the federal government. The AGO requests two additional attorney positions to advocate for veterans and their families in these matters.

Criminal Appeals
The AGO handles major criminal appeals on behalf of counties throughout Minnesota. The number of appeals has grown in recent years and the AGO requests one additional attorney position to handle these appeals.

Predatory Lending
Three attorneys and one investigator are requested to handle the increase in predatory mortgage lending cases. Predatory lending cases are extremely complex and additional attorneys and an investigator are needed to review financial data, records, and promotional materials and identify patterns of and practices which violate state or federal law. Predatory lending is a serious and growing problem. Although it is difficult to track and may take many forms, predatory lending targets the most vulnerable people in our society. Predatory lending practices exploit people who are in difficult financial situations, and then makes those situations worse. For example, predatory lenders assess high interest rates and fees without proper disclosure, trap consumers with large prepayment penalties that prevent re-financing with another company, and put the consumer's credit at risk by providing a mortgage loan for more than the house is actually worth. The number of complaints received by the AGO in this area has grown in recent years, and three additional attorneys and one investigator are requested to handle this work.

Antitrust Cases
One attorney position is requested to handle antitrust cases. The number of corporate mergers and consolidations has increased dramatically in recent years and their impact on markets, competition and consumers in Minnesota requires prompt and in-depth evaluation. In addition, drug companies' manipulation of the introduction of generic drugs is a growing problem, which has damaged government Medicaid programs and consumers alike. In the past several years, the state of Minnesota has initiated legal actions in such cases involving the drugs Cardizem, Taxol, Buspar, and Remeron and is presently investigating manufacturers of certain other drugs. The level of activity in business consolidation and market manipulation by drug companies is expected to continue to increase.

Pharmaceutical Litigation
Two attorneys are requested to handle pharmaceutical litigation. It is estimated that Minnesota consumers, including the state of Minnesota and its Medicaid program, are losing millions of dollars to pharmaceutical companies as a result of their use of an "average wholesale price" as a basis upon which to price their drugs; through Medicaid rebate fraud; through the use of pharmaceutical benefit managers; through the use of various rebates and through various types of anticompetitive conduct. Two additional attorneys are needed to investigate and initiate legal action with respect to the actions of drug companies.

Relationship to Base Budget
Because the AGO provides legal services, its budget is 80% salary. In order to obtain results for Minnesota's citizens and state agencies, the AGO's base salary budget needs to be increased in order for the office to protect the public and obtain settlements on behalf of state agencies. Settlements are deposited to the General Fund.

Key Measures
⇒ Settlements negotiated by the AGO are deposited to the General Fund.
⇒ Sexual predators will be civilly committed in order to protect the public.
⇒ Minnesota's citizens will be protected from predatory lenders.
⇒ Minnesota citizens and state institutions will be protected from unfair pricing of prescription drugs.

Alternatives Considered
Because of reductions in staff since 1999 when the office had 50% more attorneys on staff than it does today, the AGO is at a point at which it can no longer continue to absorb the growing need for legal services in its current budget.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings (Inter-Agency):					
General	2,042	2,000	2,000	2,000	4,000
Departmental Earnings:					
General	466	465	465	465	930
Other Revenues:					
General	987	780	780	780	1,560
Total Non-Dedicated Receipts	**3,495**	**3,245**	**3,245**	**3,245**	**6,490**
Dedicated Receipts:					
Departmental Earnings (Inter-Agency):					
General	5,304	5,707	5,707	5,707	11,414
Grants:					
Federal	1,056	1,301	1,301	1,301	2,602
Other Revenues:					
General	0	5	0	0	0
Misc Special Revenue	156	149	138	138	276
Miscellaneous Agency	3,442	105	73	73	146
Other Sources:					
General	10	10	10	10	20
Miscellaneous Agency	37	0	0	0	0
Total Dedicated Receipts	**10,005**	**7,277**	**7,229**	**7,229**	**14,458**
Agency Total Revenue	**13,500**	**10,522**	**10,474**	**10,474**	**20,948**

Consolidated Listing of Appropriations
($ in thousands)

	Agency Request		Senate Budget	House Finance
	FY 2008	FY 2009	Division	Division
Submitted as Part of the Attorney General's Budget Request:				
Direct Appropriations:				
General	$24,514	$24,514		
State Government Miscellaneous	1,719	1,724		
Environmental	145	145		
Solid Waste Fund	484	484		
Statutory Appropriations:				
General	5,717	5,717		
Special Revenue	138	138		
Federal	1,301	1,301		
Miscellaneous Agency	60	60		
Total Agency Request	**$34,078**	**$34,083**	State Government	State Government
Other Funding: Partner Agreements:				
Direct Appropriations:				
General				
--Department of Human Services	2,336	2,336	Health, Human Services & Corrections	Health & Human Services
State Government Miscellaneous				
--State Board of Medical Practice	954	954	Health, Human Services and Corrections	Health & Human Services
Total Partner Agreement Funding	**$3,290**	**$3,290**		
TOTAL ALL	**$37,368**	**$37,373**		

CONTENTS

➲ Designates that this item is a change item

Agency Purpose

The Board of Barber and Cosmetologist Examiners was established under M.S. Chapter 154 and 155A and Minnesota Rules 2100, 2642 and 2644. The board is the licensing agency for practitioners of barbers and cosmetologists in the state of Minnesota. The 2003 legislature moved the licensing responsibilities for cosmetology from the department of Commerce to the Board of Barbers and Cosmetologist Examiners. Regulation is accomplished through license examination and renewal, as well as the investigation of complaints.

The mission of the board is:

- to promote the public's interest in receiving quality care from competent barbers and cosmetologists by ensuring that their qualifications meet the specifications established by the board;
- to protect the public by ensuring that all licensees provide competent barber and cosmetologists care; and to provide information to the public.

At A Glance

Estimated FY 2006-07 Expenses: $1.4 million

Estimated FY 2006-07 Revenues: $3.0 million

Staff: 10.5 FTE

Total Licensed: 46,400 (as of 6/30/06)

Annual Inspections: 3,300

Complaints received annually: 40

Core Functions

The board accomplishes its mission by:

- setting and administering educational requirements and examination standards;
- setting standards of practice and conduct;
- conducting annual inspections of shops and schools to ensure compliance with statues and rules;
- responding to inquiries, complaints, and reports, regarding licensure and conduct of applicants, licensees and unlicensed practitioners; and
- providing information and education to the public and other interested parties.

Operations

The board serves the consumers of barber and cosmetologist services by licensing only those individuals determined to meet the established educational, character, and examination requirements. The board also serves the public by investigating complaints regarding barber and cosmetologist care, and when necessary, initiating corrective or disciplinary action. The board verifies credentials of license examination applicants and verifies license status to interested parties.

The board also provides a large array of online services. The board's web site offers several services to the public including access to information on complaint process, forms, and information regarding how to file a complaint. It provides information for licensees including contact information and information on license renewals.

Key Measures

	FY 2003	FY 2004	F.Y 2005	FY 2006
Licenses Issued: Barbers/shops	3,400	3,932	4,007	3,864
Licenses Issued: Cosmetologists			13,483	13,918
Inspections Conducted: Barbers	758	665		
Total Violations: Barbers	496	467		

Budget

Expenditures for FY 2006-07 are approximately $1.4 million, which includes 8.0 full time equivalent employees. Expenditures include salaries, rent, other operating expenditures, and indirect costs. The board receives a direct General Fund appropriation for these costs.

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect $3.0 million in FY 2006-07, which is deposited as non-dedicated revenue into the state General Fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Barber and Cosmetologists Examiners
2829 University Avenue Southeast
Suite 710
Minneapolis, Minnesota 55414

The web site at: http://www.bceboard.state.mn.us/ gives visitors easy access to useful about barbers and cosmetologists. Types of information available through the web site include: regulatory news and updates, rules and Minnesota statutes, public notices, and forms.

Gina Stauss, Executive Secretary
E-mail: bce.board@state.mn.us
Phone: (651) 201-2742
Fax: (612) 617-2601
TDD: 1 (800) 627-3529

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	699	699	699	699	1,398
Recommended	**699**	**699**	**911**	**924**	**1,835**
Change		0	212	225	437
% Biennial Change from 2006-07					31.3%
Expenditures by Fund					
Direct Appropriations					
General	513	1,186	911	924	1,835
Total	**513**	**1,186**	**911**	**924**	**1,835**
Expenditures by Category					
Total Compensation	328	623	615	662	1,277
Other Operating Expenses	185	563	296	262	558
Total	**513**	**1,186**	**911**	**924**	**1,835**
Expenditures by Program					
Barbers	513	1,186	911	924	1,835
Total	**513**	**1,186**	**911**	**924**	**1,835**
Full-Time Equivalents (FTE)	**6.7**	**10.5**	**12.0**	**12.0**	

		Dollars in Thousands		
		Governor's Recomm.		**Biennium**
	FY2007	**FY2008**	**FY2009**	**2008-09**
Fund: GENERAL				
FY 2007 Appropriations	**699**	**699**	**699**	**1,398**
Subtotal - Forecast Base	**699**	**699**	**699**	**1,398**
Change Items				
Cosmetology Positions	0	200	200	400
Compensation Adjustment	0	12	25	37
Total Governor's Recommendations	**699**	**911**	**924**	**1,835**

Change Item: Cosmetology Positions

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$200	$200	$200	$200
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$200	$200	$200	$200

Recommendation
The Governor recommends an increase of $400,000 in FY2008-09 to cover additional employees and operational costs not anticipated when the board was created in the 2004 session.

Background
The Board of Barber and Cosmetologist Examiners (BBCE) is a fee-supported agency that licenses 48,000 individuals, shops, and schools, every three years. Those license fees generate approximately $1.5 million in general fund revenue each year. Its current budget is $699,000 per year. This amount was an estimate of what would be needed, made during the 2004 session when the board was created by merging the Board of Barbers and the Cosmetology component of the Department of Commerce. Since that time, the board has had more time to evaluate the actual cost of implementing its statutory responsibilities.

The board currently has 10.5 FTE, including an executive secretary, an office manager, four compliance officers, one clerical staff, and several seasonal and temporary employees needed for year end license renewals. At this level of staffing, the BBCE is unable to make the required annual visits to shops and salons, or to do the required follow-up visits when compliance actions are required.

The BBCE would use the additional funding to hire two additional staff and fund their related travel and operating costs. It would also allow board members to be reimbursed for travel costs related to contested hearings, pay administrative law judge costs, expert witness fees, and increasing banking fees.

Relationship to Base Budget
This request is needed to meet the BBCE's statutory requirements. It represents a 29% increase over the biennial base of $1.398 million.

Key Measures
This increase will enable the board to more effectively monitor the complaint process to ensure our licensees comply with the both laws and rules. Granting this request will allow the board to:

- process licenses more thoroughly and efficiently;
- ensure all appropriate licensees are inspected within statutory time frames;
- establish a system to ensure that inspections are monitored and appropriate actions are taken;
- process violations and ensure compliance;
- provide greater customer satisfaction; and
- update existing rules.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$12	$25	$25	$25
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$12	$25	$25	$25

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	1,456	1,555	1,555	1,555	3,110
Total Non-Dedicated Receipts	**1,456**	**1,555**	**1,555**	**1,555**	**3,110**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**1,456**	**1,555**	**1,555**	**1,555**	**3,110**

➲ Designates that this item is a change item

Agency Purpose

Minnesota Statutes 148B.50-148B.593 authorizes the Minnesota Board of Behavioral Health and Therapy (BBHT) to regulate licensed professional counselors (LPCs) and the practice of professional counseling in the state of Minnesota. The board was established in May 2003. On 7/1/05, the board began licensing and regulating licensed alcohol and drug counselors (LADCs) when the program transferred to the board from the Department of Health (*see* Minnesota Statutes chapter 148C).

The board's mission is to protect the public through effective licensure and enforcement of the statutes and rules governing the practices of professional counseling and alcohol and drug counseling to ensure a standard of competent and ethical practice.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $1.622 million

Total Estimated Revenues: $977,000

Staff: 3.0 Full-time equivalent employees (FTE)

Minnesota Licensed Professional Counselors and Licensed Alcohol And Drug Counselors Statistics
(As of June 30, 2006):

Total Licensed LPCs: 373
Total Licensed LADCs: 1,464
Total Alcohol and Drug Counselors Trainee Permit Holders: 203

Core Functions

The board accomplishes its mission by:

- setting and administering minimum educational, supervision, and examination requirements for initial licensure as a licensed professional counselor or alcohol and drug counselor;
- setting and administering requirements for renewal of licensure;
- setting standards of ethical practice;
- responding to inquiries, complaints, and reports regarding applicants and licensees;
- investigating complaints of alleged violations of statutes and rules, holding educational and disciplinary conferences with licensees, and taking legal action when appropriate against licensees who fail to meet minimum standards of practice;
- approving continuing education programs; and
- providing information about licensure requirements and standards of practice to the public and other interested parties.

Operations

⇒ The 13-member board consists of five licensed or license-eligible professional counselors, five licensed alcohol and drug counselors, and three public members appointed by the governor.

⇒ The board met 19 times between July 2004 and June 2006, and subcommittees of the board meet regularly to review license applications and licensure issues, draft rules, draft legislation, review complaints and hold educational and disciplinary conferences with applicants and licensees, and perform other duties required for the operation of the board.

⇒ The board benefits and affects the public by ensuring that licensed professional counselors and licensed alcohol and drug counselors meet and maintain minimum standards of competence and ethical practice.

⇒ BBHT, the other mental health licensing boards, and the Department of Human Services have been directed by the legislature to complete a study by 1/15/07, to evaluate requirements for licensed mental health practitioners to receive medical assistance reimbursement. This will impact LPC practice in Minnesota.

⇒ As a relatively new licensing board, BBHT must solve challenging financial problems related to revenue shortfalls due to fewer licensees than projected when the board was created. BBHT has addressed this by decreasing the staff from 5.0 FTEs to 3.0 FTEs, installing IP telephones, working to finalize a database for the LPC program, initiating legislative changes to improve the licensure process for both LPCs and LADCs, streamlining the licensure process, using the board's web site to post documents in a secure area for board committee members to review to eliminate copying and mailing, and moving from monthly board meetings to quarterly board meetings.

Key Measures

- ⇒ In the last two fiscal years, BBHT has received a total of 448 LPC licensure applications and issued 360 licenses. In FY 2006, the board has received a total of 138 LADC permit applications and issued 149 permits. (There were 45 pending permit applications when the program transferred from the Department of Health.) Currently, there are 35 LADC permit applications pending and 154 LPC license applications pending.
- ⇒ On 7/1/05, BBHT received 263 open LADC complaint files when that program transferred to BBHT from the Department of Health. From 7/1/05 to 6/30/06, BBHT opened 52 new LADC complaint files. In that same time period, BBHT closed 99 complaints, leaving a total of 216 open complaints. From 7/1/04 until 6/30/06, BBHT received nine LPC complaints and closed eight. BBHT took disciplinary action against one LPC, issued a cease and desist letter to one LPC, and terminated the license of one LPC for non-renewal of license. BBHT has taken disciplinary action against three LADCs.
- ⇒ Between 7/1/04 and 6/30/06, BBHT staff members have made 11 public presentations, including hosting one board meeting in Mankato and one in Duluth, speaking to counselor educators for both LPCs and LADCs, and speaking to professional associations at annual conferences.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $1.622 million, which includes 3.0 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program, Office of Mental Health Practice, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect $977,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants and licensees.

Contact

Minnesota Board of Behavioral Health and Therapy
2829 University Avenue Southeast
Suite 210
Minneapolis, Minnesota 55414-3220

The web site at: www.bbht.state.mn.us gives visitors easy access to useful information about LPC and LADC licensure and regulation. Information available on the web site includes: board member and staff names, calendar of meetings, statutes and rules, application forms, regulatory news and updates, and public notices.

E-mail: bbht.board@state.mn.us

Kari Rechtzigel, Executive Director
E-mail: kari.rechtzigel@state.mn.us
Phone: (612) 617-2178
Fax: (612) 617-2187
TTY: (800) 627-3529

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	673	673	673	673	1,346
Recommended	**673**	**673**	**394**	**394**	**788**
Change		0	(279)	(279)	(558)
% Biennial Change from 2006-07					-41.5%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	307	1,039	394	394	788
Open Appropriations					
State Government Spec Revenue	18	27	27	27	54
Total	**325**	**1,066**	**421**	**421**	**842**
Expenditures by Category					
Total Compensation	240	217	219	228	447
Other Operating Expenses	85	849	202	193	395
Total	**325**	**1,066**	**421**	**421**	**842**
Expenditures by Program					
Behaviorial Health & Therapy	325	1,066	421	421	842
Total	**325**	**1,066**	**421**	**421**	**842**
Full-Time Equivalents (FTE)	**4.0**	**3.0**	**3.0**	**3.0**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**673**	**673**	**673**	**1,346**
Subtotal - Forecast Base	**673**	**673**	**673**	**1,346**
Change Items				
Align Budget with Workload	0	(279)	(279)	(558)
Total Governor's Recommendations	**673**	**394**	**394**	**788**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**27**	**27**	**27**	**54**
Total Governor's Recommendations	**27**	**27**	**27**	**54**
Revenue Change Items				
Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
Align Budget with Workload	0	33	33	66

Change Item: Align Budget with Workload

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	(279)	(279)	(279)	(279)
Revenues	33	33	33	33
Net Fiscal Impact	$(312)	$(312)	$(312)	$(312)

Recommendation

The Governor recommends reducing the Minnesota Board of Behavioral Health and Therapy's (BBHT) appropriation by 40% and increasing fees charged by the board in order to align the budget with the current workload. The changes are necessary to comply with M.S. 214.055, which requires a health-related licensing board to establish a fee structure that fully recovers its expenditures during a five-year period.

Background

The BBHT was established on 7-01-03 to regulate Licensed Professional Counselors (LPC) and the practice of professional counseling in the state. On 7-1-05, the board began licensing and regulating Licensed Alcohol and Drug Counselors (LADC) when the program transferred from the Minnesota Department of Health (MDH). The board is staffed with an executive director and two state program administrators (licensing coordinators).

Both licensing programs have operated at a significant revenue shortfall since their inception. At the end of FY 2006, the LPC program's accumulated deficit was more than $603,000; the LADC program's accumulated deficit was more than $933,000. The revenue shortfall and resulting debt are due in large part to significantly fewer licensees than was originally projected. For example, when BBHT was created, the original fiscal note estimated that the board would license 2,500 LPCs in the first five years of operation. After three years of operation, the board was licensing only 373 LPCs. Similarly, at the end of FY 2006, the total number of LADCs was 1,464, less than half of the number originally estimated. LADCs are being assessed an annual $99 surcharge on every initial and renewal application until 2013 to assist in recovering the program debt. The board expects only slow to moderate increases in the number of LPCs and LADCs over the next five years.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program, Office of Mental Health Practice, and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $1.525 million. The board is estimated to collect $886,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund. The board has taken numerous actions over the past two years to reduce its operating budget, including reducing the number of staff from five to three. Further decreasing the board's budget is necessary to align appropriations and actual expenses incurred by the board. The fee increase will also assist the board in collecting sufficient revenue to cover its expenses.

The table below identifies the current and proposed fee structure:

Current Fee Information **Proposed New Fee Information**

Fee Name	Current Fee Amount	Current FY 2008-09 Anticipated Revenue Budget Each Year	Proposed % of the Fee Change - Increase		Proposed New Fee Amount	Number Paying Under New Proposals	Proposed FY 2008-09 Anticipated Revenue Budget Each Year	Difference in Revenue Anticipated to be Collected
Initial License Application Fee (LPC)	$250	$35,250	(40%)		$150	141	$21,150	($14,100)
Add NEW Fee for Initial LPC License	NONE		100%		$250	135	$33,750	$33,750
LPC Annual Renewal Fee (Active)	200	$34,200	25%		250	171	$42,750	$8,550
LPC Annual Renewal Fee (Inactive)	100	$1,200	25%		125	12	$1,500	$300
LPC License Verification	10	$660	150%		25	66	$1,650	$990
LPC Duplicate Certificate Fee	10	$280	150%		25	28	$700	$420
Add NEW Fee LPC Sponsor App. For CE course approv	NONE		100%		60	20	$1,200	$1,200
Total LPC's								$31,110
Add NEW Fee for LADC Sponsor App. For CE course approval	NONE		100%		60	20	$1,200	$1,200
Add NEW Fee for LADC Copy of Board Order	NONE		100%		10	10	$100	$100
Add NEW Fee for LADC Duplicate Lic. Certificate Fee	NONE		100%		25	30	$750	$750
Total LADC's								$2,050
Grand Total								$33,160

Key Measures

- ♦ Review and approve licenses in a timely manner.
- ♦ Promptly investigate complaints and resolve investigations.
- ♦ Protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: M.S. 148B.53, subdivision 3, and M.S. 148C.12

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	443	443	476	476	952
Total Non-Dedicated Receipts	**443**	**443**	**476**	**476**	**952**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**443**	**443**	**476**	**476**	**952**

➲ Designates that this item is a change item

Agency Purpose

The state Council on Black Minnesotans addresses the need for people of African heritage to fully and effectively participate in and equitably benefit from the political, social, and economic resources, policies, and procedures of this state.

With the insistence and support of the African American community, the council was created by the Minnesota legislature in July 1980 (M.S. Section 3.9225). Its primary purpose is to advise the governor and legislature on the nature and intensity of issues confronting the state's Black populations. The formation of the council was critical for Black Minnesotans because, historically, this population has been, and continues to be, underrepresented in the legislature and has had little access to the office of the governor or other policy makers.

The council is a policy-oriented agency that uses a community mobilization and involvement model. Prior to the creation of the council, there was no state or local agency responsible for advising and educating policy makers, researching and analyzing the broad spectrum of issues affecting Black Minnesotans and advocating on their behalf, or to educate and reeducate Black Minnesotans regarding specific policy issues and the value of political and policy participation.

The council's advice to policy makers must be well founded, accurate, and representative of the will of its constituencies. To facilitate these functions, the council is made up of 13 public members appointed by the governor with the understanding that they must be broadly representative of Minnesota's Black communities. Four ex-officio legislative representatives are also members of the council and participate in setting the agenda and priorities of the agency.

At A Glance

Minnesota's fast growing Black population is the council's primary client constituency and is the state's largest non-European ethnic/cultural group.

- In 2005 it was estimated that there were 218,500 residents who were Black Minnesotans – this represents a 28% increase over the state's Black population in 2000.
- The council's client constituency also includes one of the largest African immigrant populations in the United States, nearly 50,000.
- The vast majority of the council's constituencies, nearly 92%, are residents of the Twin Cities Metropolitan Area.
- Smaller Black communities can be found in and near Rochester, Duluth, St. Cloud, Mankato, Moorhead, and Worthington.

The council also has an institutional constituency of health and human service and research organizations with similar values, concerns, target populations, and objectives.

Overall, the populations served by the council are disproportionately impoverished and have experienced a multitude of complex and inter-related problems; social, political, and economic. These conditions are both caused and acerbated by a lack of equal access and opportunity, and institutional and individual racism. The council was created to address the disparities associated with these conditions and be an instrument to create institutional and social change.

Core Functions

The council operates as a liaison between state agencies, individuals, and organizations seeking access to state government. It participates in policy-making processes that affect the interests and welfare of Black Minnesotans and recommends new laws or changes in existing laws to the governor and legislature that may benefit African Americans and Africans in the state of Minnesota. Another important function of the council is to increase the awareness and practice of "cultural responsibility" throughout the state of Minnesota, its institutions and its citizens. It also publicizes the accomplishments of Black Minnesotans and their contributions to the quality of Minnesota life. Specific functions of the council include monitoring government and private sector agencies, programs and policies to determine their impact on Black Minnesotans and other populations of color. The council also conducts primary and secondary research and sponsors and promotes issue/policy-oriented educational programs.

In order to effectively advise the governor, legislators, and other policy makers, the council has organized community legislative/policy dialogues. It also conducts primary and secondary research to get information on the extent to which Black Minnesotans benefit from current policies/programs and the extent to which disparities exist. Conducting research has provided the council with information that allows it to identify existing community needs and resources and set organizational priorities. A significant barrier to the accomplishment of these functions is the current status of available data or information. Most agencies, state or local, public or non-profit, do not collect data in a manner that would allow the council to determine in a precise fashion the extent to which Black Minnesotans participate in and benefit from existing programs and policies. Correcting this condition is a primary objective of the council.

The council has established programs to address the needs of its constituencies. Through collaboration and cooperation, it is involved in about 70 ongoing committees and organizations addressing such issues as out-of-home placement of children, teen pregnancy, hunger, health, affordable housing and homelessness, economic development, education, drugs, violence, childcare, HIV/AIDS, crime, the status of African American males, tobacco usage prevention/reduction, employment, the status of Black veterans, poverty, police community relations (including racial profiling), and the unique concerns of native African communities. Collaborative organizations include:

- Minneapolis and Saint Paul branches of the Urban League and National Association for the Advancement of Colored People (NAACP)
- Commission on Minnesota's African American Children
- Minnesota African American Tobacco Education Network
- Minneapolis and Saint Paul African American Leadership Council/Summit
- University of Minnesota Medical School and Minnesota Private College Council
- Office of Minority and Multicultural Health, Minnesota Department of Health

An annual function of the council involves assisting the governor's Dr. Martin Luther King Jr. Holiday Commission in managing and overseeing the observance of the Dr. Martin Luther King holiday and celebration. More specifically, the council assists in the planning and presentation of programs and events designed to promote the ideals of Dr. King.

Another important function of the council is to promote the representation, accountability, and increased/effective leadership of Black Minnesotans in policy-making processes. This is accomplished through the identification of individuals as community assets, and matching individual skills with volunteer opportunities on Boards, Commissions, and Task Forces, etc.

Budget

Revenues: The total budget for agency personnel and operational costs of the council on Black Minnesotans for FY 2007 is $278,000. Of this amount, $10,000 (3.6%) is allocated specifically for the Dr. Martin Luther King holiday and celebration. The remaining $268,000 is considered the agency's designated budget. A direct appropriation from the state of Minnesota is the council's sole revenue source for this year.

Expenditures: Over 77% ($213,400) of the council's operating budget is used to fund 3.3 full-time equivalents. for FY 2007. The remaining $54,600 (roughly 20%) funds traditional agency operating costs (e.g. rent, travel, communications, supplies, and equipment).

Contact

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Dollars in Thousands	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	278	278	278	278	556
Recommended	**278**	**278**	**322**	**328**	**650**
Change		0	44	50	94
% Biennial Change from 2006-07					16.9%
Expenditures by Fund					
Direct Appropriations					
General	261	298	322	328	650
Statutory Appropriations					
Misc Special Revenue	74	1	0	0	0
Total	**335**	**299**	**322**	**328**	**650**
Expenditures by Category					
Total Compensation	242	217	230	235	465
Other Operating Expenses	93	82	92	93	185
Total	**335**	**299**	**322**	**328**	**650**
Expenditures by Program					
Council On Black Minn	335	299	322	328	650
Total	**335**	**299**	**322**	**328**	**650**
Full-Time Equivalents (FTE)	**3.6**	**3.1**	**3.0**	**3.0**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**278**	**278**	**278**	**556**
Subtotal - Forecast Base	**278**	**278**	**278**	**556**
Change Items				
Black Minnesotans Council Operations	0	40	41	81
Compensation Adjustment	0	4	9	13
Total Governor's Recommendations	**278**	**322**	**328**	**650**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**1**	**0**	**0**	**0**
Total Governor's Recommendations	**1**	**0**	**0**	**0**

Change Item: Black Minnesota Council Operations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$40	$41	$41	$41
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$40	$41	$41	$41

Recommendation
The Governor recommends increases of $40,000 in FY 2008 and $41,000 in FY 2009 to enable the council to better address the issues facing the black community, and to fund the state's annual Martin Luther King celebration. A total of $15,000 in FY 2008, and $16,000 in FY 2009 is recommended to fully fund three full-time employees (FTE) for the office, with an additional $25,000 per year recommended for expenses related to the Martin Luther King celebration.

Background
At their current base funding, the Black Minnesotans Council would have to reduce their staffing level to less than three FTE. This would reduce the office's ability to adequately address the needs of the community, which is growing in size and complexity as more immigrants from Africa move into Minnesota. This proposed funding, along with the separately proposed 2% per year increase for compensation, will enable the council to fully fund three staff positions as well as pay for higher rent and miscellaneous office costs.

Budget pressures of the past several biennia have also diminished the council's capacity to fund the Martin Luther King celebration to the extent they have in the past. This proposal will return funding for this celebration to a level close to that of the late 1990s.

Relationship to Base Budget
The Governor's recommendation represents a 15% increase in the council's General Fund base budget of $556,000 for the FY 2008-09 biennium.

Key Measures
The council acts as a liaison between state government and the Black Minnesotan community. In this role, the council:

- organizes community legislative/policy dialogues;
- conducts primary and secondary research on disparity issues;
- collaborates with Afro-American community groups to establish programs addressing the needs of the community;
- increases effective leadership of Black Minnesotans by matching individuals with volunteer opportunities on Boards, Commissions and Task Forces; and
- coordinates the state's annual Martin Luther King celebration.

This change item will enhance the council's ability to effectively execute these core functions.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4	$9	$9	$9
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4	$9	$9	$9

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations, and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements, and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Grants:					
Misc Special Revenue	30	0	0	0	0
Total Dedicated Receipts	**30**	**0**	**0**	**0**	**0**
Agency Total Revenue	**30**	**0**	**0**	**0**	**0**

➲ Designates that this item is a change item

Agency Purpose

The Boxing Commission was created in the 2006 legislative session. It's purpose is to protect the health and safety of professional boxers, and to ensure the fairness of boxing events. The commission is a recreation of the old Boxing Board, which existed until 2001 when it's funding was discontinued. The commission is currently working to establish it's administrative and program procedures.

At A Glance

- ♦ Created in the 2006 session
- ♦ Funded for one year only
- ♦ To be self-supporting after 2007

Core Functions

The commission licenses boxers, promoters, referees, trainers, and related positions. It establishes regulatory safeguards for the protection of fighters, and regulates events to ensure fairness.

Operations

The commission conducts it's work primarily through the executive director, who reports to a five member executive board appointed by the governor. The executive director is currently a part-time position, and is the only employee of the commission.

Key Measures

The commission was just created, and has not yet developed any performance measures.

Budget

The commission was funded with a one-time appropriation of $50,000 in FY 2007. The legislature intended the commission to be self funded after this first year, and appropriated all license fees and event revenues to the commission for that purpose. The commission will be significantly challenged to accomplish this goal, as it's ability to sustain itself has yet to be determined.

Contact

Scott LeDoux
Executive Director: 612-229-4269

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	50	50	50	100
Recommended	**0**	**50**	**50**	**0**	**50**
Change		0	0	(50)	(50)
% Biennial Change from 2006-07					0%
Expenditures by Fund					
Direct Appropriations					
General	0	50	50	0	50
Statutory Appropriations					
Misc Special Revenue	0	4	5	5	10
Total	**0**	**54**	**55**	**5**	**60**
Expenditures by Category					
Total Compensation	0	39	55	5	60
Other Operating Expenses	0	15	0	0	0
Total	**0**	**54**	**55**	**5**	**60**
Expenditures by Program					
Boxing Commission	0	50	50	0	50
Boxing Comm Fees	0	4	5	5	10
Total	**0**	**54**	**55**	**5**	**60**
Full-Time Equivalents (FTE)	**0.0**	**0.7**	**0.7**	**0.7**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**50**	**50**	**50**	**100**
Technical Adjustments				
One-time Appropriations		(50)	(50)	(100)
Subtotal - Forecast Base	**50**	**0**	**0**	**0**
Change Items				
Transition Funding	0	50	0	50
Total Governor's Recommendations	**50**	**50**	**0**	**50**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**4**	**5**	**5**	**10**
Total Governor's Recommendations	**4**	**5**	**5**	**10**

MINNESOTA BOXING COMMISSION

Change Item: Transition Funding

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$50	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$50	0	0	0

Recommendation

The Governor recommends a one-time appropriation of $50,000 in FY 2008 for continued transitional funding for the operation of the Minnesota Boxing Commission. In FY 2009 and beyond, the commission is expected to generate enough revenue to sustain itself.

Background

The Minnesota Boxing Commission was created in the 2006 session and given a one-time appropriation of $50,000 to become operational. It was the intent of both the legislature and Governor that the commission would be self-sustaining after FY 2007. The one-year timeframe proved to be too optimistic however, and the commission is expected to advance a legislative proposal this session to enable them to achieve that goal.

This funding will be used for the director's salary and other operating costs of the commission.

Relationship to Base Budget

The commission has no General Fund base.

Key Measures

The commission will be financially independent after FY 2008.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	0	4	5	5	10
Total Dedicated Receipts	**0**	**4**	**5**	**5**	**10**
Agency Total Revenue	**0**	**4**	**5**	**5**	**10**

➲ Designates that this item is a change item

Agency Purpose

The Campaign Finance and Public Disclosure Board is the service and regulatory agency that develops and implements administration and enforcement of M.S. 10A, the Ethics in Government Act. Agency staff supports a six-member bipartisan board, appointed by the governor for staggered four-year terms. The board's mission is to promote public confidence in state government decision making through development, administration, and enforcement of disclosure and public financing programs which will ensure public access to and understanding of information filed with the board.

At A Glance

The board administers programs covering about:

- 895 candidate committees
- 340 political party units
- 375 political committees and funds
- 3,025 lobbyist registrations
- 1,300 reporting public officials

In FY 2005 and FY 2006 the Board paid public subsidy payments of:

- $1.7 million to candidates for house of representatives
- $73,438 to candidates in special elections
- $171,088 to qualified state political party units

Core Functions

Core functions of the Campaign Finance and Public Disclosure Board include administration and management of the:

- registration and public disclosure by state legislative, constitutional, and judicial office candidates, political party units, political committees, and political funds;
- registration and public disclosure by lobbyists and their principals attempting to influence state legislative action, administrative action, and the official action of metropolitan governmental units;
- disclosure of economic interests, conflicts of interest, and representation of a client for a fee under circumstances defined in M.S. 14 and M.S. 216B.243 by public and metropolitan governmental unit officials; and
- distribution of payments from the state's public subsidy program that provides public funding to qualified state candidates and the state committees of political parties and allows those candidates and parties to give political contribution refund receipts to individual contributors.

Operations

The Campaign Finance and Public Disclosure Board assists clients in meeting the requirements of the law by:

- making all forms available in the board office, on the board's web site, and mailing required disclosure forms to clients up to three weeks prior to the reporting date;
- conducting training classes to aid clients in record keeping, reporting, and electronic filing;
- providing free campaign finance software to candidates for state and judicial offices to assist them in record keeping and to enable them to file required reports electronically;
- providing electronic filing of lobbyist and lobbyist principal reports;
- maintaining an agency web site that provides forms and publications for downloading, advisory opinions, meeting agendas and minutes, board member and staff information, lists of clients, and summaries of past filings, etc.;
- scanning required filings for viewing on the web site to enable the public easy, timely access to disclosure;
- maintaining an inbound watts voice line and fax line;
- providing in-office client-use computers for customers who do not have access to the Internet;
- providing a copier for client use in copying information from filed reports; and
- working with the legislature to ensure that the statute is understandable to assist in compliance and administration.

Agency operations directly affect candidates for state office, lobbyists, and public officials by assisting them in compliance with the statute. The general public and news media are benefited by timely, easy access to campaign, lobbying, and public official information filed through agency web base applications.

Key Measures

⇒ Agency promulgated rules to further assist clients in meeting the requirements of Chapter 10A.

⇒ Agency-developed electronic filing for lobbyist principal disclosure was used by approximately 82% of the principals required to file periodic reports.
⇒ Agency interactive website information is updated daily to keep the public informed.

Budget

The board's operating budget is funded by a direct general fund appropriation from the Minnesota Legislature.

Staff salaries currently include 8.80 full-time equivalents. Agency operations include all non-public subsidy disbursements made to assist clients and are always higher in the second year of the biennium due to the elections cycle.

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	694	694	694	694	1,388
Recommended	**694**	**694**	**708**	**722**	**1,430**
Change		0	14	28	42
% Biennial Change from 2006-07					3%
Expenditures by Fund					
Direct Appropriations					
General	681	734	708	722	1,430
Open Appropriations					
General	0	0	220	3,850	4,070
Statutory Appropriations					
Misc Special Revenue	132	5,474	5	5	10
Total	**813**	**6,208**	**933**	**4,577**	**5,510**
Expenditures by Category					
Total Compensation	588	603	605	617	1,222
Other Operating Expenses	93	131	103	105	208
Payments To Individuals	73	5,328	5	2,906	2,911
Local Assistance	59	146	0	146	146
Transfers	0	0	220	803	1,023
Total	**813**	**6,208**	**933**	**4,577**	**5,510**
Expenditures by Program					
Campaign Finance	813	6,208	933	4,577	5,510
Total	**813**	**6,208**	**933**	**4,577**	**5,510**
Full-Time Equivalents (FTE)	**8.5**	**8.8**	**8.8**	**8.8**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**694**	**694**	**694**	**1,388**
Subtotal - Forecast Base	**694**	**694**	**694**	**1,388**
Change Items				
Campaign Finance Board Operations	0	2	4	6
Compensation Adjustment	0	12	24	36
Total Governor's Recommendations	**694**	**708**	**722**	**1,430**
Fund: GENERAL				
Planned Open Spending	**0**	**220**	**3,850**	**4,070**
Total Governor's Recommendations	**0**	**220**	**3,850**	**4,070**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**5,474**	**5**	**5**	**10**
Total Governor's Recommendations	**5,474**	**5**	**5**	**10**

Change Item: Campaign Finance Board Operations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2	$4	$4	$4
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2	$4	$4	$4

Recommendation

The Governor recommends increasing the Campaign Finance Board's General Fund budget by $2,000 in FY 2008, and $4,000 in FY 2009 to accommodate projected rent increases. The Governor has also included funding in the Department of Administration's Small Agency Resource Team (SMART) proposal to manage the Campaign Finance Board's human resources and financial management activities.

Background

As a General-Funded agency, the Campaign Finance Board has faced budget pressures over the past several biennia. While increased costs have been managed within those constraints, the current budget will not be able to absorb anticipated rent increases in the next few years.

The Campaign Finance Board is also struggling with how to manage its core operations with existing staff. While the Governor is recommending a separate compensation adjustment to help manage salary and benefit increases, the board will still be unable to fully fund current staff needs, projected at 8.8 full-time employees (FTE.)

The SMART proposal will include the resources to provide many support functions for the Campaign Finance office which will relieve the workload for the office's administrative staff. The SMART proposal includes services such as payroll, vacancy filling, benefit administration, training, purchasing, accounts payable/receivable and budgeting.

Relationship to Base Budget

This request is about a 0.5% increase to the Campaign Finance Office's base, which is currently $1.388 million for the biennium.

Key Measures

Transferring routine administrative functions to the Small Agency Resource Team will allow the Campaign Finance and Public Disclosure Board staff to focus attention on improving service delivery of these core functions:

- ♦ assisting and monitoring public disclosure filings by candidates for state office;
- ♦ making public subsidy payments to qualifying candidates;
- ♦ registering lobbyists, political parties, political committees and funds; and
- ♦ providing training and information to the public.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$12	$24	$24	$24
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$12	$24	$24	$24

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
	Dollars in Thousands				
Non Dedicated Revenue:					
Other Revenues:					
General	238	87	74	87	161
Total Non-Dedicated Receipts	**238**	**87**	**74**	**87**	**161**
Dedicated Receipts:					
Other Revenues:					
Misc Special Revenue	4	5	5	5	10
Total Dedicated Receipts	**4**	**5**	**5**	**5**	**10**
Agency Total Revenue	**242**	**92**	**79**	**92**	**171**

➲ Designates that this item is a change item

Agency Purpose

M.S. 15B provides for the Capitol Area Architectural and Planning Board (CAAPB) to preserve and enhance the Capitol Area's unique aesthetic and historic character, and to plan and guide its future development by maintaining a framework for its physical growth. CAAPB was established by the 1967 Legislature to ensure the architectural integrity of the Capitol, the buildings immediately adjacent to it, the Capitol grounds, and the Capitol Area. The agency's responsibilities are unique on a national level.

Core Functions

As overseer of Capitol Area development, the CAAPB's regulatory responsibility for public and private projects covers permitted zoning and all phases of design and construction review. Individual project planning occurs within a long-range framework for the area's physical development. The CAAPB's *1998 Comprehensive Plan* and the *Specific Actions for Implementation of the Comprehensive Plan* are the framework for its daily agenda, along with the *Zoning and Design Rules for the Capitol Area,* published in January 2000.

Key Service Strategies:

⇒ Initiate funding requests, promoting timely design, restoration, and maintenance of the Capitol Building.
⇒ Provide framework for the development and maintenance of the Capitol Mall and its memorials.
⇒ Manage internal agency operations, human resources, planning, and projects.
⇒ Provide planning tools and guidelines for future Capitol Area development.
⇒ Coordinate all historical documents for the Capitol Area.
⇒ Provide open communication and coordination with all clientele.

At A Glance

♦ The board is comprised of 10 members, chaired by the lieutenant governor, with both house and senate representation as well as gubernatorial and city appointees.
♦ As the planning and regulatory agency responsible for architectural design and long-range planning for the Capitol Area, the CAAPB has exclusive zoning jurisdiction and design review over both the state government complex and the surrounding commercial and residential neighborhoods.
♦ The agency's jurisdiction comprises a 60-block area that contains 15 state office buildings (two million gross square feet of office, ceremonial, and public spaces), six blocks of commercial/retail space, 12 residential blocks, and one primary care hospital campus.
♦ The non-partisan board is responsible to the legislature and provides Capital Budget Requests for the Capitol Building
♦ Since 1986, CAAPB capital budget appropriations totaling $25.9 million have been dedicated to Capitol Building projects.
♦ The CAAPB, since 2001, has assisted the chair and 14-member Capitol 2005 Commission in planning the 100-year birthday of the Capitol.

Operations

The 10-member CAAP Board is chaired by the lieutenant governor, with four gubernatorial and three mayoral appointees, and both senate and house representation. An Advisory Committee of two professional architects and one landscape architect, along with four staff, serves the board. The Board takes public testimony, reviews Staff/Advisor reports, and takes action on zoning requests and design review issues. The Board meets approximately six times a year.

Focusing their performance on good design and long-range planning, the board is often in a position to coordinate and leverage public improvements in a cost-effective and results-orientated manner with other state agencies, the city of Saint Paul, neighborhood planning bodies, and private sector professionals.

Budget reductions in the previous two biennia have lessened staff hours (and thus salaries) and limited the per diems for the Advisory Committee and the Board, thus Board meetings have been reduced in number and become longer in session with more action items on an agenda. Under these budget constraints, the agency administratively supported the chair and 14-member unfunded Capitol 2005 Commission in their meetings and planning of the Capitol's 100-year birthday, at the sacrifice of some CAAPB statutory responsibilities, such as, regularly updating the *Comprehensive Plan* and the *Zoning and Design Rules*.

Key Measures

Based on solid planning tools and guidelines developed in concert with the *Comprehensive Plan* and the *Zoning and Design Rules*, the Board has a positive impact on the overall appearance of the Capitol Area and beyond. The Board and its zoning administrator take action on over 100 requests for zoning permits or design review approvals within a biennium.

The Board participated in the review of design and issued zoning permits for the new Agriculture/Health Buildings, the Department of Human Services Building, and a number of memorials, honoring World War II, Hubert H. Humphrey, Minnesota Workers, and Minnesota Firefighters.

In the previous two legislative sessions, the CAAPB has secured schematic design funding to begin the Capitol's full interior restoration, and repair/restore the building's dome. The board has also approved the route and three station stops for the future Light Rail Transit (LRT) through the Capitol Area, and taken action on parking lots and ramps within the district.

Based on the board's success in implementing a higher design standard, the advice of the Advisory Committee and staff is sought after by: other state capitols in their approaches to planning and development; the Saint Paul Design Center; surrounding district councils and citizen action groups; professional planning and architectural organizations interests; and nonprofit and community based initiatives.

Budget

The CAAPB's base budget is appropriated from the General Fund. The current budget allocates 80% for staff funded at only 80-90% time, depending on operations, step increases, insurance, and projects requiring board action. The remaining budget is 11% for rent, 5% for LAN costs, and 4% for fundamental business operations; copier, phones, mailing, supplies, and Board/Advisor meetings.

Contact

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Nancy Stark, Executive Secretary
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Dollars in Thousands	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	269	270	270	270	540
Recommended	**269**	**270**	**304**	**313**	**617**
Change		0	34	43	77
% Biennial Change from 2006-07					14.5%
Expenditures by Fund					
Direct Appropriations					
General	279	288	314	315	629
Statutory Appropriations					
Misc Special Revenue	10	22	8	8	16
Gift	3	0	0	0	0
Total	**292**	**310**	**322**	**323**	**645**
Expenditures by Category					
Total Compensation	228	262	273	272	545
Other Operating Expenses	64	48	49	51	100
Total	**292**	**310**	**322**	**323**	**645**
Expenditures by Program					
Capitol Area Arch Planning Bd	292	310	322	323	645
Total	**292**	**310**	**322**	**323**	**645**
Full-Time Equivalents (FTE)	**3.4**	**3.9**	**3.6**	**3.5**	

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
		Dollars in Thousands		
Fund: GENERAL				
FY 2007 Appropriations	**270**	**270**	**270**	**540**
Subtotal - Forecast Base	**270**	**270**	**270**	**540**
Change Items				
CAAPB Operations	0	29	33	62
Compensation Adjustment	0	5	10	15
Total Governor's Recommendations	**270**	**304**	**313**	**617**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**22**	**0**	**0**	**0**
Change Items				
Allow Dedicated Spending	0	8	8	16
Total Governor's Recommendations	**22**	**8**	**8**	**16**

Revenue Change Items

	FY2007	FY2008	FY2009	Biennium 2008-09
Fund: MISC SPECIAL REVENUE				
Change Items				
Allow Dedicated Spending	0	8	8	16

Change Item: CAAPB Operations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$29	$33	$33	$33
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$29	$33	$33	$33

Recommendation

The Governor recommends an additional $29,000 in FY 2008 and $33,000 in FY 2009 for the Capitol Area Architectural and Planning Board (CAAPB) office to enable the office to return to full-time operations. In addition, the Governor has included funding in the Department of Administration's Small Agency Resource Team (SMART) proposal to manage the CAAPB's human resources and financial management activities, and included $10,000 in the Office of Enterprise Technology's (OET) Small Agency IT Initiative for upgrading of the CAAPB's web site.

Background

Recent construction projects within the Capitol area have increased demand for the services of the Capitol Area Board, Architectural Advisors and staff. In addition, plans for light rail transit (LRT) through the Capitol area and the potential need to renovate the Capitol building interior will require increasing participation by the board and staff. This proposal, along with the separate Compensation Adjustment proposal, will provide full funding for 3.5 FTE.

In addition, the Department of Administration's Small Agency Resource Team (SMART) proposal will provide many support functions for the CAAPB office which will relieve the workload for the office's administrative staff. The SMART proposal includes services such as payroll, benefit administration, training, purchasing, accounts payable/receivable and budgeting.

Like many small agencies, the CAAPB office must upgrade their web site to allow better communication with the public and to enable such time-saving functions as transmission of engineering documents. To receive a portion of the funds appropriated to OET for small agency projects, the CAAPB will work with OET to design an effective work plan and then execute an interagency agreement to transfer the funds.

Relationship to Base Budget

This proposal represents a General Fund increase of 11.5% from the previous biennium.

Key Measures

The board has a positive impact on the overall appearance of the Capitol Area and beyond. The following represents the most recent ongoing services and successes of the CAAPB:

⇒ Review and board action on 100+ zoning requests under the board's jurisdiction per biennium.
⇒ Design review and board approval on three new state buildings within the Capitol Area, and parking facilities.
⇒ Four new memorials in all stages of design and construction on the Capitol Campus.
⇒ Sponsors of the design team selection and Capital Budget request for the Capitol Building's full restoration securing $4.77 million to begin the design.
⇒ Co-chairs with city and county officials for special design orientated task forces, including LRT routing.
⇒ Since 2001, coordinated and assisted the chair and members of the Capitol 2005 Commission in planning the 100-year birthday of the Capitol.

This proposal will shorten project schedules, reducing delays in processing zoning matters, and shorter response time to project reviews by the board and its advisors.

Statutory Change: Not Applicable

Change Item: Allow Dedicated Spending

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	8	8	8	8
Revenues	8	8	8	8
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends that M.S. 15B.17 be amended to allow the appropriation of money to the Capitol Area Architectural and Planning Board (CAAPB) for Capitol area project review and planning expenses charged to public agencies.

Background

Public and private capital improvement projects within the Capitol area need CAAPB permitting, design review or approval for development. CAAPB statutory language from 1993 and new changes in Laws of 2001, 2003, and 2005 allow the CAAPB to charge public agencies for services when their projects are pursuant to the Capitol Area and the jurisdiction of the board. Currently, these costs are reimbursable only for the FY 2006-07 biennium. This proposal would eliminate the need to request this language in bill form every two years.

Relationship to Base Budget

Receipts for public Capitol Area project review have ranged from about $3,000 to about $18,000, with an average over five years of $8,000. This represents about 3% of the CAAPB's base budget.

Key Measures

This proposal enhances the ability of the agency to respond quickly in processing zoning matters, and leads to shorter response time to project reviews by the board and its advisors.

Statutory Change: amendment to 15B.17

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$5	$10	$10	$10
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5	$10	$10	$10

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-general fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Sources:					
General	1	1	1	1	2
Total Non-Dedicated Receipts	**1**	**1**	**1**	**1**	**2**
Dedicated Receipts:					
Other Revenues:					
Misc Special Revenue	13	1	8	8	16
Total Dedicated Receipts	**13**	**1**	**8**	**8**	**16**
Agency Total Revenue	**14**	**2**	**9**	**9**	**18**

➲ Designates that this item is a change item

Agency Purpose

Minnesota statutes provide the Chicano Latino Affairs Council (CLAC) with a unique responsibility to "advise the governor and state legislature on the issues of importance to Minnesota's growing Latino population." The Council raises issues of interest to the Latino community and advises policy makers on the impact of legislation, rules, and regulations on the Latino community. The CLAC works in a variety of ways to carry out its mission:

- serves as a liaison between local, state, and federal government and Minnesota's Latino community;
- acts as an information and referral agency to ensure that Latinos in Minnesota are connected to the appropriate government agencies and community-based organizations to address issues such as immigration, education, discrimination, and access to health care and other state and local resources;
- educates legislators, agency heads, the media, and the general public about the accomplishments and contributions of Latinos;
- raises general awareness about the problems and issues faced by the Latino community; and
- publishes the accomplishments of Latinos in Minnesota.

Core Functions

These functions help the CLAC carry out its mission:

⇒ Act as a resource for legislators, the governor, and state agencies to address issues, interests, and areas of concern that impact the Latino population in Minnesota.

⇒ Serve as a resource for city and county governments that implement legislation and create policies that have an impact in the Latino population in the state.

⇒ Act as a resource for community based organizations that work with the Latino population.

⇒ Educate new members of the Minnesota Latino community on state legislation, rules, and regulations.

⇒ Publish a monthly newsletter to report on the accomplishments of Latinos that serves as an informational conduit for the community and distributed statewide.

⇒ Publish and disseminate a bilingual directory which serves as a resource for the community on information about all the organizations, businesses, churches, media, and networking groups that are either owned by, or serve, Minnesota's Latino population.

At A Glance

Minnesota's Latino community is by far the state's fastest growing ethnic minority. From 1990 to 2000, Minnesota experienced a monumental growth in the Latino population of 166%, increasing from 54,000 to 143,000, respectively. As of 2005, estimates show that the state's Latino population has grown to 182,000 or more than 3.6% of all Minnesota residents. Latinos continue to be influential in all aspects of society of Minnesota, stretching from the Twin Cities metro-area to the greater and rural parts of the state.

- **Latino Statewide Demographics**
  (Latino Clusters within a 15-mile radius)

State Population	143,000	<3%
Minneapolis-St.Paul	76,981	54.0
Faribault	4,084	2.9
Willmar	3,328	2.3
Moorhead	3,247	2.3
Rochester	3,095	2.2

Source: Minnesota State Demographic Center, 2000.

- **K-12 Education-Increase in Latino Enrollment**

Year	Total Enroll.	Latinos	%
2001	822,840	30,605	3.7
2002	816,077	33,805	4.1
2003	809,090	36,674	4.5
2004	801,191	39,306	4.9
2005	797,804	42,393	5.3

Source: Minnesota Department of Education, 2005.

Since 2001, Latino student enrollment increased by 38%, while overall student enrollment declined by 3%.

- **Latinos Contribution in Agriculture**
  Each year Minnesota welcomes migrant families to the agricultural sector of the economy. About 20,000 Latino agriculture workers come to Minnesota to work in the farms and food industry each year, further contributing to the state's $2.87 billion in agricultural exports.

Operations

The CLAC consists of a 15-member board of directors, 11 of which are members of the Latino community and four of which are legislators. Of the 11 community members, eight represent Minnesota's federal congressional districts. There are also three at-large community representatives.

The governor appoints all directors to the CLAC board. Through the executive director, they provide a voice in all levels of government for the approximately 145,000 Latinos who reside in the state of Minnesota as well as the approximately 20,000 migrant agricultural workers that come to work in the state each year from the months of March through November.

M.S. 3.9223, mandates that the CLAC fulfill its primary mission of advising to the governor and the legislature on issues that affect the Latino community (including the unique problems encountered by the Spanish-speaking migratory workers) through the following:

- make recommendations to the governor and the legislature as to statutes or rules necessary to ensure that Latinos are well served in the state;
- recommend legislation to improve the economic and social status of Latinos in the state;
- serve as a conduit for state government agencies that serve the Latino people;
- oversee the performance of studies designed to accurately depict the condition of Latinos in the state with the goal of suggesting solutions to those issues, especially in the areas of K-12 education, higher education, housing, economic development, health care, human rights, social welfare, and related matters; and
- implement programs designed to solve the problems of Latinos when authorized to do so by statute, rule or order.

The CLAC represents and serves individuals and ethnic groups from over 20 Latin America countries, including the Caribbean and Spain. The makeup of Minnesota's Latino community hails from the following countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Spain, Uruguay, and Venezuela.

Budget

The agency's FY 2006-07 budget includes a General Fund appropriation of $542,000.

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	271	271	271	271	542
Recommended	**271**	**271**	**306**	**310**	**616**
Change		0	35	39	74
% Biennial Change from 2006-07					13.7%
Expenditures by Fund					
Direct Appropriations					
General	215	354	306	310	616
Statutory Appropriations					
Gift	0	0	3	2	5
Total	**215**	**354**	**309**	**312**	**621**
Expenditures by Category					
Total Compensation	162	188	209	219	428
Other Operating Expenses	53	166	100	93	193
Total	**215**	**354**	**309**	**312**	**621**
Expenditures by Program					
Cncl Spanish Spkg	215	354	309	312	621
Total	**215**	**354**	**309**	**312**	**621**
Full-Time Equivalents (FTE)	**3.1**	**3.8**	**4.0**	**4.0**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**271**	**271**	**271**	**542**
Subtotal - Forecast Base	**271**	**271**	**271**	**542**
Change Items				
Chicano-Latino Council Operations	0	31	31	62
Compensation Adjustment	0	4	8	12
Total Governor's Recommendations	**271**	**306**	**310**	**616**
Fund: GIFT				
Planned Statutory Spending	**0**	**3**	**2**	**5**
Total Governor's Recommendations	**0**	**3**	**2**	**5**

Change Item: Chicano Latino Council Operations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$31	$31	$31	$31
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$31	$31	$31	$31

Recommendation

The Governor recommends an increase of $31,000 in FY 2008 and $31,000 in FY 2009 from the General Fund for the Chicano Latino Affairs Council (CLAC) to enable the Council to provide the staffing level necessary to address issues affecting the state's growing Latino population.

Background

The Latino community has grown at a very fast pace throughout the state. Reduction of staff from five full-time employees to three has limited the council's ability to fulfill its primary mission of advising the governor and legislature on issues that affect the Latino community. To address this problem, CLAC is seeking to hire a management analyst to do fiscal research and public policy analysis.

Relationship to Base Budget

The council's total appropriation for FY 2006 and FY 2007 was $271,000 each year. This proposal represents an 11% increase in base funding.

Key Measures

The increase of the CLAC General Fund appropriation by an additional $62,000 for FY 2008 and FY 2009 will be instrumental for the CLAC in achieving its strategic goals in serving the state's growing Latino community. The addition of a CLAC management analyst will garner data on various topics and issues within the Latino community, such as, but not limited to, immigration, discrimination, labor force, housing, education, and health.

Statutory Change: Not Applicable

CHICANO LATINO AFFAIRS COUNCIL

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4	$8	$8	$8
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4	$8	$8	$8

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	PAGE

➲ Designates that this item is a change item

Agency Purpose

The Minnesota Board of Chiropractic Examiners (MBCE) was established in 1919. It was originally created and currently exists to protect the public's interest through the regulation of chiropractors in the state of Minnesota. M.S. 148.01-148.106 and Minnesota Rules Ch. 2500 give the board power to regulate, to license by examination and renewal, and to investigate complaints.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $1.147 million

Total Estimated Revenues: $1.263 million

Staff: 5 Full-time equivalent employees

Minnesota Licensed Chiropractor Statistics
(As of June 30, 2006)

Total Licensed: 2,578

Core Functions

The board accomplishes its mandate by:

- examining practitioners prior to licensure to ensure that they meet or exceed baseline competence;
- responding to complaints about chiropractors and enforcing the laws governing the practice of chiropractic care in Minnesota; and
- establishing continuing education (CE) requirements and monitoring compliance with those requirements.

To meet these core functions the MBCE operates under the following four key service strategies while protecting the public and providing services in an efficient and cost-effective manner with a focus on public accessibility:

- maintains an integrated database of licensee information, registrations, discipline, and complaints;
- conducts regular board meetings where citizens have input into the review of operations and rulemaking efforts;
- responds to public requests for information on chiropractors, continuing education sponsors, and licensee's status; and
- manages funds soundly.

Operations

The seven-member board, appointed by the governor, meets approximately five times a year. The board operates through its committees, most of which meet monthly, and are as follows: executive, rules, three complaint panels, and any additional committees formed only when necessary to address items of policy-making guidance. Meetings are conducted in accordance with the open meeting laws.

The board's office operates with a five member staff whose mission is on a daily basis to:

- license applicants;
- approve registrations for: acupuncture, professional firm, graduate preceptorship, and independent examiner;
- manage funds received;
- manage continuing education; and
- investigate and resolve complaints.

The board makes much of the information it gathers available to the public at no cost via publication on its web site.

Key Measures

⇒ In FY 2006 the board received 239 applications for licensure, approved 129, processed over 3,600 renewals, and granted 90 registrations. Registrations include areas other than chiropractic licensure, such as acupuncturists, preceptors, independent examiners, and professional firms.

⇒ The board received 189 complaints, referred 33 to the Attorney General's Office for investigation, closed 172 complaint cases, and took disciplinary action in 10 cases in FY 2006.

⇒ Audits were conducted on 991 continuing education programs in FY 2006, resulting in three sanctions due to audit failures.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $1.147 million, which includes five full-time equivalent employees. Direct expenditures include salaries, rent and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect $1.263 million in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Board of Chiropractic Examiners
2829 University Avenue Southeast, Suite 300
Minneapolis, Minnesota 55414-3220

The web site at: http://www.mn-chiroboard.state.mn.us/ gives visitors easy access to useful information about chiropractors. Types of information available through the web site include: regulatory news and updates, rules and Minnesota statutes, public notices, and forms.

Larry A. Spicer, D.C., Executive Director
E-mail: larry.spicer@state.mn.us
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TDD: (612) 297-5353 or 1 (800) 627-3529

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	419	419	419	419	838
Recommended	**419**	**419**	**450**	**447**	**897**
Change		0	31	28	59
% Biennial Change from 2006-07					7%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	404	434	450	447	897
Open Appropriations					
State Government Spec Revenue	10	9	9	9	18
Total	**414**	**443**	**459**	**456**	**915**
Expenditures by Category					
Total Compensation	327	346	374	378	752
Other Operating Expenses	87	97	85	78	163
Total	**414**	**443**	**459**	**456**	**915**
Expenditures by Program					
Chiropractors, Board Of	414	443	459	456	915
Total	**414**	**443**	**459**	**456**	**915**
Full-Time Equivalents (FTE)	**5.0**	**5.0**	**5.0**	**5.0**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**419**	**419**	**419**	**838**
Technical Adjustments				
One-time Appropriations		(5)	(5)	(10)
Subtotal - Forecast Base	**419**	**414**	**414**	**828**
Change Items				
Operating Budget Increase	0	25	10	35
Compensation Adjustment	0	11	23	34
Total Governor's Recommendations	**419**	**450**	**447**	**897**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**9**	**9**	**9**	**18**
Total Governor's Recommendations	**9**	**9**	**9**	**18**

Change Item: Operating Budget Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	25	10	10	10
Revenues	0	0	0	0
Net Fiscal Impact	$25	$10	$10	$10

Recommendation
The Governor recommends an increase to the Minnesota Board of Chiropractic Examiner's (MCBE) annual appropriation by $25,000 in FY 2008 and $10,000 in FY 2009 to cover non-salary operating budget expenses, including the cost of investigations, credit card processing fees, and an employee retirement payout.

Background
The board is staffed with five full-time equivalent employees and receives an annual appropriation of $414,000, of which 88% is allocated for salaries. In FY 2008, a long-time employee of the state is planning to retire and has amassed substantial vacation and sick leave time, which the board is obligated to pay. Due to the small size of the budget, the board does not have the ability to pay this one-time obligation from its existing spending authority. The one-time payout of $15,000 accounts for 3.5% of the board's annual appropriation. Despite the increase, the board's revenue is sufficient to cover expenditures.

Over the past six years, the number of licensees has increased over 20% and the board received 189 complaints in FY 2006, a 33% increase. In addition, the cases have become more complex and take more time to resolve, which increases the overall costs of investigations and litigation.

In an effort to improve customer service to licensees, the board has implemented an online licensing renewal system; however, in providing the service, the board incurs processing fees from credit card companies and banks administering the transaction. The board expects to pay $6,000 annually in processing fees over the next biennium.

Relationship to Base Budget
The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $1.238 million. The board is estimated to collect $1.274 million in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures
The additional resources will assist the board in meeting the following key measures:
- review and approve licenses in a timely manner;
- promptly investigate complaints and resolve investigations; and
- protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	11	23	23	23
Revenues	0	0	0	0
Net Fiscal Impact	$11	$23	$23	$23

Recommendation

The Governor recommends additional funding of $11,000 in FY 2008 and $23,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	632	637	637	637	1,274
Other Revenues:					
State Government Spec Revenue	(3)	0	0	0	0
Total Non-Dedicated Receipts	**629**	**637**	**637**	**637**	**1,274**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**629**	**637**	**637**	**637**	**1,274**

➲ Designates that this item is a change item

MINNESOTA
DEPARTMENT OF
COMMERCE

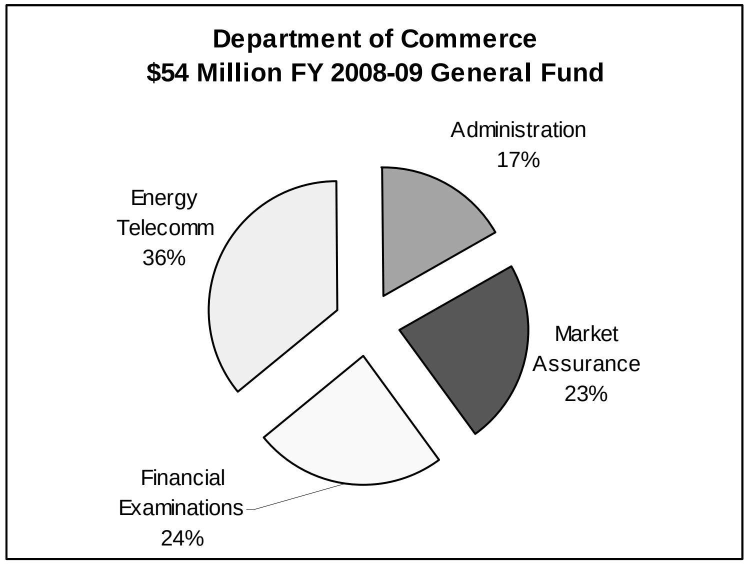
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
651.296.4026 FAX 651.297.1959 TTY 651.297.3067

January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Commerce budget recommendation for the FY 2008-09 budget. This budget includes a total expenditure request of $334.511 million. The request includes $53.801 million from the state's General Fund and $280.71 million from all other funds. This recommendation provides $1.593 million in additional operational resources as well as one-time appropriations of $27 million for energy-related grants.

As the accompanying chart indicates, our General Fund activities are carried out in four major program areas: Market Assurance, Financial Examinations, Energy and Telecommunications, and Administration.



The department deploys its general fund resources to ensure the security, stability, equitability and reliability of commercial, financial, and utility transactions and services. Additionally, the department uses dedicated funds for programs in weights and measures, petroleum cleanup, and insurance fraud investigations. We also receive a significant federal grant for the state's low-income heating and energy assistance program (LIHEAP).

The Department of Commerce regulates more than 20 industries. We license over 250,000 individuals and businesses operating in Minnesota. Demand for department services continues to grow. One way we have dealt with the increase in demand is through the implementation of several new technology systems. Our ability to make strategic investments in state-of-the-art software for programs such as licensing, unclaimed property, and the electronic management of utility-related documents has improved our level of customer service significantly. We are providing more online services and implementing more electronic systems to serve our customers more efficiently and quicker. I'm pleased to report that we've made significant progress in these areas over the last two years.

It is important to note that during the 2008-09 biennium the department expects to collect $447.205 million through fees, assessments, registrations, unclaimed property, special revenue, and federal funds. This amount represents 140% of the department's budget from all sources.

We look forward to working with the Legislature during the next several months to continue to progress toward our common goal of providing the best possible services to the people of Minnesota.

Sincerely,

Glenn Wilson
Commissioner

Purpose

The Minnesota Department of Commerce ensures secure, stable, reliable, and equitable commercial, financial, and utility services and transactions. To provide this assurance to the people of Minnesota, the department:

- advocates to ensure equitable and reliable services;
- regulates business activity to ensure compliance, responsible business conduct, security and stability;
- investigates and resolves consumer complaints;
- safeguards consumers' rights and investments; and,
- expands economic opportunities while working to improve our environment and quality of life.

At A Glance

FY 2006-07 Budget:
$40.2 million General Fund
$314.5 million all funds

Annual Business Processes:

348,000	Consumer contacts received
10,423	Market Assurance Division investigations
$6,800,000	Recovered by Market Assurance Division
$12,700,000	Reimbursements from Petrofund
307	Financial institutions examined
1,540	Utility and telecom cases completed
130 MW	Electricity demand reductions
134,000	Low income households served by LIHEAP and Weatherization
$125,000,000	Federal funds disbursed to low income households
92,000	Weights and Measures inspections
125,000	Licenses issued
417,000,000	Kilowatt hours of electricity saved through CIP
1.33 billion	Cubic feet of natural gas saved through CIP

Core Functions

The Department of Commerce regulates utilities, financial institutions, licensed businesses, licensed individuals, retail businesses, and commercial activity without respect to the specific interests of either the regulated businesses or the clients they serve. The department's regulatory decisions maximize the net benefits to all residents and regulated businesses, while safeguarding the rights of consumers, and protecting policyholders and investors from financial failure.

Operations

The department enforces laws and rules, advocates on behalf of the public, and provides services to promote the financial well being of a broad constituency of individuals and businesses. To carry out its mission, the department must assess the significant consequences of every regulatory decision and enforcement action, including the impact on consumer costs, financial stability, reliability of service, the environment, and economic development. This carefully designed regulatory balance effectively protects the broad financial interests of Minnesota's businesses and consumers.

Financial Examinations Division:

⇒ Licenses, examines and regulates insurance companies, credit unions, state chartered banks, mortgage companies, finance companies, and other financial institutions to ensure that they remain safe and financially solvent.

Petrofund:

⇒ Reimburses petroleum storage tank owners and operators for the cost of investigating and cleaning up petroleum tank releases.
⇒ Reimburses up to $3,000 per facility or transport to install vapor recovery equipment in the Twin Cities.
⇒ Contracts to remove abandoned underground petroleum storage tanks across Minnesota.
⇒ Reimburses up to $10,000 per facility to upgrade or decommission a petroleum bulk plant.

Administration:

⇒ Leads and directs the department, manages day-to-day operations, manages financial and human resources operations.
⇒ Provides unclaimed property reclamation services to the people of Minnesota.
⇒ Provides information management services and technical support to the department.

Market Assurance Division:

⇒ Enforces compliance and responsible business conduct across a broad range of licensed occupations, including insurance agents, stock and investment brokers, realtors, builders, and cosmetologists.
⇒ Evaluates insurance policies and rates to ensure fair rates and to ensure compliance with Minnesota law.
⇒ Registers securities sold in Minnesota.
⇒ Ensures that telemarketing firms comply with Minnesota's "Do Not Call" statutes.
⇒ Licenses businesses and individuals according to Minnesota statutes.

Energy and Telecommunications Division:

⇒ Advocates on behalf of consumers and ratepayers in proceedings relating to regulated telecommunications, gas, and electric utilities.
⇒ Promotes energy efficient building, conservation, alternative transportation fuels, and modern energy technologies.
⇒ Oversees conservation improvement programs operated by public, municipal, and cooperative utilities.
⇒ Administers the Low Income Home Energy Assistance Program and the Weatherization Assistance Program.
⇒ Promotes real competition among telecommunications companies in Minnesota.

TAM:

⇒ Funds telecommunications access services for deaf and hearing impaired citizens.

Weights and Measures Division:

⇒ Ensures accuracy in all transactions based on weight or measure.
⇒ Ensures consistent quality of petroleum products.
⇒ Provides precision mass, temperature, density and volume measurement services to businesses.

Budget

The department's FY 2006-07 budget totaled $314.5 million. Department staff includes 305 full-time equivalents.

Contact

Department of Commerce
Suite 500
85 7th Place East
Saint Paul, Minnesota 55101

Home Page: http://www.commerce.state.mn.us
Performance Measures: http://www.departmentresults.state.mn.us
Glenn Wilson, Commissioner
Phone: (651) 296-5769
Fax: (651) 282-2568

Information on the department's results can be found at
http://departmentresults.state.mn.us/commerce/index.html

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	800	800	800	800	1,600
Recommended	**800**	**800**	**0**	**0**	**0**
Change		0	(800)	(800)	(1,600)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	20,146	20,146	20,146	20,146	40,292
Recommended	**20,146**	**20,146**	**32,726**	**21,075**	**53,801**
Change		0	12,580	929	13,509
% Biennial Change from 2006-07					33.5%
Petroleum Tank Release Cleanup					
Current Appropriation	1,084	1,084	1,084	1,084	2,168
Recommended	**1,084**	**1,084**	**1,084**	**1,084**	**2,168**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Workers Compensation					
Current Appropriation	835	835	835	835	1,670
Recommended	**835**	**835**	**835**	**835**	**1,670**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	93	1,507	0	0	0
General	18,694	21,514	32,726	21,075	53,801
Petroleum Tank Release Cleanup	880	1,288	1,084	1,084	2,168
Workers Compensation	766	904	835	835	1,670
Open Appropriations					
Petroleum Tank Release Cleanup	12,430	14,667	15,145	15,145	30,290
Statutory Appropriations					
State Government Spec Revenue	0	412	0	0	0
Misc Special Revenue	15,553	19,644	26,725	27,316	54,041
Federal	93,741	97,959	96,377	96,164	192,541
Federal Tanf	13,399	0	0	0	0
Miscellaneous Agency	128	178	0	0	0
Gift	0	78	0	0	0
Total	**155,684**	**158,151**	**172,892**	**161,619**	**334,511**
Expenditures by Category					
Total Compensation	22,514	25,580	25,467	25,997	51,464
Other Operating Expenses	28,268	34,973	32,903	33,333	66,236
Local Assistance	104,902	97,392	114,522	102,289	216,811
Transfers	0	206	0	0	0
Total	**155,684**	**158,151**	**172,892**	**161,619**	**334,511**

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Program					
Financial Examinations	9,409	9,811	9,724	9,841	19,565
Petroleum Tank Cleanup Fund	13,310	15,955	16,229	16,229	32,458
Administrative Services	5,076	5,945	5,362	5,448	10,810
Market Assurance	6,473	8,854	10,368	10,467	20,835
Energy & Telecommunications	112,695	107,032	121,393	109,170	230,563
Tam	5,754	7,423	6,608	7,182	13,790
Weights & Measures	2,967	3,131	3,208	3,282	6,490
Total	**155,684**	**158,151**	**172,892**	**161,619**	**334,511**
Full-Time Equivalents (FTE)	**303.1**	**313.2**	**323.5**	**319.9**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2007 Appropriations	**800**	**800**	**800**	**1,600**
Technical Adjustments				
One-time Appropriations		(800)	(800)	(1,600)
Subtotal - Forecast Base	**800**	**0**	**0**	**0**
Total Governor's Recommendations	**800**	**0**	**0**	**0**
Fund: GENERAL				
FY 2007 Appropriations	**20,146**	**20,146**	**20,146**	**40,292**
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Transfers Between Agencies		(562)	(562)	(1,124)
Subtotal - Forecast Base	**20,146**	**19,584**	**19,584**	**39,168**
Change Items				
Residential Mortgage Lending Reform	0	200	200	400
Senior Team	0	600	600	1,200
E85 Everywhere	0	12,000	0	12,000
Compensation Adjustment	0	342	691	1,033
Total Governor's Recommendations	**20,146**	**32,726**	**21,075**	**53,801**
Fund: PETROLEUM TANK RELEASE CLEANUP				
FY 2007 Appropriations	**1,084**	**1,084**	**1,084**	**2,168**
Subtotal - Forecast Base	**1,084**	**1,084**	**1,084**	**2,168**
Total Governor's Recommendations	**1,084**	**1,084**	**1,084**	**2,168**
Fund: WORKERS COMPENSATION				
FY 2007 Appropriations	**835**	**835**	**835**	**1,670**
Subtotal - Forecast Base	**835**	**835**	**835**	**1,670**
Total Governor's Recommendations	**835**	**835**	**835**	**1,670**

Fund: PETROLEUM TANK RELEASE CLEANUP				
Planned Open Spending	**14,667**	**15,145**	**15,145**	**30,290**
Total Governor's Recommendations	**14,667**	**15,145**	**15,145**	**30,290**

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	**412**	**0**	**0**	**0**
Total Governor's Recommendations	**412**	**0**	**0**	**0**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**19,644**	**19,225**	**19,816**	**39,041**
Change Items				
25x25 Grants	0	2,500	2,500	5,000
NextGen Energy Research	0	5,000	5,000	10,000
Total Governor's Recommendations	**19,644**	**26,725**	**27,316**	**54,041**
Fund: FEDERAL				
Planned Statutory Spending	**97,959**	**96,377**	**96,164**	**192,541**
Total Governor's Recommendations	**97,959**	**96,377**	**96,164**	**192,541**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**178**	**0**	**0**	**0**
Total Governor's Recommendations	**178**	**0**	**0**	**0**
Fund: GIFT				
Planned Statutory Spending	**78**	**0**	**0**	**0**
Total Governor's Recommendations	**78**	**0**	**0**	**0**
Revenue Change Items				
Fund: GENERAL				
Change Items				
Credit Service Organizations	0	10	10	20
Residential Mortgage Lending Reform	0	200	200	400
Senior Team	0	600	600	1,200
Compensation Adjustment	0	188	380	568
Fund: MISC SPECIAL REVENUE				
Change Items				
25x25 Grants	0	2,500	2,500	5,000
NextGen Energy Research	0	5,000	5,000	10,000

Program Description

Program at a Glance

In FY 2005, the Financial Examinations Division regulated:
- $39 billion in bank, credit union, and finance company assets.
- $192 billion in insurance company assets

The Financial Examinations Division assures competitive, safe, sound, and solvent financial services in Minnesota. By maintaining the soundness and solvency of a large number of financial institutions, the program assures consumers and businesses that they will have access to a broad range of financial products and services at competitive prices. The Bank and Credit Union component licenses and regulates all state chartered banks, trust companies, credit unions, certificate investment companies, thrift companies, and consumer credit companies. The Insurance component licenses and monitors the financial stability of insurance companies. The Division is accredited by both the Conference of State Bank Supervisors (CSBS) and the National Association of Insurance Commissioners (NAIC). The overall objective is a competitive marketplace with minimal failures.

Population Served

The Financial Examinations Division serves all Minnesota consumers and businesses that rely on banks, credit unions, finance companies, and insurance companies for financial products and services.

Services Provided

Bank and Credit Union Component

The unit licenses and conducts on-site examinations at all state-chartered banks, trust companies, credit unions, certificate investment companies, and thrift companies on a 12 to 18-month cycle (determined by institution rating). Examinations are shared with the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank and the National Credit Union Administration (NCUA). Oversight also includes monitoring quarterly financial reports. There have been no state bank failures since 2000 and no credit union failures since 1984. State banks are the largest category of entities regulated by this component and while the industry continues to undergo consolidation, there have been 19 new state banks chartered in the last four years. State banks operate from 791 offices, an increase of 85 since 2002. Minnesota state banks continue to compare favorably in comparison to national averages for earnings, capital adequacy, and net loan losses. The examination schedule is up to date with no overdue examinations.

The unit also licenses and examines consumer credit companies. Examinations are generally conducted on an 18-month cycle. Examinations focus on compliance issues rather than solvency or safety and soundness. There is no comparable federal regulation of the nonbank consumer credit industry. The examination schedule is up to date with no overdue examinations.

The unit also licenses residential mortgage loan origination and servicing companies. These companies are subject to market conduct requirements, but not to routine on-site examinations. Recent legislation requires these companies to conduct background checks on mortgage originators.

The unit also licenses currency exchanges, payday lenders and money transmitters.

The Division encourages the growth of state-chartered institutions. Healthy competition ensures numerous choices for consumers and business and drives down the cost of financial services. Several new financial products originated in state-chartered institutions and have spread nationwide.

Insurance Company/Actuarial Component

The unit's primary focus is to ensure the financial soundness and solvency of every insurance company doing business in Minnesota. If insurance companies headquartered in Minnesota are financially insecure, it is the Division’s responsibility to formulate a plan to effect correction. There have been no failures of Minnesota-headquartered insurance companies in many, many years. If an insurer headquartered in another state becomes unstable, the Division would restrict the business they are allowed to conduct in Minnesota. Since 2002, nine insurance companies headquartered in other states, but licensed to operate in Minnesota, have failed. This is a small percentage of the total number of licensed companies and in each case the insurance guaranty fund mechanism stepped in to protect policyholders. If an insurance company failure is unavoidable, it is the unit's responsibility to manage the transition and to minimize any negative impact on Minnesota policyholders. The goal is to give the consumer the comfort that the company they purchase insurance from will have the resources available to pay claims.

While there are discussions about a federal regulator for insurance, insurance regulation continues to be a state responsibility. Today, insurers are large, multi-state, multi-jurisdictional concerns, but regulation is still accomplished at the state level. There is no federal regulation of the insurance industry. The Insurance unit participates in the proceedings of the National Association of Insurance Commissioners (NAIC). The NAIC recommends model laws and regulatory standards for each state to adopt and encourages nationwide uniformity. However, these model acts are often adapted to conditions unique to Minnesota.

The unit performs two types of examinations -- the desk audit and the on-site field examination. Desk audits are based on quarterly and annual financial reports submitted by insurance companies. Analysts evaluate information, and develop a financial profile of every company doing business in Minnesota. The staff monitor each profile for change. If change occurs with negative implications, an action is taken to ensure that the company will remain solvent. The second method of monitoring solvency is the five-year on-site examination of domestic insurers. Examiners review insurance company books and records at the company headquarters. The examination is a full and complete review of financial condition. The examination is completed by staff or by special examiners (generally accounting firms). Additionally, the unit employs an actuarial staff to calculate and verify reserve adequacy at regulated insurance companies, and in various workers' compensation issues. Minnesota has been a leader in risk-focused financial examinations, which focus more on critical factors and less on "bean counting," and reduce the cost of insurance regulation. One insurance company on-site examination was overdue as of the end of fiscal 2006.

Funding

With respect to insurance companies, the program is partially supported by an appropriation from the General Fund. Operating costs are also paid from the insurance examination revolving fund. The balance of the revolving fund cancels at the end of every fiscal year to the General Fund. Revenues generated by this program are a result of examination fees, registration and filing fees, licensing fees, and transaction fees.

With respect to banks, credit unions, and finance companies, the program is funded by appropriations from the General Fund, but all costs are recovered by assessments and examination fees charged to regulated entities. The assessment is billed at the beginning of a fiscal year at 103% of operating, agency indirect and Attorney General cost. The examination fee is set based on a formula calculating examiner salary and billing hours. Fees are also charged for applications relating to charter and license activity.

Key Measures

Banks, Credit Unions and Consumer Credit	FY 2002	FY 2003	FY 2004	FY 2005
State banks	349	345	347	343
Branch offices	357	360	394	448
Examinations conducted	124	120	130	123
Bank assets ($ in billions)	$ 22.9	$ 24.0	$ 27.9	$ 31.7
State credit unions	110	105	103	102
Consumer credit companies	141	140	148	158
Examinations conducted	179	175	181	156
Credit union assets ($ in billions)	$ 3.2	$ 3.4	$ 3.7	$ 3.6

Insurance	FY 2002	FY 2003	FY 2004	FY 2005
Licensed insurance companies	1,328	1,335	1,313	1,337
New company licenses issued	30	20	35	31
Domestic insurance companies	79	75	84	85
Financial reviews conducted (desk audit)	1,350	1,350	1,565	1,592
On-site examinations	13	15	16	20

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,994	5,994	5,994	5,994	11,988
Subtotal - Forecast Base	5,994	5,994	5,994	5,994	11,988
Governor's Recommendations					
Residential Mortgage Lending Reform		0	200	200	400
Compensation Adjustment		0	115	232	347
Total	**5,994**	**5,994**	**6,309**	**6,426**	**12,735**
Expenditures by Fund					
Direct Appropriations					
General	5,898	6,256	6,309	6,426	12,735
Statutory Appropriations					
Misc Special Revenue	3,403	3,415	3,415	3,415	6,830
Miscellaneous Agency	108	140	0	0	0
Total	**9,409**	**9,811**	**9,724**	**9,841**	**19,565**
Expenditures by Category					
Total Compensation	5,237	5,844	5,928	6,049	11,977
Other Operating Expenses	4,172	3,967	3,796	3,792	7,588
Total	**9,409**	**9,811**	**9,724**	**9,841**	**19,565**
Expenditures by Activity					
Financial Examinations	9,409	9,811	9,724	9,841	19,565
Total	**9,409**	**9,811**	**9,724**	**9,841**	**19,565**
Full-Time Equivalents (FTE)	**66.3**	**66.2**	**70.3**	**69.9**	

Program: FINANCIAL EXAMINATIONS

Change Item: Credit Service Organizations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	10	10	10	10
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$10	$10	$10	$10

Recommendation
The Governor recommends the license fee for credit service organizations (CSOs) be increased from $100 to $1,000 to fully recover the costs of these reviews.

Background
Review of license applications is time consuming and the cost is far more than the revenue provided by the current $100 fee. This change would result in fully recovering our cost for this review—as required by law-- and would not add any additional resources to the Financial Examinations Division.

Relationship to Base Budget
This is an immaterial change to the base budget.

Key Measures
The hours spent reviewing CSO applications will be more commensurate with the revenue received from applicants.

Statutory Change: M.S. 332.54

Program: **FINANCIAL EXAMINATIONS**
Change Item: Residential Mortgage Lending Reform

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$200	$200	$200	$200
Revenues	(200)	(200)	(200)	(200)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends that regulation of licensed residential mortgage loan originators be strengthened and intensified, including empowering the department to examine these entities for compliance with laws and regulations and to charge the entities for the costs of the examinations.

Background

Residential mortgage lenders are currently licensed by the department under chapter 58, but fraud is rampant in the industry and there are many “fly-by-night” operators who commit fraud and then leave town. The current regulatory system needs upgrading. Examinations would target the entities that are the subject of complaints. The strategy of on-site examinations, coupled with other legislative changes, e.g. making mortgage fraud a specific crime in Minnesota and imposing net worth requirements, should improve compliance, reduce fraud and foreclosures, and assure ongoing availability of mortgage credit in Minnesota. This change would allow the department to hire three full-time auditors to conduct these examinations.

Relationship to Base Budget

This is a small increase to the base budget. We estimate a cost of $200,000 per year, which would be offset by the related recovery of the cost of each examination.

Key Measures

Reducing the level of fraud and mortgage foreclosures are long-term goals that are difficult to measure accurately. In the short term, the number of fraud investigations will increase, and reports of inappropriate lending will decrease.

Statutory Change: Chapter 58, Chapter 609

Program Description

The Petroleum Tank Release Cleanup Fund (Petrofund) contributes toward a cleaner environment, and prevents additional pollution of Minnesota's soil and water by providing eligible applicants with the financial wherewithal to investigate, cleanup, and stop leaks from petroleum storage tanks.

Program at a Glance

- Approximately $370 million provided in reimbursements since 1987.
- Approximately 9,600 eligible applicants have received reimbursement.

Population Served

The Petrofund directly serves owners and operators of petroleum storage tanks, owners of property where a petroleum tank release occurred, and applicants who are ordered by the Minnesota Pollution Control Agency (MPCA) to take corrective action. Indirectly, the program serves all Minnesotans because it moves us toward a cleaner environment

Services Provided

The Petrofund:

- reimburses eligible applicants for the remediation costs of petroleum leaks in the most cost-effective manner possible;
- generally, evaluates and processes reimbursement applications within 30 days of receipt; and
- provides money to reduce health risks and physical dangers caused by petroleum tank releases.

Historical Perspective

The Petrofund was created by the 1987 Minnesota Legislature to reimburse underground petroleum storage tank (UST) owners and operators for the cost of investigating and cleaning up petroleum tank releases. To meet the U.S. Environmental Protection Agency's (EPA) financial assurance requirements, UST owners and operators must document their ability to pay up to $1 million for such costs. Minnesota, and 47 other states, established a state-financed reimbursement program to assist UST owners and operators in meeting their financial obligations.

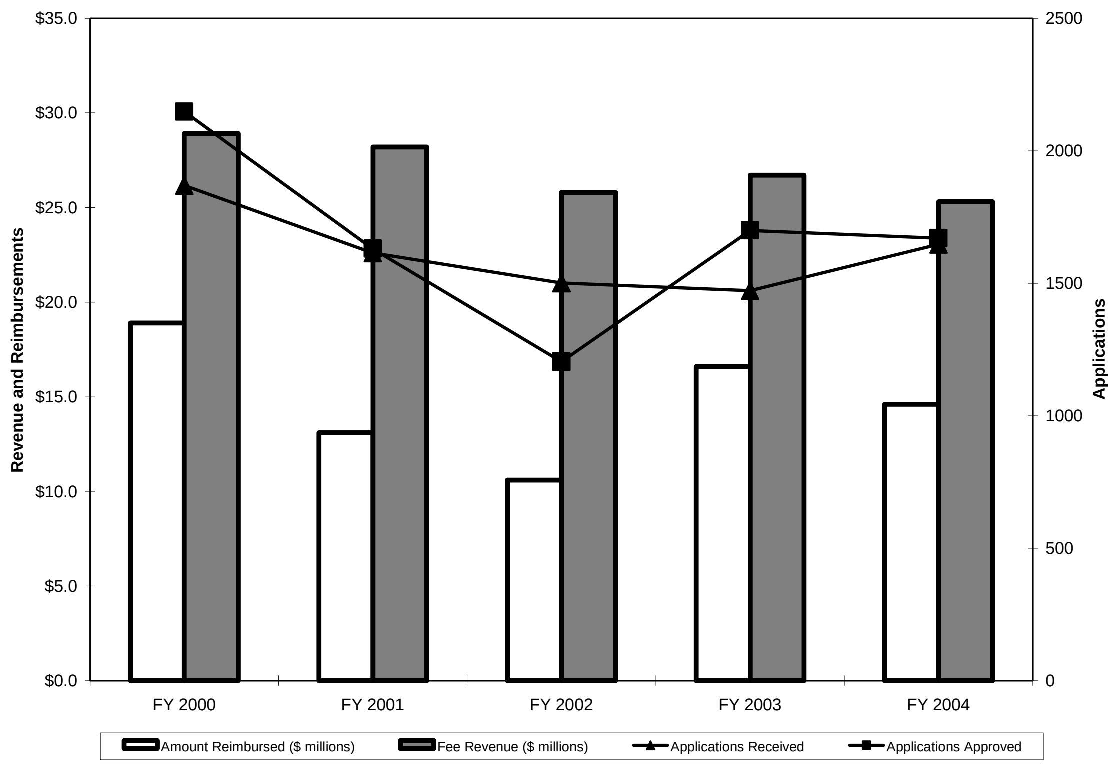
By 1987, private insurance for old USTs had become largely unavailable. With few options for tank owners and operators to meet the EPA's mandated financial responsibility requirements, the legislature created the Petrofund to provide the necessary financial responsibility. The EPA subsequently approved the fund as an acceptable financial responsibility mechanism. Since the program's inception, it has helped to improve the environment for all Minnesotans by enabling tank owners and operators to investigate and remediate petroleum contaminated soil and groundwater.

USTs must now meet or exceed federal requirements for leak detection and corrosion protection. As a result, the number of petroleum tank leaks reported each year has declined to about 350 annually. However, the issues of historical contamination, ongoing cleanups, petroleum tank inspections, equipment failures, insurance, and future releases will need to be addressed by policy makers as they contemplate the program's 6-30-2012, sunset date.

The current demand on the fund of approximately $15 million annually is projected up until the 2012 sunset date. The program is completely funded by an appropriation from the Petroleum Tank Release Cleanup Fund. Revenue into the fund is generated by a $.02 per gallon fee on wholesale petroleum products. The fee is imposed and collected by the Department of Revenue **only** when the fund balance falls below $4 million (see M.S. 115C.08). Revenue is also received from investment earnings on the fund balance.

Key Measures

The annual number of reimbursement applications received by the program has remained fairly steady from FY 1999 through FY 2006.



Contact

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	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
Petroleum Tank Release Cleanup					
Current Appropriation	1,084	1,084	1,084	1,084	2,168
Subtotal - Forecast Base	1,084	1,084	1,084	1,084	2,168
Total	**1,084**	**1,084**	**1,084**	**1,084**	**2,168**
Expenditures by Fund					
Direct Appropriations					
Petroleum Tank Release Cleanup	880	1,288	1,084	1,084	2,168
Open Appropriations					
Petroleum Tank Release Cleanup	12,430	14,667	15,145	15,145	30,290
Total	**13,310**	**15,955**	**16,229**	**16,229**	**32,458**
Expenditures by Category					
Total Compensation	661	1,067	858	858	1,716
Other Operating Expenses	12,649	14,888	15,371	15,371	30,742
Total	**13,310**	**15,955**	**16,229**	**16,229**	**32,458**
Expenditures by Activity					
Petroleum Tank Cleanup Fund	13,310	15,955	16,229	16,229	32,458
Total	**13,310**	**15,955**	**16,229**	**16,229**	**32,458**
Full-Time Equivalents (FTE)	**9.4**	**10.5**	**10.5**	**10.5**	

Program Description
The Administration program includes the commissioner's office, the department's central management and support functions, and the unclaimed property operations. The program ensures that all department operations are managed and implemented in a manner consistent with law and with the goals of the administration.

Program at a Glance

Leads, manages, and directs five divisions with diverse missions to:
- ♦ Regulate commercial, industrial, financial, utility, and retail activity in Minnesota.
- ♦ Provide technical services and support to Minnesota businesses.
- ♦ Provide energy assistance to low income households.
- ♦ Mitigate environmental damage from leaking petroleum storage tanks.
- ♦ Provide telecommunications services to the deaf and hard of hearing.
- ♦ License 195,000 professionals.
- ♦ Manage $113 million in unclaimed property, and return $25 million to rightful owners in FY 2006.
- ♦ Administrative costs account for less than 7% of the overall agency's budget.

Population Served
- ⇒ The commissioner's office serves all Minnesotans who do business with the Department of Commerce.
- ⇒ Unclaimed property serves all owners of abandoned property received by the state from banks, former employers, retailers, and other businesses.
- ⇒ Central management and support functions facilitate the operations of the department's main programs.

Services Provided
Administration:
- ⇒ Leads, manages, and directs the department to ensure efficient operations.
- ⇒ Develops and directs implementation of annual and long range objectives.
- ⇒ Manages department finances and develops budgets.
- ⇒ Provides personnel management according to Minnesota statutes, rules, and policies.
- ⇒ Provides administrative support services to all programs within the department.
- ⇒ Manages information systems.
- ⇒ Facilitates productive relationships with regulated businesses and individuals.
- ⇒ Coordinates department activities with other government agencies, private sector businesses, and the public.
- ⇒ Provides consumer information to the people of Minnesota.
- ⇒ Provides unclaimed property reclamation services to the people of Minnesota.

Unclaimed Property
Abandoned property may include money from savings and checking accounts, wages, insurance proceeds, safe deposit box contents, stocks, bonds, or dividends. All banks, insurance companies, corporations, and government agencies operating in Minnesota are statutorily required to report, and turn over, abandoned property to the department. The unclaimed property operation acts as the custodian of all abandoned property it receives until the rightful owner claims it. Names of abandoned property owners are published on the department's web site. In addition, other methods of advertisement are conducted throughout the year. Unclaimed property as a whole has garnered much attention at the national level. Stories that air on national news programs have provided our best form of advertisement outside of our website. Any tangible property from safe deposit boxes held by the department for more than one year is eligible to be sold at a public auction. In addition the department holds unclaimed stock for one year at which time the stock is liquidated. Proceeds from both an auction and stock sale are deposited in the General Fund until claimed by the rightful owner.

Historical Perspective
This program is funded by an appropriation from the General Fund. Program costs are recovered, as management overhead costs, through the cost recovery systems of other programs within the department.

The Unclaimed Property unit was created in 1969 following enactment of Minnesota's uniform disposition of unclaimed property act.

Key Measures

Unclaimed Property	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Number of Unclaimed Property Holders	13,000	13,500	13,500	13,500	13,500
Number of Property Inquiries-phone and e-mail	29,000	29,000	29,500	29,500	33,000
Number of Property Inquiries-web site hits	N/A	N/A	231,000	219,000	334,000
Number of Claim Forms Downloaded	N/A	N/A	68,000	74,000	96,000
Unclaimed Property Remitted to Commerce	$40,800	$44,000	$61,000	$63,600	$113,100
Unclaimed Property Returned to Owners	$9,800	$14,300	$13,500	$16,500	$24,500

As the numbers above suggest, most aspects of unclaimed property activity has increased significantly. Most of the increase is attributable to multiple large insurance companies

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,418	5,418	5,418	5,418	10,836
Technical Adjustments					
Approved Transfer Between Appr			(900)	(900)	(1,800)
Transfers Between Agencies			(103)	(103)	(206)
Subtotal - Forecast Base	5,418	5,418	4,415	4,415	8,830
Governor's Recommendations					
Compensation Adjustment		0	62	125	187
Total	**5,418**	**5,418**	**4,477**	**4,540**	**9,017**
Expenditures by Fund					
Direct Appropriations					
General	4,273	5,032	4,477	4,540	9,017
Statutory Appropriations					
Misc Special Revenue	803	913	885	908	1,793
Total	**5,076**	**5,945**	**5,362**	**5,448**	**10,810**
Expenditures by Category					
Total Compensation	3,656	3,761	3,646	3,732	7,378
Other Operating Expenses	1,420	2,184	1,716	1,716	3,432
Total	**5,076**	**5,945**	**5,362**	**5,448**	**10,810**
Expenditures by Activity					
Administrative Services	5,076	5,945	5,362	5,448	10,810
Total	**5,076**	**5,945**	**5,362**	**5,448**	**10,810**
Full-Time Equivalents (FTE)	**54.7**	**51.3**	**49.7**	**48.3**	

Program Description

The Market Assurance Division includes four distinct operations:

⇒ The Investigations unit investigates complaints to determine whether regulated businesses or individuals have violated laws or rules. A sub unit, the Consumer Response Team (CRT), handles consumer inquiries and works to informally resolve disputes between consumers and the regulated industries.

⇒ The Registration and Policy Analysis unit reviews insurance forms to ensure compliance with Minnesota statutes. The unit ensures reasonable insurance rates, reviews financial offerings to ensure stable capital markets, and reviews the financial condition of companies that self-insure. This unit also licenses over 20,000 securities broker-dealers, agents, and investment advisors.

⇒ The Insurance Fraud Investigation unit investigates fraudulent claims against insurance companies. The unit's staff of investigators will work to reduce insurance premium costs by reducing the number and frequency of fraudulent insurance claims filed in Minnesota.

⇒ The Licensing unit issues or renews licenses of approximately 191,635 professionals primarily in insurance, real estate and collection agencies.

Program at a Glance

- ♦ Regulates 22 industries and occupations.
- ♦ Reviews and analyzes 7,072 insurance form and rate filings per year.
- ♦ Reviews 12,223 securities and franchise offerings each year.
- ♦ Opens 7,555 investigation files per year.
- ♦ Imposes 501 disciplinary actions per year
- ♦ Processes 35,703 consumer telephone inquiries
- ♦ Licenses and monitors the activities of 191,635 licensed professionals.

Population Served

The Market Assurance Division serves:

⇒ All Minnesota individuals and corporations that need insurance, have mortgages, buy or sell real estate, make investments, or otherwise do business with any of the industries licensed or regulated by the division.

⇒ Licensees and regulated businesses.

⇒ Other government and self-regulatory organizations, both in and out-state, that engage in similar regulatory activity or interact with the regulated industries.

⇒ Consumers of insurance, investments, and other financial products, as well as the individual licensees and businesses that offer these products.

Services Provided

Investigations. The unit investigates complaints in the following areas:

- ♦ insurance companies;
- ♦ insurance adjusters;
- ♦ notaries;
- ♦ real estate agents and brokers;
- ♦ franchisors;
- ♦ currency exchanges;
- ♦ real estate appraisers;
- ♦ cigarette vendors;
- ♦ athlete agents;
- ♦ subdivided land/campground;
- ♦ viatical settlements;
- ♦ insurance agents and brokers;
- ♦ third party administrators and self-insurers;
- ♦ petroleum tank release cleanup fund;
- ♦ residential mortgage originators and servicers;
- ♦ securities brokers, dealers and agents;
- ♦ investment advisors;
- ♦ collection agencies;
- ♦ wire transfer agencies (money transmitters);
- ♦ abstractors;
- ♦ telemarketing companies; and
- ♦ below cost gas pricing.

Insurance Fraud Investigation. The unit:

- ♦ researches insurance data to look for patterns of fraud;
- ♦ investigates insurance fraud cases; and
- ♦ brings criminal charges against individuals who commit insurance fraud.

Registration and Policy Analysis:

- reviews insurance policies and investment documents to determine whether they comply with applicable statutes and rules;
- registers securities and franchise offerings, or certifies exemption from registration requirements;
- licenses securities broker-dealers, agents, investment advisors, and viatical settlement providers;
- develops and implements policies and procedures to expedite compliance with registration requirements;
- promotes development and use of electronic registration and filing systems;
- reviews rates charged for insurance products to ensure that rates are not excessive;
- authorizes employers and other groups to self-insure; and
- develops and implements policies and procedures to expedite compliance with registration requirements.

Historical Perspective

During the last biennium the regulation of cosmetologists, manicurists, and estheticians was transferred to the Barbers Board and building contractor regulation was moved to the Department of Labor and Industry. This resulted in increased synergy as those agency's already regulated aspects of these industries. An ancillary benefit was that it allowed the Department of Commerce (Commerce) to focus a little more closely on regulation of the financial services sector. A byproduct of these regulatory changes is that trend analysis of Commerce output is impractical, but the following trends affect both the workload and performance of the Investigation unit:

⇒ Consumer complaint activity tends to fluctuate with changes in the economy.

⇒ As lending rates change, and with the increased signs of a real estate market slow down, it is anticipated that the number and complexity of cases will increase.

⇒ Stock market volatility increases complaints about securities and insurance issues.

⇒ At the same time, the complexity of insurance complaints has also increased. National trends indicate that complex, multi-state investigations will become more frequent.

⇒ In addition to specific economic influences, the demographic trend of the aging of the baby boom generation indicates increased activity with senior consumer complaints and inquiries.

Key Measures

Market Assurance is undertaking a significant technology upgrade that will allow increased automation and web access for its licensing and complaint customers. It is expected that this will decrease service times, improve accuracy and provide for greater overall consumer satisfaction. In the upcoming biennium Commerce will track measures to understand if the expectation comports with reality.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	4,922	4,922	4,922	4,922	9,844
Technical Adjustments					
Approved Transfer Between Appr			900	900	1,800
Transfers Between Agencies			(459)	(459)	(918)
Subtotal - Forecast Base	4,922	4,922	5,363	5,363	10,726
Governor's Recommendations					
Senior Team		0	600	600	1,200
Compensation Adjustment		0	96	193	289
Total	**4,922**	**4,922**	**6,059**	**6,156**	**12,215**
Workers Compensation					
Current Appropriation	835	835	835	835	1,670
Subtotal - Forecast Base	835	835	835	835	1,670
Total	**835**	**835**	**835**	**835**	**1,670**
Expenditures by Fund					
Direct Appropriations					
General	4,727	5,929	6,059	6,156	12,215
Workers Compensation	766	904	835	835	1,670
Statutory Appropriations					
Misc Special Revenue	960	1,983	3,474	3,476	6,950
Miscellaneous Agency	20	38	0	0	0
Total	**6,473**	**8,854**	**10,368**	**10,467**	**20,835**
Expenditures by Category					
Total Compensation	5,300	6,717	7,040	7,210	14,250
Other Operating Expenses	1,048	1,903	1,728	1,657	3,385
Local Assistance	125	234	1,600	1,600	3,200
Total	**6,473**	**8,854**	**10,368**	**10,467**	**20,835**
Expenditures by Activity					
Market Assurance	6,473	8,854	10,368	10,467	20,835
Total	**6,473**	**8,854**	**10,368**	**10,467**	**20,835**
Full-Time Equivalents (FTE)	**73.4**	**81.3**	**89.2**	**89.2**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$600	$600	$600	$600
Revenues	(600)	(600)	(600)	(600)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends adding seven additional investigators to the Market Assurance Division. Four of the investigators would start a new unit specializing in multi-disciplinary investigations of fraud that targets senior citizens. Three investigators would be added to the real estate section to assist in the increasing volume and complexity of fraud relating to housing and lending. This expenditure will be offset by additional revenue available in the general fund by increasing the cap on mutual fund securities filings by $600,000.

Background

The growing need for the senior team is self-evident. The combination of substantial growth in the number of seniors (defined as age 60 and older), the fact that this segment has substantial wealth (estimates range from 15 to 25 trillion dollars on a national basis) and the inevitable decline in mental acuity makes this segment of the population prey for crooks in the financial services sector.

⇒ While people age 60 and older make up 15% of the U.S. population, they account for about 30% of fraud victims per estimates by Consumer Action, a consumer-advocacy group.
⇒ Boomers have more than $8.5 trillion in assets available to invest. Over the next 40 years, they stand to inherit at least $7 trillion from their parents, research firm Cerulli Associates estimates.
⇒ Whether scams involve inappropriate product sales or telemarketing fraud, they can be emotionally and financially devastating for victims of all ages. Scams can wipe out an entire lifetime of savings. Unlike younger investors, seniors have few or no working years available to recapture their losses.
⇒ It is estimated that only one in twenty-five cases of elder fraud is actually reported, suggesting that there are possibly five million or more victims each year that go undetected. In fact, elder fraud victims are the least likely of any group of individuals to come forward and share their experience.

These resources are needed to get ahead of a potentially growing problem. The additional personnel needed for real estate stems from the growth in the level and complexity of fraud in the housing area. This proposal would be paid for by increasing the mutual fund securities filings cap to $25.6 million (currently set at $25 million).

Relationship to Base Budget

The Market Assurance Division’s appropriation and FTE count would increase by about 10%.

Key Measures

The department would expect to see an increase in the number of enforcement cases closed and an increase in the amount of fine revenues collected commensurate to the increase in the number of investigators. Additionally, would expect to see a decrease in the amount of fraudulent activity in Minnesota’s financial services marketplace because the increased enforcement activity would have a deterrent effect.

This methodology (investigating illegal activity) has proven effective and this proposal adds capacity to manage the increased complexity and volume of complaints filed with the department.

Statutory Change: M.S. 80A.28, subd. 1(c)--mutual funds securities filing fee.

Population Served

The division serves all of Minnesota's residential, small business, and large business consumers as well as investors and providers of energy and telecommunication services.

Services Provided

The Energy and Telecommunications Division implements statewide energy and telecommunications policies and provides a broad range of regulatory and other services:

⇒ Energy and Telecommunications Regulatory Units:
- ♦ Advocate for the public interest in electric, natural gas, and telecommunications utility matters before the Minnesota Public Utilities Commission.
- ♦ Enforce orders of the Public Utilities Commission as well as certain orders of the Federal Communications Commission.
- ♦ Manage and orchestrate the permitting process and write the environmental impact document for the siting or routing of large energy facilities.
- ♦ Advocate for the interests of Minnesota energy users before the Federal Energy Regulatory Commission and in other national and regional forums.
- ♦ Analyze utilities' energy conservation improvement proposals for approval by the Department of Commerce commissioner.
- ♦ Participate as the consumer advocate designee in the development and operation of the regional electric transmission operating entity that operates the electric power grid in Minnesota plus 26 other midwest and eastern states.

⇒ The State Energy Office
- ♦ Promotes clean renewable energy resources such as E85, biodiesel, wind, and solar through consumer education, demonstrations and other deployment activities.
- ♦ Provides direct consumer education on energy conservation and renewable energy technologies through a toll-free telephone service or its web site, and participation in trade shows, energy fairs, and school functions.
- ♦ Administers the Energy Investment Loan Program, the Renewable Energy Production Incentive, the Solar Rebate Program, and the U.S. Department of Energy State Energy Program.
- ♦ Administers the U.S. Department of Energy Weatherization Assistance Program, providing energy conservation services to low-income households throughout Minnesota.
- ♦ Provides technical engineering analyses for utilities' energy conservation improvement proposals for the Department of Commerce commissioner.

⇒ The Low Income Heating and Energy Assistance Program (LIHEAP) provides financial assistance to help Minnesota's low income residents pay their energy bills.

Program at a Glance

- ♦ Advocates on behalf of the public interest on regulated electric and natural gas issues.
- ♦ Enforces state and federal laws and regulations with respect to:
  - ⇒ 96 incumbent local telephone companies
  - ⇒ 177 competitive local carriers
  - ⇒ 340 companies offering long distance service
- ♦ Evaluated and acted on over 2,000 individual dockets in FY 2006.
- ♦ Regulatory effectiveness holds down utility rates. Minnesotans pay:
  - ⇒ 11.63% less than the national average for electricity and natural gas.
- ♦ Administers approximately $25 million for energy efficiency and technology programs.
- ♦ Administers $20 million in federal Weatherization Program funds to Minnesota's low-income households.
- ♦ Administers $66.8 million in federal Energy Assistance Program funds to Minnesota's low-income households.
- ♦ In 2006, the Conservation Improvement Program expected to save:
  - ⇒ 417,000,000 kilowatt hours of electricity
  - ⇒ 1.33 billion cubic feet of natural gas.

Historical Perspective

All direct and indirect costs related to telecommunications regulation and energy utility regulation are assessed back to the regulated companies. Direct energy utility costs are billed to regulated companies semi-annually. Telecommunications carriers have only an indirect assessment, with the exception of new authority applications where there is a $570 fee. Indirect costs are estimated and billed 30 days in advance of each quarter. Indirect costs are prorated to regulated companies based on their gross Minnesota jurisdictional revenues. Estimated indirect cost billings are reconciled and adjusted to actual costs after the close of the fiscal year. Receipts include recovery of the department's administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

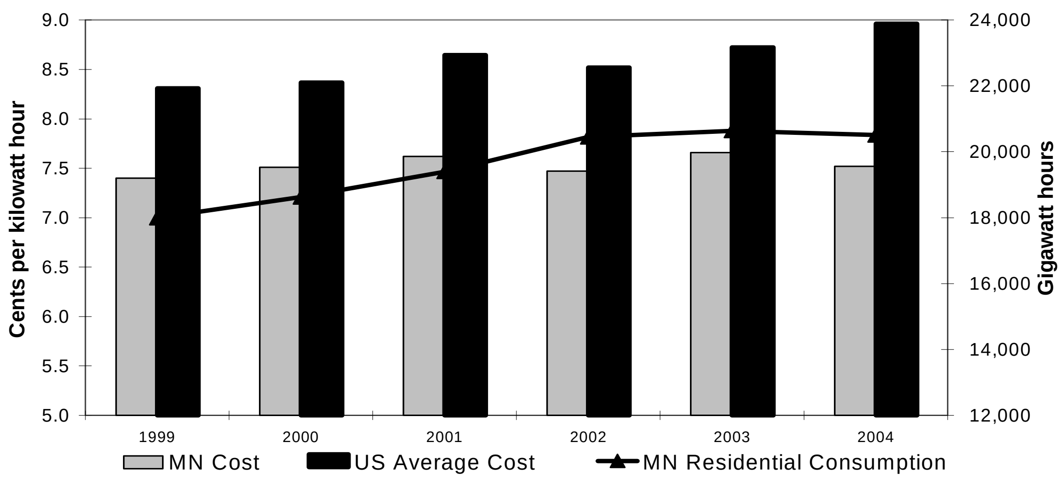
The cost of some operations within the Energy Division is supported by federal funds.

⇒ LIHEAP operates almost entirely on funds provided by the U.S. Department of Health and Human Services.
⇒ Funds for the Weatherization Assistance Program come primarily from the U.S. Departments of Energy and Health and Human Services.
⇒ The State Energy Office programs are funded through a combination of state, federal and nonpublic funds, including oil overcharge funds, competitive grant awards, and energy utility program funds.

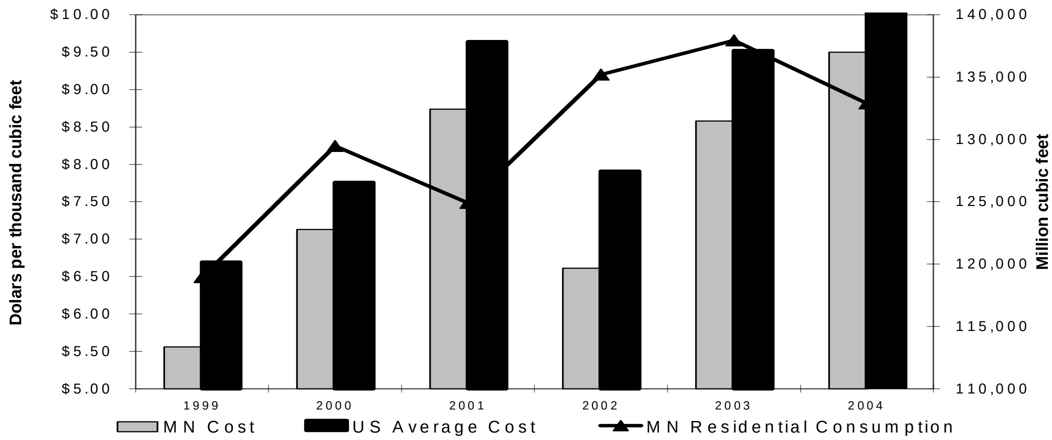
Key Measures

The cost of energy, both electricity and natural gas, in Minnesota (gray columns in the two charts below) are well below the national average (black columns in the two charts below) even though residential consumption is increasing steadily. The Energy Planning and Advocacy group works to maintain reasonable rates by representing the interests of Minnesota ratepayers.

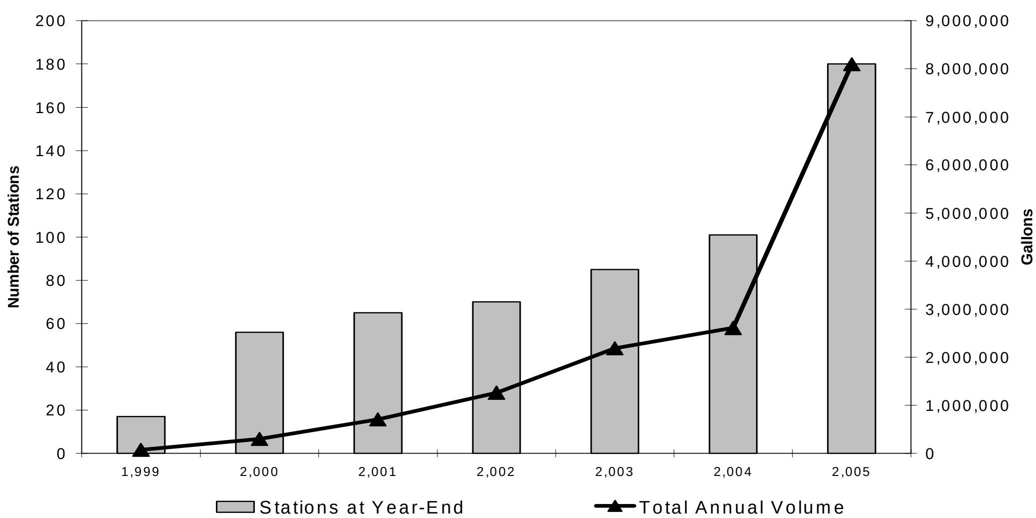
Residential Consumption of Electricity



Residential Consumption of Natural Gas



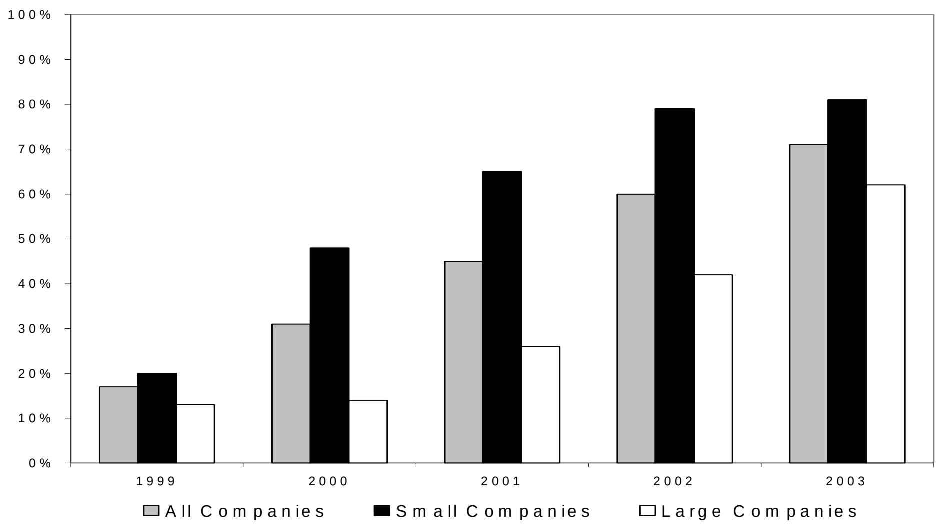
Minnesota E-85 Development



Telephone Cost

The Department of Commerce continues to work on the goal of making broadband service available to every state resident. Telephone companies provide high speed service primarily through digital subscriber line (DSL) technology. The availability of DSL service by exchange or wire center is an indicator of the level of availability of high speed service throughout the state. The Department of Commerce conducts statewide inventories of DSL availability in each telephone exchange.

Companies Offering DSL Service



Contact

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COMMERCE DEPT

Program: ENERGY & TELECOMMUNICATIONS — Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	3,812	3,812	3,812	3,812	7,624
Subtotal - Forecast Base	3,812	3,812	3,812	3,812	7,624
Governor's Recommendations					
E85 Everywhere		0	12,000	0	12,000
Compensation Adjustment		0	69	141	210
Total	**3,812**	**3,812**	**15,881**	**3,953**	**19,834**
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	93	1,507	0	0	0
General	3,700	4,297	15,881	3,953	19,834
Statutory Appropriations					
State Government Spec Revenue	0	412	0	0	0
Misc Special Revenue	1,762	2,779	9,135	9,053	18,188
Federal	93,741	97,959	96,377	96,164	192,541
Federal Tanf	13,399	0	0	0	0
Gift	0	78	0	0	0
Total	**112,695**	**107,032**	**121,393**	**109,170**	**230,563**
Expenditures by Category					
Total Compensation	5,362	5,840	5,572	5,651	11,223
Other Operating Expenses	2,556	3,828	2,899	2,830	5,729
Local Assistance	104,777	97,158	112,922	100,689	213,611
Transfers	0	206	0	0	0
Total	**112,695**	**107,032**	**121,393**	**109,170**	**230,563**
Expenditures by Activity					
Energy & Telecommunications	112,695	107,032	121,393	109,170	230,563
Total	**112,695**	**107,032**	**121,393**	**109,170**	**230,563**
Full-Time Equivalents (FTE)	**66.2**	**69.8**	**69.7**	**67.9**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$12,000	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$12,000	$0	$0	$0

Recommendation

The Governor recommends a five-fold expansion of Minnesota retail service stations selling 85% ethanol-based motor fuel (E85), moving from the current 300 stations to 1,800 by the end of calendar year 2010. The appropriation of $12 million will provide grants to service station owners to offset a portion of the cost of E85 pump installations.

Background

⇒ Currently there are about 300 E85 fueling stations in the state.
⇒ The department will continue its relationship with the American Lung Association of Minnesota (ALAMN) to administer the grant program that it has successfully operated since 1999 for the E85 fueling program.
⇒ The addition of 1,500 E85 pumps geographically dispersed throughout the state will create a functional home-grown renewal fuel network statewide.
⇒ ALAMN has previous experience in developing the nation's leading E85 fueling program; this program will be built on their successful model.
⇒ A retail distribution system for E85 is a necessary component of the governor's broader energy-independence initiative to replace hydrocarbon-based fuels with carbohydrate-based fuels, such as cellulosic ethanol.
⇒ This proposal is an important component of the Governor's Next Generation Energy Initiative.
⇒ In developing the current 300 station network—federal, state, and private incentives exceeded $2 million.
⇒ Grants have ranged from $2,000 to $15,000—the average amount is about $8,000.

Relationship to Base Budget

The appropriation of $12 million in one-time funding will be a 315% increase to the Energy and Telecommunications Division's budget.

Key Measures

⇒ A 500% increase in the number of retail stations selling E85.
⇒ Adequate geographic distribution to provide a comprehensive statewide network.
⇒ Increased volume of E85 sales transacted across the state.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	2,500	2,500	0	0
Revenues	2,500	2,500	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

As part of the Next Generation Energy Initiative, the Governor recommends that the board that administers the Renewable Development Fund established under Minnesota Statutes, section 116C.779 be directed to transfer to the commissioner of commerce $2.5 million each year of the FY 2008-2009 biennium for grants to promote renewable energy projects and community energy outreach and assistance. These grants would be used to provide competitive, capital cost-share grants for methane digester and other on-farm energy production projects; allow for the continuation of the state's solar energy rebate program; provide continued funding for the state's community energy outreach program; and provide technical analysis and demonstration funding for automotive technology projects such as demonstrating the feasibility of E85 plug-in hybrid cars for cold weather use.

Background

This change item would provide funding for a number of relatively small but important components of the Governor's Next Generation Energy Initiative. Funding for this change item would come from the unallocated, undedicated portion of the $16 million a year that Xcel Energy is required to spend on renewable energy development under section 116C.779 (the Renewable Development Fund) as the result of a legislative compromise on the storage of nuclear waste in the state. A board of six members, approved by the Minnesota Public Utilities Commission, oversees and administers the fund.

The money transferred to the commissioner of commerce under this change item would be used for:

⇒ $500,000 each year for capital grants for methane digester projects. We are setting a goal of five additional on-farm digesters in the next two years, and will couple these capital grants with an existing program that provides a production incentive for methane digesters of 1.5 cents per kilowatt-hours (see Minnesota Statutes 216C.41). Commerce will work closely with the Department of Agriculture and the Pollution Control Agency to identify high-quality projects.

⇒ $500,000 each year to continue the state's award-winning solar rebate program. This program provides a rebate of up $2 per watt for solar power systems up to ten kilowatts (up to $20,000), which won a US DOE design award in 2005. Through the coordination of this program with federal tax incentives and utility-provided rebates, this program has increased the number of solar installations in the state from 12 in 2003 to 137 in 2006. Funding for the program ran out in December of 2006, with a significant waiting list of eligible projects.

⇒ $500,000 each year for continued funding of community energy technical assistance and outreach. The Clean Energy Resource Teams (CERTS) is a key component of the Administration's community energy strategy. CERTS provide technical assistance directly to communities for the implementation of cost-effective renewable energy and energy efficiency projects.

⇒ $1 million each year for technical analysis and demonstration funding for automotive technology projects. This funding would be available to fund technical feasibility and demonstration projects arising out of the Plug-in Hybrid Electric Vehicle Task Force, created by statute in 2006 legislation, and chaired by Deputy Commissioner of Commerce Edward Garvey. One key project identified by the task force would be to demonstrate the feasibility of plug-in hybrid vehicles for use in public fleets. Another might be to convert plug-in hybrids to E85 use, and demonstrate their operations in cold weather.

Relationship to Base Budget

These funds would be one-time money, and not an addition to the agency's base.

Key Measures

There are a number of performance measures for this change item:

- at least 5 new methane digesters in the state;
- at least a doubling of the current 137 solar projects installed in the state;
- at least 15 community energy projects installed; and
- at least 3 plug-in hybrid technical projects implemented.

Statutory Change Not Applicable

Change Item: NextGen Energy Research

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	5,000	5,000	0	0
Revenues	5,000	5,000	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

As part of the Next Generation Energy Initiative, the Governor recommends that the advisory board that administers the Renewable Development Fund established under Minnesota Statutes, section 116C.779 be directed to transfer to the commissioner of commerce $5 million each year of the fiscal year 2008-2009 biennium. These funds would be used to provide competitive, cost-share grants to fund renewable energy research in Minnesota.

Background

This change item would provide funding for the research component of the Governor's Next Generation Energy Initiative. Funding for this change item would come from the unallocated, undedicated portion of the $16 million a year that Xcel Energy is required to spend on renewable energy development under section 116C.779 (the Renewable Development Fund) as the result of a legislative compromise on the storage of nuclear waste in the state. A board of six members, approved by the Minnesota Public Utilities Commission, oversees and administers the fund.

The money transferred to the commissioner of commerce under this change item would be used to make competitive, cost-share grants for renewable energy research in the state. Grants would be awarded by a three member panel made up of the commissioners of commerce, pollution control and agriculture or their designees. Entities such as the University of Minnesota, the Minnesota State College and University system, the Agriculture Utilization and Research Institute and others would be encouraged to apply. Grant applications would be ranked and issued according to how well the applications meet state energy policy research goals established by the commissioners, the quality and experience of the research teams, the cross-interdisciplinary and cross-institutional nature of the research teams and the ability of the research team to leverage non-state funds.

Relationship to Base Budget

These funds would be one-time money, and not an addition to the agency's base.

Key Measures

The critical measure for this change item is that renewable energy research is funded and conducted that meets the state energy policy research goals, and furthers the comprehensive energy policy of the state. Other measures include the amount of non-state funds leveraged and brought into the state for research, and the total number of grants awarded under this change item.

Statutory Change: Not Applicable

Program Description

The Telecommunications Access Minnesota (TAM) program of the Department of Commerce contracts with an outside vendor for Telecommunications Relay Services (TRS) on behalf of Minnesota's telephone ratepayers.

Telecommunications Relay Services must be in full compliance with the requirements and intent of Title IV of the Americans with Disabilities Act of 1990, 47 U.S.C. § 225, Federal Communications Commission (FCC) regulations at 47 C.F.R. §§ 64.601 through 64.605 and M.S. 237.50 – 237.56.

Minnesota Relay allows an individual who has a hearing or speech disability to communicate with a hearing individual in a manner that is functionally equivalent to the ability of an individual who does not have a hearing or speech disability. Minnesota Relay operates 24 hours per day, seven days per week.

Program at a Glance

- ♦ Minnesota Relay Contract:
  - ⇒ Handles an average of 91,312 relay calls per month.
  - ⇒ Conducted 390 outreach activities reaching more than 27,730 Minnesotans in 2005.
  - ⇒ Offers more than 40 custom calling features.
- ♦ Telephone Equipment Distribution Program:
  - ⇒ Distributes an average of 348 assistive telecommunications devices per month.
  - ⇒ Conducted 175 presentations reaching more than 5,060 Minnesotans in 2005.

TAM also contracts, through an interagency agreement with the Department of Human Service's (DHS) Telephone Equipment Distribution (TED) Program, to provide free assistive telecommunications devices to eligible Minnesotans.

Population Served

TAM serves Minnesotans who are deaf, deaf/blind, hard of hearing, speech disabled or mobility disabled and hearing consumers, who want and need to communicate with each other via the telecommunications network.

Services Provided

TAM serves Minnesota consumers through a vendor contract and an interagency agreement:

- ⇒ Contract with Communication Service for the Deaf (CSD) for the provision of Minnesota Relay and associated outreach services. Outreach services include educating the public about TRS and the Minnesota Relay, training consumers on how to user relay services, and receiving and resolving consumer complaints.
- ⇒ Interagency agreement with DHS. DHS's TED Program is responsible for distributing assistive telecommunications devices to income eligible Minnesotans, informing persons with communication disabilities of services available through the program, and providing training in the use of specialized telecommunications devices. Equipment includes: Telecommunication Devices for the Deaf (TDD/TTY), amplified telephones, telephone ring signalers (visual, tactile or auditory), remote control speaker phones, TTYs with large visual displays, Braille TTYs, captioned telephones (CapTel™), voice carry over and hearing carry over phones.

Key Measures

- ⇒ Minnesota Relay handled 1,095,739 calls and conducted 390 outreach activities in 2005.
- ⇒ Minnesota Relay exceeds FCC call answering performance standards. On average, incoming relay calls are answered within 2.2 seconds.
- ⇒ Minnesota Relay call complaint ratio is less than 1%.
- ⇒ The TED Program distributed 4,181 telecommunications devices and conducted 175 presentations in 2005.

Program Funding

- ⇒ TAM programs are funded by a surcharge on all wired and wireless telephone access lines in Minnesota. The surcharge is required by M.S. 237.52, subd. 2.
- ⇒ Funds from the surcharge are paid into an interest-bearing, dedicated special revenue account that funds:
  - ♦ administration of the TAM program;

- ♦ the facility, equipment, operations and outreach for Minnesota Relay;
- ♦ administration of the TED Program;
- ♦ assistive telecommunications devices distributed by the TED Program;
- ♦ Accessible News for the Blind program;
- ♦ Rural Real-Time Captioning program;
- ♦ operational expenses for the Minnesota Commission Serving Deaf and Hard-of-Hearing People.

⇒ The Public Utilities Commission (PUC) approves the TAM annual budget and sets the surcharge at a level that will generate sufficient revenue to fund the programs.

⇒ The surcharge is currently set at $0.03 per month, per access line. The statutory maximum is $0.20 per month, per access line.

Contact

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	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Misc Special Revenue	5,754	7,423	6,608	7,182	13,790
Total	**5,754**	**7,423**	**6,608**	**7,182**	**13,790**
Expenditures by Category					
Total Compensation	65	75	75	75	150
Other Operating Expenses	5,689	7,348	6,533	7,107	13,640
Total	**5,754**	**7,423**	**6,608**	**7,182**	**13,790**
Expenditures by Activity					
Tam	5,754	7,423	6,608	7,182	13,790
Total	**5,754**	**7,423**	**6,608**	**7,182**	**13,790**
Full-Time Equivalents (FTE)	**1.1**	**1.1**	**1.1**	**1.1**	

Dollars in Thousands

Program Description

The Weights and Measures Division:

⇒ Provides the basis for physical measurement accuracy in Minnesota by maintaining the state standards for mass, length, volume, temperature, and density.
⇒ Extends standardization and accuracy to commerce in Minnesota by offering precision calibration services to large and small businesses, and individuals.
⇒ Enforces accuracy in commercial marketplaces by inspecting and testing all commercial weighing and measuring equipment in Minnesota.
⇒ Ensures the quality of petroleum products by sampling and testing gasoline, diesel fuel, biodiesel, E85, heating fuels, and other products.
⇒ Enforces statutory gasoline oxygenation requirements by sampling and testing gasoline at all levels of distribution and sale in Minnesota.
⇒ Ensures the net weight and net volume accuracy of consumer commodities by inspecting and testing prepackaged goods in Minnesota.

Program at a Glance

- Weights and Measures affects more than $25 billion in Minnesota commerce each year.
- The metrology laboratory is accredited under ISO 17025. It is one of the most highly regarded measurement laboratories in the nation.
- FY 2005 2,080 artifacts calibrated.
- Petroleum Lab FY 2005
- 2,257 distillate tests.
- 3,825 gasoline tests
- In FY 2005, the division's 17 petroleum and scale investigators tested and inspected:
  ⇒ 58,387 gas pumps.
  ⇒ 6,539 light capacity scales.
  ⇒ 2,539 vehicle tank meters.
  ⇒ 248 package inspections.
- In FY 2005, the division's six heavy capacity scale investigators tested and inspected:
  ⇒ 1,931 vehicle scales.
  ⇒ 956 grain and fertilizer scales.
  ⇒ 1,224 other heavy capacity scales.

Population Served

The Weights and Measures Division serves almost every person and business in Minnesota, including:

⇒ Minnesota citizens and businesses that buy or sell goods or services based on a measured quantity.
⇒ Businesses and individuals needing International Organization for Standardization (ISO) accredited calibration services to enable them to provide materials or services to other businesses in the United States, and throughout the world, and to enable them to compete in European Union nations.
⇒ Motor fuel, heating fuel, and aviation fuel consumers.

Services Provided

The division provides three distinct services:

⇒ Promotes accuracy in basic physical measurement by offering precision calibration services to Minnesota businesses and individuals.
⇒ Enforces Minnesota's weights and measures statutes to ensure the accuracy of gas pumps, grocery scales, prepackaged commodities, livestock scales, grain and fertilizer scales, and a broad range of other commercial weighing and measuring equipment.
⇒ Ensures the quality of gasoline, diesel fuel, heating fuel, and other petroleum products.

Historical Perspective

The Weights and Measures Division is one of the oldest continuously operating units of Minnesota government. The division formally commenced operations in 1885 as part of the Railroad and Warehouse Commission.

The division has noted a continuing upward trend in the number of gasoline pumps in commercial use in Minnesota. The number has increased from approximately 21,000 in 1981 to 68,000 in 2005. Gasoline consumption, which declined in the 1970s and 1980s, and held fairly steady in the 1990s, is increasing again. Both increasing gasoline consumption and prices continue to increase demand for the division's inspection services.

Key Measures

The division's metrology laboratory has achieved and maintained accreditation under ISO 17025, the most recently adopted quality standards. Additionally, the metrology laboratory meets performance standards set by the National Institute of Standards and Technology (NIST)/National Voluntary Laboratory Accreditation Program and the NIST Office of Weights and Measures.

Inspection operations have maintained high compliance rates for commercial weighing and measuring devices despite the increase in the number of weighing and measuring devices. The division tries to inspect all commercial devices annually. However, with the increase in devices and the reduction of field staff we inspect about 85% of the total amount of commercial devices. For example, we have approximately 68,000 gas pumps in Minnesota. In fiscal year 2005 the division tested 58,387 gas pumps. The division continues to upgrade our testing equipment to improve inspection intervals.

Petroleum quality enforcement operations maintained a 98% compliance rate for gasoline octane and oxygenation.

Contact

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	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	96	0	0	0	0
Statutory Appropriations					
Misc Special Revenue	2,871	3,131	3,208	3,282	6,490
Total	**2,967**	**3,131**	**3,208**	**3,282**	**6,490**
Expenditures by Category					
Total Compensation	2,233	2,276	2,348	2,422	4,770
Other Operating Expenses	734	855	860	860	1,720
Total	**2,967**	**3,131**	**3,208**	**3,282**	**6,490**
Expenditures by Activity					
Weights & Measures	2,967	3,131	3,208	3,282	6,490
Total	**2,967**	**3,131**	**3,208**	**3,282**	**6,490**
Full-Time Equivalents (FTE)	**32.0**	**33.0**	**33.0**	**33.0**	

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$154	$311	$311	$311
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	154	$311	$311	$311

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	152,058	105,213	106,534	106,501	213,035
Other Revenues:					
General	100	4	4	4	8
Petroleum Tank Release Cleanup	1,096	332	332	332	664
Other Sources:					
General	3	1	1	1	2
Petroleum Tank Release Cleanup	5	1	1	1	2
Total Non-Dedicated Receipts	**153,262**	**105,551**	**106,872**	**106,839**	**213,711**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	19,224	12,865	18,645	19,340	37,985
Grants:					
State Government Spec Revenue	151	251	0	0	0
Misc Special Revenue	263	762	7,513	7,500	15,013
Federal	93,741	98,082	96,254	96,164	192,418
Federal Tanf	13,399	0	0	0	0
Other Revenues:					
Misc Special Revenue	1,258	1,473	1,344	1,344	2,688
Miscellaneous Agency	1	-1	0	0	0
Gift	3	0	0	0	0
Other Sources:					
Misc Special Revenue	341	195	195	195	390
Miscellaneous Agency	30	138	0	0	0
Total Dedicated Receipts	**128,411**	**113,765**	**123,951**	**124,543**	**248,494**
Agency Total Revenue	**281,673**	**219,316**	**230,823**	**231,382**	**462,205**

Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Low Income Home Energy Assistance Program	$82,675	GCBO*	$82,675	$85,000	$85,000	$85,000
Weatherization Assistance for Low Income Persons	$9,581	GCBO*	$9,581	$10,686	$10,193	$10,193
State Energy Program (SEP) and SEP Special Projects	$1,475	SO, GPS, GCBO	$1,475	$2,356	$961	$961
EPA Clean Energy	$0	SO	$0	$30	$90	$0
Council of Great Lakes Governors	$10	SO, GCBO	$10	$10	$10	$10
Agency Total	**$93,741**		**$93,741**	**$98,082**	**$96,254**	**$96,164**

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

*Community Based Organizations make sub-grants to individuals.

➲ Designates that this item is a change item

MINNESOTA DEPARTMENT OF CORRECTIONS

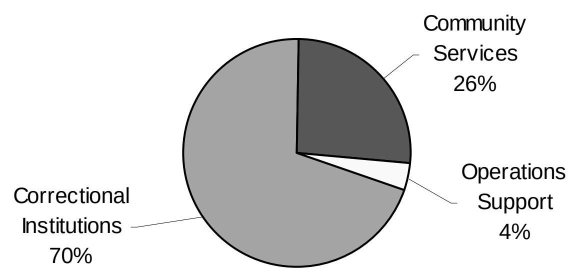
CENTRAL OFFICE
Contributing to a Safer Minnesota

January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Corrections' (DOC) budget recommendation for fiscal years 2008-2009. This budget consists of $941.026 million from the state's General Fund and $183.714 million from other funds. It reflects a 10.5% increase from fiscal years 2006-2007 spending.

FY 2008-09 Department of Corrections General Fund



With this budget recommendation, we will be able to achieve our mission of holding offenders accountable and offer opportunities for change, while restoring justice for victims and contributing to a safer Minnesota. This budget maintains our commitment to delivering quality services to the public and state agencies while addressing our obligation to enhance public safety. As the graphic below indicates, our primary activity areas are correctional institutions and community services.

Our agency priorities are to incarcerate the most dangerous offenders in state prisons and effectively supervise other offenders in the community. These priorities contribute to a safer Minnesota.

The Governor's budget recommendations meet the agency's current operational goals, but also make significant new investments that will enhance public safety in Minnesota.

It includes funding for prison population increases and inmate health care; additional Intensive Supervised Release agents to supervise sex and high-risk offenders in the community; predatory offender risk assessment/community notification functions; assessment and treatment of offenders under community supervision; reentry and transition services including grants to local units of government; and community work crew support.

Additional recommendations include a funding increase for the daily amount reimbursed to counties for short-term offenders housed in local jails and ongoing department operating costs including utilities, employee compensation adjustments and retiree insurance.

The DOC remains committed to finding innovative ways to provide cost-efficient services, based on best practices, and we look forward to discussing these budget recommendations with you in the 2007 legislative session.

Sincerely,

Joan Fabian

Joan Fabian
Commissioner

Agency Purpose

The Department of Correction's (DOC) primary purpose is public safety. The department's mission is to hold offenders accountable and offer opportunities for change while restoring justice to victims and contributing to a safer Minnesota. The department's vision is to focus on eliminating risk. This will be accomplished by fostering community partnerships; optimizing best practices; creating a respectful, diverse culture; utilizing effective communication; and strategic and efficient use of resources.

Created by Minnesota law (Chapter 241) in 1959, the department operates secure prisons and provides community supervision of offenders with public safety as the ultimate goal. Prison programs are designed to prepare offenders for release so they become contributing, law-abiding community members.

At A Glance

Ten Minnesota correctional facilities located at

- Oak Park Heights;
- Stillwater;
- St. Cloud;
- Rush City;
- Faribault;
- Lino Lakes;
- Moose Lake/Willow River;
- Shakopee;
- Red Wing; and
- Togo.

Field Services

- Probation and Supervised Release;
- Re-entry Services;
- Sex Offender Risk Assessment;
- Grants and Subsidies;
- Inspection and Enforcement; and
- Interstate Compacts.

Core Functions

Primary responsibilities of the DOC include

- secure and safe operation of correctional facilities for adult felons and juvenile males;
- provision of work, treatment, faith-based, and education programs that reduce the risk offenders present to the community after release;
- administration of the Community Corrections Act (CCA) that provides subsidies to 32 counties for local correctional services;
- supervision of adult offenders on probation, supervised release, and parole in the 55 counties that do not participate in the CCA;
- operation of programs that assign non-dangerous offenders to community work service. This includes the Sentencing to Service program whereby offenders clean up parks, roadways, and rivers; build recreation trails; and complete other improvement projects. Through the Institution Community Work Crew (ICWC) program, minimum-custody inmates build homes for low-income families;
- inspection and enforcement of standards in all jails throughout the state; and
- administration and management of the department so that it operates as cost-effectively, efficiently, and productively as possible.

The department continues to address rapidly increasing offender populations both in prisons and on supervision in the community. Over the last decade, the prison population has more than doubled and the supervised offender population has increased over 80%. Population projections indicate continued increases through the FY 2006-07 biennium and beyond.

Operations

During the previous two biennia, the department implemented budget reductions that have successfully reduced prison per diem and other department costs. This all occurred while expanding bed capacities at existing prisons. Multiple-occupancy of level three security prisons has increased from 50% to 80%, and a level four-security prison was built to accommodate all multiple occupancy cells. Double bunking of prisoners has also added 400 beds at level five prisons. Budget reductions and adding beds to existing facilities will continue enhance efforts to reduce prison per diem.

Other initiatives - such as attaining self-sufficiency for MINNCOR prison industries, centralizing support services previously provided at multiple locations, and sharing of services among correctional facilities – have resulted in substantial savings.

The department is comprised of three program divisions, including the correctional facilities, community services, and operations support program.

Correctional Institutions – The Correctional Institutions program includes ten correctional facilities housing male and female felons and support services such as offender education programs, religious programming, offender transfer and classification, building improvements, and expansions. Additionally, units exist in the areas of investigations, safety, correctional industries, and medical services.

Community Services – The Community Services program provides probation and supervised release/parole services and special programs including community service and work release. Other responsibilities include

- administration of the CCA, grants, and contracts;
- correctional facility/jail inspection;
- administration of offender transfer agreements with other states;
- risk assessment/community notification;
- administration of the county probation subsidy; and
- contracts with local programs.

Operations Support – The Operations Support program provides direction and support that contributes to consistency across agency functions and enables all programs to accomplish the department's mission. The operations support program includes the support services, the office of diversity, policy and legal services, financial services, office services, human resources, employee development, and information technology units.

Budget

The department's biennial budget totals $845.5 million, of which $132.9 million is passed through to local entities. The department is projecting $4.6 million in federal funds for chemical dependency and education programs, and facility construction and operation costs.

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	409,517	430,244	430,244	430,244	860,488
Recommended	**409,517**	**430,244**	**460,566**	**480,460**	**941,026**
Change		0	30,322	50,216	80,538
% Biennial Change from 2006-07					12.1%
Misc Special Revenue					
Current Appropriation	890	890	890	890	1,780
Recommended	**890**	**890**	**890**	**890**	**1,780**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Expenditures by Fund					
Direct Appropriations					
General	403,131	438,242	460,566	480,460	941,026
Misc Special Revenue	218	890	890	890	1,780
Statutory Appropriations					
General	10	0	0	0	0
Misc Special Revenue	13,858	19,459	18,927	19,393	38,320
Federal	3,214	6,542	4,802	4,623	9,425
Miscellaneous Agency	21,538	22,350	22,326	22,350	44,676
Gift	20	22	22	22	44
Correctional Industries	44,271	44,497	44,652	44,817	89,469
Total	**486,260**	**532,002**	**552,185**	**572,555**	**1,124,740**
Expenditures by Category					
Total Compensation	252,379	272,438	293,200	310,892	604,092
Other Operating Expenses	140,264	164,132	159,765	160,293	320,058
Capital Outlay & Real Property	859	1,709	706	706	1,412
Payments To Individuals	25,890	25,468	25,468	25,468	50,936
Local Assistance	66,868	68,255	73,046	75,196	148,242
Total	**486,260**	**532,002**	**552,185**	**572,555**	**1,124,740**
Expenditures by Program					
Correctional Institutions	363,394	398,600	409,011	424,438	833,449
Community Services	105,833	114,190	124,160	128,839	252,999
Operations Support	17,033	19,212	19,014	19,278	38,292
Total	**486,260**	**532,002**	**552,185**	**572,555**	**1,124,740**
Full-Time Equivalents (FTE)	**3,933.6**	**4,158.2**	**4,283.1**	**4,406.1**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**430,244**	**430,244**	**430,244**	**860,488**
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Current Law Base Change		200	200	400
End-of-session Estimate		7,421	14,765	22,186
November Forecast Adjustment	0	(2,753)	(4,675)	(7,428)
One-time Appropriations		(2,825)	(2,825)	(5,650)
Subtotal - Forecast Base	**430,244**	**432,287**	**437,709**	**869,996**
Change Items				
Annualize Agency 2006 Session Costs	0	1,975	1,975	3,950
Health Services	0	1,000	1,500	2,500
Fuel and Utilities	0	1,500	1,500	3,000
Retiree Insurance	0	500	500	1,000
Community Program Costs	0	1,775	2,175	3,950
Offend Supv and Mgmt in Community	0	7,075	10,075	17,150
Sentence to Service (STS)	0	600	600	1,200
Short Term Offender	0	2,190	2,190	4,380
Offender Reentry Services	0	1,500	1,500	3,000
Compensation Adjustment	0	10,164	20,736	30,900
Total Governor's Recommendations	**430,244**	**460,566**	**480,460**	**941,026**
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**890**	**890**	**890**	**1,780**
Subtotal - Forecast Base	**890**	**890**	**890**	**1,780**
Total Governor's Recommendations	**890**	**890**	**890**	**1,780**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**19,459**	**18,927**	**19,393**	**38,320**
Total Governor's Recommendations	**19,459**	**18,927**	**19,393**	**38,320**
Fund: FEDERAL				
Planned Statutory Spending	**6,542**	**4,802**	**4,623**	**9,425**
Total Governor's Recommendations	**6,542**	**4,802**	**4,623**	**9,425**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**22,350**	**22,326**	**22,350**	**44,676**
Total Governor's Recommendations	**22,350**	**22,326**	**22,350**	**44,676**
Fund: GIFT				
Planned Statutory Spending	**22**	**22**	**22**	**44**
Total Governor's Recommendations	**22**	**22**	**22**	**44**
Fund: CORRECTIONAL INDUSTRIES				
Planned Statutory Spending	**44,497**	**44,652**	**44,817**	**89,469**
Total Governor's Recommendations	**44,497**	**44,652**	**44,817**	**89,469**

Program Description
The Correctional Institutions program serves a dual-purpose by protecting the community through incarceration of offenders and by providing industrial, vocational, academic, and therapeutic opportunities for offenders to maximize the probability they will return to the community as law-abiding citizens.

Population Served
Offenders committed to the commissioner of corrections to serve their term of incarceration make up the population served within correctional facilities. Minnesota prison populations have significantly increased since 1989, and projections indicate this trend will continue into the foreseeable future.

Services Provided
The program is responsible to house male and female felons. Each adult correctional facility is classified utilizing a system with a five-level classification structure ranging from level 1, minimum custody, to level 5, maximum custody. The department also rents beds from public and private entities. The number of beds rented will continue to increase.

Program at a Glance

Ten Minnesota correctional facilities located a:
- Oak Park Heights;
- Stillwater;
- St. Cloud;
- Rush City;
- Faribault;
- Lino Lakes;
- Moose Lake/Willow River;
- Shakopee;
- Red Wing; and
- Togo.

MINNCOR Prison Industries

Facility population as of July 2006:
- 8,466 adult male offenders
- 544 adult female offenders
- 134 juvenile male offenders
- One juvenile female offender

The department's central office provides support services within facilities such as offender education programs, religious programming, offender transfer and classification, building improvements, and expansion. Additionally, services in the area of investigation, correctional industries, and medical services are also provided. Each correctional facility provides the above-mentioned direct services to offenders.

Historical Perspective
During the previous two biennia, budget reductions have reduced prison per diems and other department costs. Through an extensive internal review at each facility and double-bunking cells, the Department of Corrections (DOC) has increased total capacity at marginal cost. Also following a national consultants' recommendation regarding DOC staffing, the department identified 192 positions that have been eliminated. Expanding bed capacities at existing prisons and eliminating positions has dropped the department's national ranking of cost per inmate from second to sixth.

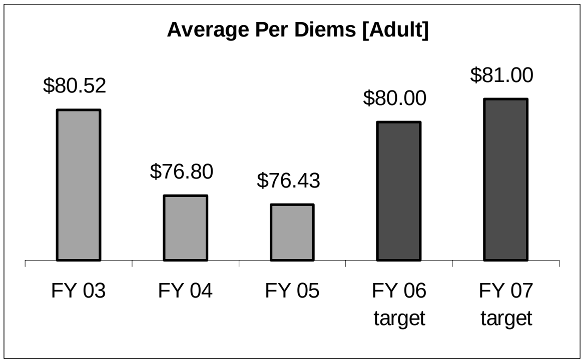
Several other department initiatives have made a significant impact on this division and resulted in cost savings, such as: attaining self-sufficiency for MINNCOR prison industries, reducing staff positions and assigning their duties to other employees, and centralizing or sharing some management services among correctional facilities. The DOC will continue to explore additional per diem reduction initiatives for the upcoming biennium through further shared services between facilities and program centralization.

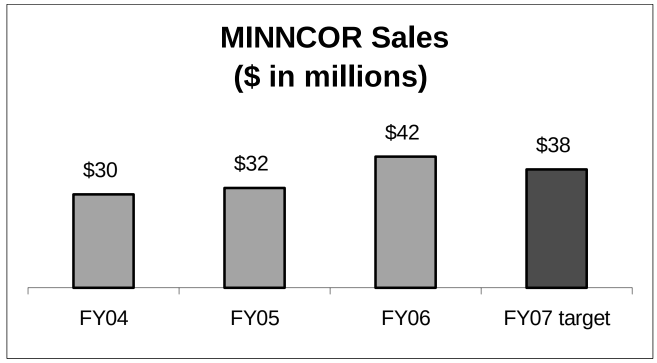
The juvenile facilities have gone through dramatic changes during the past decade. Most significant was the closing of the Sauk Centre facility and the assumption of its specialized programming of chemical dependency, sex offender treatment, and mental health services by the MCF-Red Wing.

Program Funding
This program is primarily funded through General Fund appropriations.

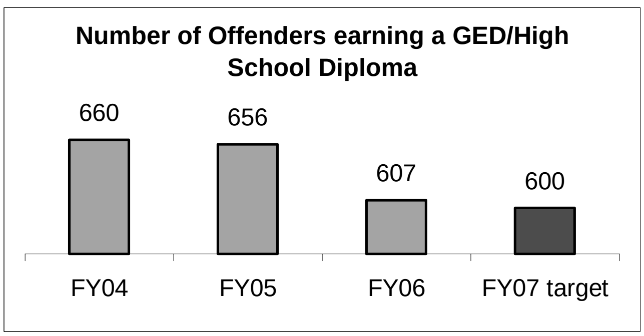
Key Measures

Goal: Strategic and efficient use of resources.





Goal: Optimizing best practices.



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The department's strategic goals and progress achieved on each are located on the Minnesota State Government at Work web site www.departmentresults.state.mn.us under Corrections.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	290,428	310,194	310,194	310,194	620,388
Technical Adjustments					
Approved Transfer Between Appr			(3,387)	(3,387)	(6,774)
End-of-session Estimate			7,421	14,765	22,186
November Forecast Adjustment		0	(2,753)	(4,675)	(7,428)
One-time Appropriations			(1,913)	(1,913)	(3,826)
Subtotal - Forecast Base	290,428	310,194	309,562	314,984	624,546
Governor's Recommendations					
Annualize Agency 2006 Session Costs		0	1,975	1,975	3,950
Health Services		0	1,000	1,500	2,500
Fuel and Utilities		0	1,500	1,500	3,000
Retiree Insurance		0	500	500	1,000
Offender Reentry Services		0	400	400	800
Compensation Adjustment		0	8,457	17,582	26,039
Total	**290,428**	**310,194**	**323,394**	**338,441**	**661,835**
Misc Special Revenue					
Current Appropriation	580	580	580	580	1,160
Subtotal - Forecast Base	580	580	580	580	1,160
Total	**580**	**580**	**580**	**580**	**1,160**
Expenditures by Fund					
Direct Appropriations					
General	285,068	311,166	323,394	338,441	661,835
Misc Special Revenue	2	580	580	580	1,160
Statutory Appropriations					
General	10	0	0	0	0
Misc Special Revenue	10,551	14,182	13,921	14,291	28,212
Federal	2,597	6,489	4,802	4,623	9,425
Miscellaneous Agency	20,878	21,664	21,640	21,664	43,304
Gift	17	22	22	22	44
Correctional Industries	44,271	44,497	44,652	44,817	89,469
Total	**363,394**	**398,600**	**409,011**	**424,438**	**833,449**
Expenditures by Category					
Total Compensation	213,995	231,343	247,468	262,639	510,107
Other Operating Expenses	124,516	141,972	137,261	137,517	274,778
Capital Outlay & Real Property	859	1,709	706	706	1,412
Payments To Individuals	24,024	23,576	23,576	23,576	47,152
Total	**363,394**	**398,600**	**409,011**	**424,438**	**833,449**

CORRECTIONS DEPT
Program: CORRECTIONAL INSTITUTIONS

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Activity					
Mcf-Faribault	32,397	33,620	33,488	33,492	66,980
Mcf-Red Wing	13,289	14,632	13,941	13,881	27,822
Mcf-Lino Lakes	31,463	33,060	32,912	32,940	65,852
Mcf-Shakopee	14,419	15,017	14,943	14,945	29,888
Mcf-Willow River-Cip	3,925	4,472	3,461	3,461	6,922
Mcf-Moose Lake	25,252	27,329	27,325	27,331	54,656
Mcf-Togo	3,869	4,156	4,138	4,147	8,285
Mcf-Stillwater	37,085	37,773	37,585	37,594	75,179
Mcf-St Cloud	27,932	28,789	28,373	28,377	56,750
Mcf-Oak Park Heights	20,164	20,839	20,701	20,723	41,424
Mcf-Rush City	24,359	25,101	24,994	24,994	49,988
Mcf-Togo-Cip	1,063	1,024	1,024	1,023	2,047
Health Care	46,085	52,346	53,031	53,531	106,562
Education	4,374	4,544	4,809	5,065	9,874
Institution Support Serv	77,718	95,898	108,286	122,934	231,220
Total	**363,394**	**398,600**	**409,011**	**424,438**	**833,449**
Full-Time Equivalents (FTE)	**3,353.8**	**3,542.3**	**3,616.9**	**3,722.8**	

Program: CORRECTIONAL INSTITUTIONS
Change Item: Annualize Agency 2006 Legislative Session Costs

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,975	$1,975	$1,975	$1,975
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,975	$1,975	$1,975	$1,975

Recommendation

The Governor recommends $3.95 million to annualize costs from funding changes in the 2006 legislative session. The department received funding to cover the costs of salary increases for the 2006-2007 biennium; however the ongoing cost tails for subsequent years were reduced without any accompanying policy changes.

Background

The agency received funding during the 2006 legislative session to cover the costs of salary increases for the 2006-2007 biennium, as it was impossible to absorb those costs within the base budget. The funding for subsequent years was reduced by $1.975 million. Likewise, it is impossible to absorb those costs within the current agency base budget. This increase corrects this shortage and is necessary to maintain operations.

Relationship to Base Budget

The dollar amount of this request equates to one-half of one percent of the agency base budget, however it is essential to receive this funding to maintain current staffing levels.

Key Measures

Public safety is a key measure for this change item. Absorbing this salary increase may compromise public safety, as the agency will have fewer staff for prison operations and supervising offenders in the community.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$1,500	$1,500	$1,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$1,500	$1,500	$1,500

Recommendation
The Governor recommends $1 million in FY 2008 and $1.5 million in FY 2009 to supplement the department's health services budget for the existing offender population due to the rapidly rising cost of health care. Funding this change item will help ensure the Department of Corrections (DOC) can provide necessary health services to more than 16,000 incarcerated offenders each year.

Background
The current health services budget has a base deficit of more than $1 million annually, created primarily by inflation in the costs to provide medical services and pharmaceutical supplies, and an increasing offender population. Projections indicate the annual deficit will increase in state FY 2009. The actual cost of providing health care to DOC offenders has increased by an average of approximately 11% per year over the past four years.

Adding to the concern is that the current health care contract expires after state FY 2008. It is anticipated a new contract will result in pricing that will more closely align with industry standards, resulting in significant increases beginning in FY 2009. To date, the agency has successfully absorbed many of the increased costs. However, despite effective management of the health care budget, the increasing number of offenders and the conditions for which they are receiving care necessitates additional resources for health care services.

The offender population in Minnesota has been steadily increasing over the past several years, and is expected to increase by over 1,000 additional offenders by state FY 2010. This growth in population has significantly increased the scope and utilization of health care services. The offender population is "sicker" than the general public. DOC statistics indicate approximately 90% of the offender population is chemically dependent or has chemical abuse issues. About 25% of the adult male offender population, 40% of the adult female offender population and 51% of the juvenile offender population is on psychotropic medications. The number of offenders over 50 years of age is increasing. The Department of Justice estimates an elderly offender costs approximately three times the cost of an offender who is not elderly. The DOC continues to receive offenders committed for methamphetamine crimes. These offenders enter our prison system with a multitude of health problems that are costly to treat, including dental concerns and a wide array of mental health and behavioral issues.

The agency has been able to meet its constitutional obligations in providing health care by prioritizing services to meet the most critical and basic needs of offenders. This recommendation will assist in maintaining those services.

Relationship to Base Budget
This increase is significant, representing approximately 2% of the current base budget for health services. This request is for an on-going base funding increase.

Key Measures
It is incumbent on the agency to provide a community standard of care to offenders incarcerated at Minnesota correctional facilities.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,500	$1,500	$1,500	$1,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,500	$1,500	$1,500	$1,500

Recommendation

The Governor recommends $1.5 million each year to supplement the department's fuel and utility budgets. Funding this change item will ensure that the Department of Corrections (DOC) can maintain suitable working and living environments for thousands of employees and over 8,000 incarcerated offenders living in prison, in addition to providing the necessary funds to fuel the department's vehicle fleet.

Background

Correctional facilities have been consistently reporting deficits in fuel and utility budgets over the past several years, identifying those costs as critical concerns. Expenditures increased approximately 13% from FY 2004 to FY 2005, with an approximate 16% increase in the subsequent fiscal year. The increase in 2006 could have been much higher if we hadn't experienced a winter with mild temperatures. Until now the agency has absorbed these increased costs at the expense of other physical plant needs.

The agency operates 10 correctional facilities, with almost 4.8 million square feet of space designated as living units for offenders and work areas for staff and offenders.

The correctional facility in Stillwater has historically contracted for high-pressure steam. The existing contract expires 12-31-06 and cannot be renewed. The facility is in the process of converting to a low-pressure system utilizing natural gas to operate four boilers. Additionally, it is necessary to install a backup system, which will utilize #2 fuel oil. Department asset preservation funds are being utilized to fund this project. However, estimates provided by the DOA indicate utility costs may increase by approximately $1 million annually when this conversion is complete.

Department personnel work to ensure compliance with the executive order providing for energy conservation measures for state owned building, as distributed by the Department of Administration (DOA). Costs saving measures include maintaining temperatures at designated levels and incorporating appropriate long-term energy conservation measures for new construction. Also, as directed, several correctional facilities are working with the DOA to participate in the Natural Gas Forward Pricing program. Many facilities have aging buildings, and the department utilizes repair and replacement funds and asset preservation funds when possible to make improvements that may result in greater fuel efficiency. Additionally, MINNCOR supplements facility budgets for utility costs associated with their industries. If possible, all new vehicles purchased are E-85 compliant and staff are directed to purchase E-85 fuel when practical.

Relationship to Base Budget

The dollar amount of this initiative represents an approximate 14% increase in the agency's annual base budget for fuel and utilities.

Key Measures

Temperature control measures and other practices are implemented to ensure compliance with DOA directives. Personnel identify opportunities for utility cost savings and procedures are implemented that may result in savings.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation

The Governor recommends $1 million in FY 2008-09 to cover increasing costs of health insurance for retirees in the Corrections Employees Retirement Plan.

Background

The cost of providing health insurance to employees who retire under the Corrections Employees Retirement Plan (M.S. 352.91 and 352.911) is steadily increasing. Under the plan, eligible employees may opt for early retirement as early as the age of 50 years, and may have dental and health insurance costs paid for them until they attain the age of 65 years. The number of employees opting for early retirement is rising, along with the costs of providing dental and health insurance.

With difficulty, the department has been able to absorb these mandated costs over the past several years, often at the expense of other priorities. The department is requesting this funding as it is no longer possible to absorb all of the inflationary costs within the base budget.

Relationship to Base Budget

There is currently $2.7 million in the agency's annual base for this activity. This initiative represents an 18% increase.

Statutory Change: Not Applicable

Program Description

The Community Services program exists to provide a broad range of correctional services in the community directly by employees of the department or through the program's oversight of state grants and subsidies. The objectives of these services are to protect the public, control offender criminal behavior, assist offenders in development of skills necessary to function in the community, provide fiscal accountability, and ensure compliance with standards governing the operation of local correctional facilities.

Population Served

This program serves offenders under community supervision. Additionally, this program has regular contact with correctional professionals on the local and national level, elected officials, courts, treatment providers, and the community at large.

Services Provided

The field services unit is responsible for all Department of Corrections (DOC) programs providing direct services to offenders in the community. The probation and supervised release activity of this program provides community supervision services to offenders in 55 counties not part of the Community Corrections Act (CCA). These services are provided to adult felons in 55 counties and to adult misdemeanants and juveniles in 27 counties and include investigation services for the courts and the department's hearings and release unit. The intensive supervision program provides community supervision to the most serious offenders released from prison with face-to-face contacts, electronic monitoring, mandatory work or school, curfews, and random drug testing. Sentencing to Service (STS) provides a very specific sentencing option to the courts for non-dangerous offenders in lieu of or in conjunction with jail. The Institution Community Work Crew (ICWC) program provides supervised community work crews for select minimum-security offenders at the end of their institutional stay. The program contracts with public and private agencies for residential work release services.

Reentry services are a new initiative and a high priority for the DOC as most offenders return to the community after serving their prison sentence. The DOC collaborates with key state agencies and community stakeholders to develop and implement a comprehensive reentry initiative based on successful best practice models. Minnesota is following national models proven to reduce recidivism by assisting offenders to remain law abiding and productive which will make communities safer and curtail the rising corrections costs associated with offenders returning to prison.

The administrative services unit of this program has four distinct and different functions. The risk assessment/community notification activity is responsible for a multifaceted system for the management of sex offenders that includes coordination of community notification, development, and monitoring of treatment standards, civil commitment referrals, and training and collaboration with the Department of Human Services (DHS) on the highest risk sex offender. The grants and subsidies activity is responsible for administration and monitoring of all state funds appropriated for the delivery of correctional services in the community including direct subsidies, grants, contracts, or reimbursements.

Program at a Glance

Community Services functions include

- Probation and supervised release in 55 non-CCA counties;
- Intensive Supervision Program;
- Reentry Services/Offender Stable Housing;
- Sentencing to Service (STS) Program;
- Work Release;
- Affordable Housing Building Program;
- CIP – Phases two and three Supervision;
- Risk assessment/community notification;
- Interstate compacts;
- Inspection and enforcement;
- Grants, contracts and subsidy administration;
- Program support and evaluation;
- Technical assistance;
- Restorative justice; and
- Jail Resource Center.

Grant programs

- Funds administered to partnerships that have been developed between state, county, and nonprofit agencies to provide correctional services for adult and juvenile offenders.

Offenders under community supervisions as December 31, 2005

- 135,400 offenders on probation, supervised release, and parole statewide
- Over 19,000 offenders supervised by the Department of Corrections, others supervised locally

The interstate compact activity is responsible for administering adult and juvenile interstate compacts, which allow for the orderly transfer of probation and parole supervision to and from the state. This activity is also responsible for the return of juvenile runaways, escapees, absconders, and minors taken across state lines by non-custodial persons. The inspection and enforcement activity is responsible for licensing all local correctional facilities in Minnesota and the certification of all out-of-state juvenile facilities that accept delinquent youth from Minnesota. This unit enforces standards, investigates complaints/unusual occurrences, and provides technical assistance to these facilities. In addition, the director of this unit provides overall coordination of division activity, assistance to the deputy commissioner, and acts as the division's legislative liaison.

Historical Perspective

The number of offenders under supervision in the community has grown steadily over the past decade. Activities required of probation officers have grown as well. Since 1992 greater emphasis has been placed on the supervision and programming of sex offenders. Some activities added over the past 12 years include sex offender registration, notification, and enhanced supervision programs.

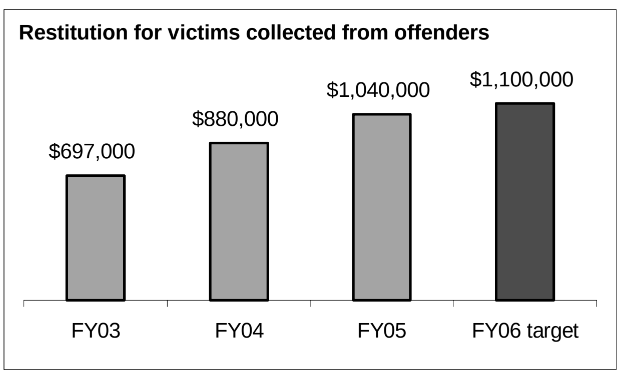
DOC grants, contracts, and subsidies amounted to approximately $32.4 million in 1992 and increased to $73.5 million in 2002. After spending reductions in 2003 and 2004 this department still administers over $65 million for local correctional services. The Interstate Compact was enacted into law in 1939. During the 2002 legislature a new compact was enacted. In July of 1994 Minnesota was supervising approximately 1,500 offenders for other states and had approximately 1,000 Minnesota offenders in other states. In August of 2006 Minnesota was supervising over 1,800 offenders for other states and had over 2,100 of its offenders in other states.

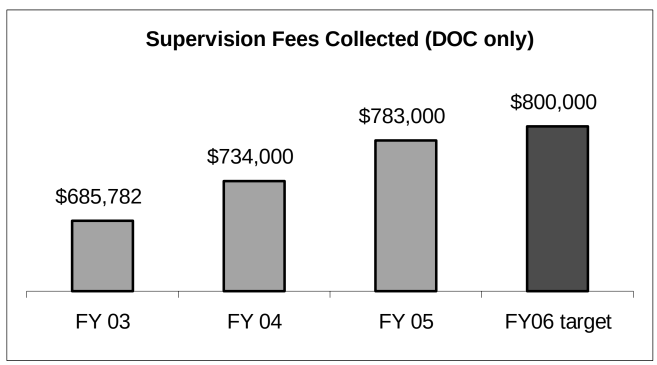
Program Funding

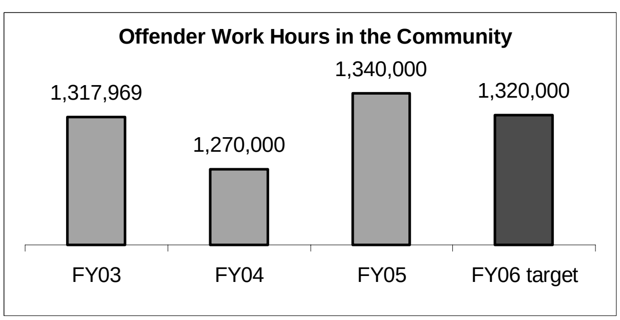
This program is primarily funded through General Fund appropriations.

Key Measures

Goal: Optimizing best practices.







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The department's strategic goals and progress achieved on each are located on the Minnesota State Government at Work web site www.departmentresults.state.mn.us under Corrections.

CORRECTIONS DEPT

Program: COMMUNITY SERVICES

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	104,066	105,027	105,027	105,027	210,054
Technical Adjustments					
Approved Transfer Between Appr			1,503	1,503	3,006
Current Law Base Change			200	200	400
One-time Appropriations			(912)	(912)	(1,824)
Subtotal - Forecast Base	104,066	105,027	105,818	105,818	211,636
Governor's Recommendations					
Community Program Costs		0	1,775	2,175	3,950
Offend Supv and Mgmt in Community		0	7,075	10,075	17,150
Sentence to Service (STS)		0	600	600	1,200
Short Term Offender		0	2,190	2,190	4,380
Offender Reentry Services		0	1,100	1,100	2,200
Compensation Adjustment		0	1,300	2,517	3,817
Total	**104,066**	**105,027**	**119,858**	**124,475**	**244,333**
Misc Special Revenue					
Current Appropriation	100	100	100	100	200
Subtotal - Forecast Base	100	100	100	100	200
Total	**100**	**100**	**100**	**100**	**200**
Expenditures by Fund					
Direct Appropriations					
General	101,561	109,768	119,858	124,475	244,333
Misc Special Revenue	57	100	100	100	200
Statutory Appropriations					
Misc Special Revenue	2,935	3,583	3,516	3,578	7,094
Federal	617	53	0	0	0
Miscellaneous Agency	660	686	686	686	1,372
Gift	3	0	0	0	0
Total	**105,833**	**114,190**	**124,160**	**128,839**	**252,999**
Expenditures by Category					
Total Compensation	25,629	26,912	31,268	33,558	64,826
Other Operating Expenses	11,470	17,131	17,954	18,193	36,147
Payments To Individuals	1,866	1,892	1,892	1,892	3,784
Local Assistance	66,868	68,255	73,046	75,196	148,242
Total	**105,833**	**114,190**	**124,160**	**128,839**	**252,999**
Expenditures by Activity					
Probation & Supervised Release	18,333	20,687	20,256	20,256	40,512
Special Supervision	8,398	9,324	10,524	11,524	22,048
Community Programs	4,829	4,644	7,933	7,933	15,866
Sentencing To Service	6,091	7,659	7,634	7,706	15,340
Facilities Planning & Inspecti	690	864	779	769	1,548
Pass Thru Grants & Subsidies	65,721	67,325	72,494	74,894	147,388
Program Support & Evaluation	1,771	3,687	4,540	5,757	10,297
Total	**105,833**	**114,190**	**124,160**	**128,839**	**252,999**
Full-Time Equivalents (FTE)	**409.4**	**424.7**	**472.2**	**489.2**	

Program: COMMUNITY SERVICES
Change Item: Community Program Costs

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,775	$2,175	$2,175	$2,175
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,775	$2,175	$2,175	$2,175

Recommendation

The Governor recommends $1.775 million in FY 2008 and $2.175 million in FY 2009 to continue implementation of prior program changes made in statute for community services programs that were enacted without funding to fully implement them.

Background

The following duties and responsibilities have been mandated by the legislature for the Department of Corrections (DOC) to implement without funding to accomplish them.

⇒ The Challenge Incarceration Program (CIP) at Willow River is slated to expand by 90 beds with the first offenders from this expansion being released in July of 2007. This expansion will result in an increased caseload for the DOC ISR/CIP units across the state. With the exception of Arrowhead Regional Community Corrections (ARC), the DOC provides the intensive supervision for CIP Phase II and III. It is anticipated that by the end of FY 2008 the agency will need 10 additional corrections agents to cover this increase. Nine of these agents would be dedicated to the DOC and one would be contracted out to ARC. Ten Intensive Supervision agents cost $100,000 per agent equating to $1 million per year. This cost would be phased in and only $600,000 would be needed for FY 2008.

⇒ The sunset provision for the Conditional Release Program (CRP) was extended to June 30, 2009, during 2006 legislative session. The release phase of this program requires intensive supervision provided by the DOC. The DOC received one-time funding of $600,000 per year in the FY 2006-07 biennium for supervision. In order to provide supervision in the community for these offenders, the agency must have continued funding for the 2008-09 biennium and beyond.

⇒ Changes to the Interstate Compact for Adult Offender Supervision (ICAOS), M.S. 243.1605, passed during the 2002 legislative session, were not funded. The increased costs have been handled internally for the past four years, as the agency has been able to avoid some of the major increases due to delays in the implementation of the new data system and rule development. The annual cost is $225,000.

⇒ Funding for the Risk Assessment/Community Notification Unit is being requested in order to meet increased workload demands caused by additional statutory requirements and an increase in the number of cases. In order to handle the increased workload it is critical that funding be provided to hire three additional positions. One position will be a legal representative to make recommendations to the commissioner regarding Sexual Psychopathic Personality/Sexual Dangerous Person civil commitment referrals. Two positions will manage the databases used for identification and tracking all cases for Community Notification and Civil Commitment. A portion of this funding would be designated to continue to upgrade technology associated with the tracking, mapping and public dissemination of notification information, as well as continuing research on the validity of risk assessment tools. The annual cost is $350,000.

Relationship to Base Budget

This change item is a significant increase in the base budget for the agency and necessary in order to continue to implement those statutory requirements the legislature has previously enacted in order to protect public safety.

Key Measures

Goal: Optimizing best practices.
Key Measure: Providing correctional services utilizing recognized best practice.
Goal: Public Safety.
Key Measure: Reduce recidivism.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$7,075	$10,075	$10,075	$10,075
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$7,075	$10,075	$10,075	$10,075

Recommendation

The Governor recommends $7.075 million in FY 2008 and $10.075 million in FY 2009 for offender supervision and management in the community and for special emphasis on sex offenders. This includes increased funding that will allow corrections agencies to provide adequate services to the courts and supervision to offenders in the community for all three delivery systems. It also includes funding to implement the recommendations of the Commissioner of Corrections and the Working Group for Sex Offender Management as well as an increase in funding for reimbursements to counties for the completion of court ordered sex offender assessments.

Background

Supervision

Probation officers in the three delivery systems have seen increases in caseloads and in District Court activity. Faced with rising offender numbers, probation officers' time is increasingly stretched and they are unable to provide an adequate level of service to the courts and offenders necessary to positively impact public safety. In order to address these issues the following increases are recommended for the three delivery systems:

⇒ County Probation Officer Reimbursement
This initiative will provide $600,000 to the County Probation Officer (CPO) reimbursement fund annually. This will increase funding to reimburse counties for salary expenses for juvenile and misdemeanant agents, thus bolstering public safety resources for those counties. Based on the total reimbursements for FY 2006, reimbursement to counties will increase from 40.96% of their actual costs to 46.04%.

⇒ Community Corrections Act (CCA) Subsidy
This initiative will provide $2.8 million annually for the reduction of caseloads in CCA jurisdictions. This funding will be distributed using the CCA formula. Correctional services are provided in 32 CCA counties covering approximately 70-75% of the state's population. Currently CCA counties supervise over 30,000 offenders on felony probation and supervised release (non-ISR). These funds will be included in the subsidy to CCA counties, allowing them discretion to decide the best use of resources. Counties will be able to increase agents, thus decreasing the average caseload and increasing supervision and services to offenders.

⇒ Department of Corrections Probation and Supervised Release
During the past eight years (through CY 2005), the number of adult felons under DOC supervision has increased by 70%. This initiative will provide $600,000 annually for the reduction of caseloads for DOC agents statewide. Funds will support the addition of four agents and 1.5 support staff. The DOC provides adult felony supervision and court services to the 55 non-CCA counties.

Sex Offender Management

The 2005 legislature mandated a task force to make recommendations regarding sex offender management and treatment. During the past year-and-a-half, four groups of corrections professionals have been working to identify and define standards of supervision, treatment, and assessment for sex offenders. A report is due to the legislature in early 2007.

The 2005 Legislative Auditor's report on sex offenders was critical in regards to the level of supervision provided to sex offenders. From this report and with the development of statewide supervision standards, it will be necessary to increase the number of probation officers statewide to provide effective sex offender supervision. To ensure adequate supervision of this offender group it is imperative that sufficient funding be provided for assessment, treatment, and the use of polygraph in monitoring conditions of supervision and compliance with treatment objectives. This initiative will support a total of 40 new enhanced sex offender agents throughout the state in 2009. Positions will be phased in over a period of two years and the estimated amount for these positions is $2 million in the first year and $4 million in subsequent years.

Necessary funds will also be available for research evaluation of community based sex offender management (supervision, treatment and polygraph components) and the development and monitoring of standards for supervision and treatment. Funding for this component is critical if the recommended standards and guidelines of the working group are to be implemented statewide. The cost for this portion of the initiative is $500,000 in the first year and $1 million in subsequent years.

The management and supervision of sex offenders in the community is a very volatile issue. Our communities expect these offenders to be monitored very closely so the potential for further victimization is reduced. Reasonable supervision caseloads are critical to effective monitoring of sex offenders.

Sex Offender Assessment

M.S. 609.3457 requires assessments on certain sex offenders. This initiative will allow the list of sex offenses requiring assessment to be expanded. In subdivision four the following offenses are proposed for addition to the existing language: 609.3455 Dangerous Sex Offenders, Life Sentences, Conditional Release; 609.322 Soliciting a Minor to Engage in Prostitution; 609.324 Other Prostitution Crimes Involving a Minor; 609.352 Soliciting a Minor to Engage in Sexual Conduct; 617.246 Use of Minor in Sexual Performance; 617.247 Possession of Pornographic Work Involving Minors; 609.294 Bestiality; 609.3453 Criminal Sexual Predatory Conduct; and 609.365 Incest.

It is essential that assessments be done on offenders convicted of these crimes in order for the department's Risk Assessment/Community Notification Unit to have sufficient information to assign the appropriate risk level. The cost is $75,000 annually.

Relationship to Base Budget

This initiative will increase supervision funding to the three delivery systems by 9.5%, provide new funding for standards and evaluation, and increase funding for sex offender assessment by 30%.

Key Measures

Goal: Optimizing best practices.
Key Measure: Increase the number of agents to provide caseload levels approaching 25–30 for sex offenders, 30–35 for enhanced supervision and 70 for traditional supervision.

Goal: Public Safety.
Key Measure: Reduce recidivism through better supervision.

Statutory Change:
It is anticipated that once the final report is released from the sex offender working groups, several statutory changes may be recommended. M.S. 609.3457, subd. 4 will need to be amended as proposed above.

Change Item: Sentence to Service (STS)

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$600	$600	$600	$600
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$600	$600	$600	$600

Recommendation
The Governor recommends $600,000 per year to maintain the level of service currently provided by the Department of Corrections (DOC) Sentencing to Service (STS) program.

Background
For the past eight years funding for county STS crews, crews to pick up litter along highways, and increased grant funds to Hennepin County has been supported by carryforward funds from income contracts in dedicated receipt funds, as suggested by the Office of the Legislative Auditor (OLA). This source of funding can no longer support these activities. Additionally, there is a deficit projected in the General Fund accounts supporting this program. An annual amount of $600,000 will ensure the agency can continue to support the STS program statewide.

Relationship to Base Budget
This change item would increase the base budget for this program by approximately 8.5%.

Key Measures
⇒ Crews will continue to be available for emergencies (tornadoes, storms, floods, and fires).
⇒ Community Services hours preformed by offenders will increase.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,190	$2,190	$2,190	$2,190
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,190	$2,190	$2,190	$2,190

Recommendation

The Governor recommends $4.38 million in FY 2008-09 to reimburse counties for housing Short Term Offenders (STO) at approximately $30 per offender per day, roughly tripling current reimbursement rates.

Background

Approximately four years ago the legislature enacted legislation requiring any offender with 180 days or less left to serve on his/her sentence (after credit for good time and time already served) to complete their sentence at the local level. The legislature appropriated $1.207 million for reimbursement to the counties to house this group of offenders. This amount has equated to less than $10 per day per offender for the county. This initiative will fund this program for approximately 300 offenders per day at a rate of $30.

Relationship to Base Budget

This is a significant increase and will .provide funding for the agency to reimburse counties and assist counties with criminal justice costs for housing short-term offenders at a rate of approximately $30 per day per offender. The base budget for this reimbursement program will increase from $1.207 million to $3.397 million annually.

Statutory Change: Not Applicable

Program Description

The Operations Support program provides direction and support that contributes to consistency across agency functions and enables all programs to accomplish the department's mission.

Program at a Glance

Operations Support Functions

- Support Services;
- Office of Diversity;
- Policy and Legal Services;
- Financial Services;
- Office Services;
- Human Resources;
- Employee Development; and
- Information Technology.

Population Served

Each Minnesota correctional facility and all field service offices are served by this division, as are all of the department's employees. Offenders are served by providing offender account services, adult and juvenile revocation hearings, offender policies, offender records, offender claim processing, and offender discipline review.

Services Provided

The program establishes the mission and major policy for the department and provides executive leadership. It also includes the office of diversity.

The policy and legal services unit is responsible for conducting offender hearings, developing policy, maintaining offender records, and providing direction and technical assistance on legal issues.

The financial services unit monitors and measures all fiscal activity within the department and reports the economic effect to managers and employees. This unit is responsible to complete the biennial budgets and annual spending plans for the agency. It also collects, classifies, records, and summarizes financial transactions and data. A primary responsibility is to provide managers with information necessary for planning and controlling operations on a day-to-day basis. This unit also provides offender account services.

The office services unit provides support services to the department's central office and field services offices. These services include telecommunications, coordination of motor pool vehicle usage, physical plant and staff security, courier services, specialized forms, mail processing, receptionist services, space planning, and maintenance of and improvements to the building.

The human resources unit provides staffing, labor relations, management consultation and employee programs for the department. The primary goal is to partner with management in the recruitment, selection, management, and retention of a high-quality and diverse workforce. Services provided by the unit include recruitment, hiring assistance, job classification, benefit administration, labor contract negotiation and administration, supervisor training, affirmative action support, and human resource information systems. The employee development unit provides pre-service and in-service training designed to develop and maintain employee skill levels.

The information technology unit is responsible for supporting the department's mission by providing computerized data processing services to department operational and management staff. This unit also has responsibilities that include developing, piloting, and implementing the Statewide Supervision System (S^3) for probation and detention. Additionally, the unit develops integrated criminal justice information in collaboration with other state criminal justice agencies (CriMNet). Specific agency planning efforts, such as adult prison population projections and per diem reduction plans are also the responsibility of this unit. This unit provides agency information services including responses to data requests, analyzing correctional issues and conducting research and evaluation projects.

Program Funding

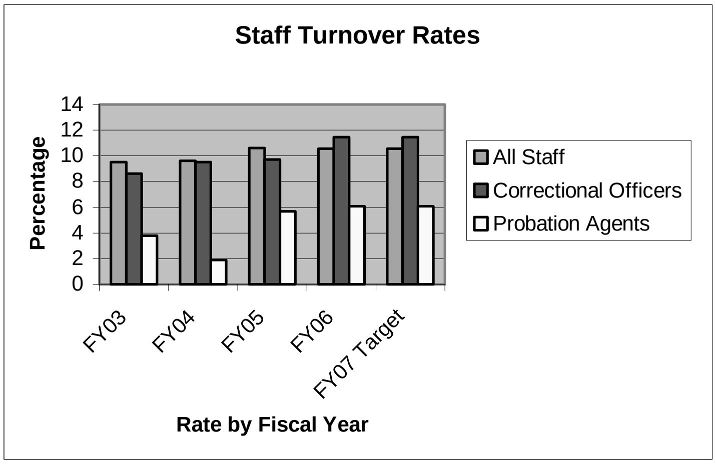
This program is primarily funded through general fund appropriations.

Historical Perspective

This unit has worked diligently to focus on system reengineering through shared services and/or centralization for cost-containment. Several activities of the financial services and human resource units have been centralized or regionalized. The financial services and information technology units are sharing services department wide. This reengineering process has created efficiencies and reduced a number of positions in this unit.

Key Measures

Goal: Strategic and efficient use of resources



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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	15,023	15,023	15,023	15,023	30,046
Technical Adjustments					
Approved Transfer Between Appr			1,884	1,884	3,768
Subtotal - Forecast Base	15,023	15,023	16,907	16,907	33,814
Governor's Recommendations					
Compensation Adjustment		0	407	637	1,044
Total	**15,023**	**15,023**	**17,314**	**17,544**	**34,858**
Misc Special Revenue					
Current Appropriation	210	210	210	210	420
Subtotal - Forecast Base	210	210	210	210	420
Total	**210**	**210**	**210**	**210**	**420**
Expenditures by Fund					
Direct Appropriations					
General	16,502	17,308	17,314	17,544	34,858
Misc Special Revenue	159	210	210	210	420
Statutory Appropriations					
Misc Special Revenue	372	1,694	1,490	1,524	3,014
Total	**17,033**	**19,212**	**19,014**	**19,278**	**38,292**
Expenditures by Category					
Total Compensation	12,755	14,183	14,464	14,695	29,159
Other Operating Expenses	4,278	5,029	4,550	4,583	9,133
Total	**17,033**	**19,212**	**19,014**	**19,278**	**38,292**
Expenditures by Activity					
Operation Support Services	1,200	1,226	1,643	1,873	3,516
Policy And Legal Services	2,658	2,967	2,893	2,893	5,786
Crime Network Systems	1,209	1,540	1,293	1,293	2,586
Financial Services	1,030	1,169	1,169	1,172	2,341
Office Services	1,951	2,360	2,313	2,337	4,650
Human Resources	2,714	2,788	2,794	2,801	5,595
Employee Development	451	646	556	556	1,112
Information Technology	5,820	6,516	6,353	6,353	12,706
Total	**17,033**	**19,212**	**19,014**	**19,278**	**38,292**
Full-Time Equivalents (FTE)	**170.4**	**191.2**	**194.0**	**194.1**	

Change Item: Offender Reentry Services

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,500	$1,500	$1,500	$1,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,500	$1,500	$1,500	$1,500

Recommendation

The Governor recommends $3 million to improve offender reentry services in order to reduce recidivism and improve public safety.

Background

Minnesota continues to experience significant growth in the number of offenders entering prison. Offender populations have increased 306% in the past 25 years. Future projections point to an increase of another 27% by the year 2014. In addition, revocations and returns of Minnesota offenders have increased by 74% over the past eight years. Currently, over 6,000 offenders are released to the community each year.

Successfully preparing offenders for reentry is an investment in public safety, and the social and economic health of families and communities. In 2005, the Department of Corrections (DOC) created the Minnesota Comprehensive Offender Reentry Plan (MCORP), a strategic initiative between invested state agencies, the courts and the community to plan and oversee a statewide reentry approach. The mission of MCORP partners is to identify points of intersection and collaboration for providing coordinated services to assist offenders returning to Minnesota communities. This will require systematic changes to help ensure the seamless delivery of services to the target population. Areas of focus include offender housing, employment development, community/family support, and treatment.

Annually, this initiative will provide $1.25 million in funding for offender job seeking services, the development of a training academy for mentors, evidence based research, expansion of reentry services specific to juveniles, and funding for local units of government participating in MCORP to provide reentry programming to offenders. The remaining $250,000 will fund staffing for the DOC MCORP program and expansion of the existing facilities transitions programs providing pre-release services to offenders.

Relationship to Base Budget

This initiative represents an 83% increase to the current base budget ($820,000) for reentry services.

Key Measures

Reduce Recidivism.
Increase the number of offenders released who have secured housing and/or jobs.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	10,164	20,736	20,736	20,736
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	10,164	20,736	20,736	20,736

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general fund personnel costs, and 4.25% for costs related to direct care and supervision of offenders.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25 percent per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable.

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
	Dollars in Thousands				
Non Dedicated Revenue:					
Departmental Earnings:					
General	9,209	9,626	9,687	9,687	19,374
Grants:					
General	94	100	100	100	200
Other Revenues:					
General	46	66	66	66	132
Other Sources:					
General	2	0	0	0	0
Taxes:					
General	305	0	0	0	0
Total Non-Dedicated Receipts	**9,656**	**9,792**	**9,853**	**9,853**	**19,706**
Dedicated Receipts:					
Departmental Earnings (Inter-Agency):					
Correctional Industries	31,986	42,000	42,000	42,000	84,000
Departmental Earnings:					
Misc Special Revenue	8,295	8,901	8,901	8,901	17,802
Correctional Industries	1,543	1,620	1,620	1,620	3,240
Grants:					
General	4	0	0	0	0
Misc Special Revenue	3,179	3,589	3,558	3,982	7,540
Federal	3,539	4,824	2,802	2,618	5,420
Other Revenues:					
Misc Special Revenue	4,318	6,748	6,748	6,751	13,499
Miscellaneous Agency	11,593	10,006	10,006	10,031	20,037
Gift	10	22	22	22	44
Correctional Industries	390	315	315	315	630
Other Sources:					
Misc Special Revenue	12	12	12	12	24
Miscellaneous Agency	10,594	12,261	12,283	12,305	24,588
Correctional Industries	66	70	70	70	140
Total Dedicated Receipts	**75,529**	**90,368**	**88,337**	**88,627**	**176,964**
Agency Total Revenue	**85,185**	**100,160**	**98,190**	**98,480**	**196,670**

Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
National School Breakfast / Lunch	$249	SO	$249	$220	$220	$220
Reentry Serious / Violent Offender	$560	GPS	$560	$0	$0	$0
Juvenile Accountability & Incentive Block	$72	SO	$71	$30	$0	$0
Violent Offender Incarceration	$195	SO	$195	$1,003	$0	$0
Community Sex Offender Management	$57	GCBO	$57	$53	$0	$0
Residential Substance Abuse Treatment	$125	SO	$125	$116	$0	$0
State Criminal Alien Assistance Program	$546	SO	$934	$991	$991	$991
Bulletproof Vest Partnership	$0	SO	$0	$18	$16	$16
Project Safe Neighborhood	$79	SO	$79	$83	$86	$89
Adult Basic Education	$667	SO	$594	$590	$600	$600
Chapter 1 Neglected & Delinquent	$197	SO	$197	$220	$220	$220
Children with Disabilities	$43	SO	$43	$45	$45	$45
21st Century Community Learning Centers	$95	SO	$106	$75	$75	$75
Vocational Education (Specter)	$94	SO	$94	$175	$175	$175
Faith Based Mentoring Initiative	$0	SO	$0	$65	$87	$87
Traumatic Brain Injury	$0	SO	$0	$100	$100	$100
Byrne	$201	SO	$201	$199	$0	$0
Protecting Inmates	$0	SO	$0	$607	$97	$0
Reentry Success (Life Skills)	$0	SO	$0	$234	$90	$0
Vocation Education (Perkins)	$34	SO	$34	$0	$0	$0
Agency Total	$3,214		$3,539	$4,824	$2,802	$2,618

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

The explanations below pertain to the Federal Funds Summary table.

10.553/5 National School Breakfast/Lunch Program funding is received from the U.S. Department of Agriculture through the MN Department of Education and is used for some salaries, supplies and equipment in kitchen areas at DOC institutions housing juveniles.

16.202 Reentry Serious/Violent Offender Program is a combined effort by the U.S. Departments of Justice, Labor, and Health and Human Services to assist states in facing the challenges presented by offenders returning to the community. No additional funding is expected.

16.253 Juvenile Accountability and Incentive Block Grant funds are received from the U.S. Department of Justice through the MN Department of Economic Security and are used to improve probation services to juvenile offenders, fund various transition services provided to juveniles, and to reimburse counties for residential placement of juvenile offenders on extended furlough.

16.586 Violent Offender Incarceration – Truth-in-Sentencing funding is received from the U.S. Department of Justice and is used for increasing capacity to house violent offenders and to implement drug testing, intervention and sanctions policies. The majority of this funding has been used for construction projects at MCF-Oak Park Heights and MCF-Lino Lakes and for the Challenge Incarceration Program. No additional funding is expected.

16.591 Community Sex Offender Management funds are received from the U.S. Department of Justice and are used for researching and implementing sex offender management techniques in the community. No additional funding is expected.

16.593 Residential Substance Abuse Treatment funds are received from the U.S. Department of Justice through the MN Department of Public Safety and are used for treatment programs and activities at MCF-Shakopee and MCF-Red Wing.

16.606 State Criminal Alien Assistance Program funding is received from the U.S. Department of Justice to reimburse states for housing criminal aliens. Funds are used to reimburse facilities for costs associated with housing those offenders and for offender health services and housing.

16.607 Bulletproof Vest Partnership funding is received from the U.S. Department of Justice and is used to help protect the lives of corrections and law enforcement officers by reimbursing part of the cost of armored vests.

16.609 Community Prosecution and Project Safe Neighborhood funds are received from the U.S. Department of Justice through the MN Department of Public Safety and used to monitor offender and gang activities in the Native American community.

84.002 Adult Basic Education funds are received from the U.S. Department of Education through the MN Department of Education and are used as supplemental funds to serve the most difficult to reach literacy students in the DOC facilities.

84.013 Title 1 Neglected and Delinquent funding is received from the U.S. Department of Education through the MN Department of Education and is used to provide remedial instruction to students at DOC facilities, who have reading levels at least two grades below their peers.

84.027 Children with Disabilities funds are received from the U.S. Department of Education through the MN Department of Education and are used to provide services and instruction to students at DOC facilities who have an individual education plan.

84.287 Twenty-First Century Community Learning Centers funding is received from the U.S. Department of Education through the MN Department of Education and is used to provide juvenile offenders at MCF-Red Wing with an out-of-school time project which will include accelerated reading/math, fine arts programming, community service and drivers' education.

84.331 Post Secondary Education funding is received from the U.S. Department of Education and is used to fund lower division college courses for offenders between the ages of 18 and 25, who will be released within five years.

16.726 Faith Based Mentoring Initiative funding is received through the U.S. Department of Justice and is used to strengthen the Intensive Aftercare Program model.

93.234 Traumatic Brain Injury funds are received from the U.S. Department of Health and Human Services through the MN Department of Human Services and are used to screen offenders for brain injury and develop release planning processes for offenders with brain injuries.

16.738 Byrne funds are received from the U.S. Department of Justice through the MN Department of Public Safety and are used to provide chemical dependency services to incarcerated offenders.

16.735 Protecting Inmates and Safeguarding Communities funds are received from the U.S. Department of Justice and are used to improve prison rape elimination.

84.255A Reentry Success through Personal Effectiveness and Community Support funds are received from the U.S. Department of Education and are used to improve success for offenders upon reentry to communities through the acquisition, application and maintenance of life skills.

84.048 Vocational Education (Perkins) funds are received from the U.S. Department of Education through the MN State Colleges and Universities and are used to increase public safety through offender accountability and reduction in re-offense and recidivism.

	PAGE

➲ Designates that this item is a change item

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 201-8000
Fax: (651) 296-8685
TTY: 1-800-627-3529

January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor recommends a general funding increase of 4% per fiscal year for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests for the FY 2008-09 biennium.

The Governor also recommends $200,000 in FY 2007 as a deficiency request for the Board of Public Defense to deal with increased transcript costs.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

Agency Purpose

Minnesota's Court of Appeals is the state's intermediate appellate court, providing citizens with prompt and deliberate review of final decisions of the trial courts, state agencies, and local governments.

This error-correcting court hears and decides cases in three-judge panels.

⇒ **Mission:** To provide the people with impartial, clear, and timely appellate decisions made according to law.

⇒ **Vision:** To be an accessible intermediate appellate court that renders justice under the law fairly and expeditiously through clear, well-reasoned decisions and promotes cooperative effort, innovation, diversity, and the professional and personal growth of all personnel.

At A Glance

- The Court of Appeals has 16 judges and considers more than 2,500 appeals each year.
- By law, the court must issue a decision within 90 days after oral arguments – the shortest deadline imposed on any appellate court in the nation.
- The court expedites decisions on child protection cases, child custody cases, mental health commitments, and other requested matters.
- Court of Appeals' decisions are the final ruling in about 95% of the appeals filed each year.
- The Court of Appeals operates in a constantly changing environment.
- Laws, case types, and legal sanctions change annually.
- Caseload volume is determined by the trial courts and by other branches of government.
- The Minnesota Courts regularly review their effectiveness by monitoring:
  - ⇒ case filing trends;
  - ⇒ case clearance rates; and
  - ⇒ elapsed case time from filing to disposition.

Core Functions

The Court of Appeals has jurisdiction over all final decisions of the district court, except first-degree murder convictions, which are appealed directly to the Supreme Court. The Court of Appeals has jurisdiction to review interlocutory decisions, administrative agency decisions, and rules and decisions of the commissioner of Employment and Economic Development.

In support of these core functions, the Court of Appeals:

⇒ Manages its cases to ensure prompt resolution within the statutory 90-day time limitation from oral argument to decision.

⇒ Enhances the knowledge and skills of its staff by regular training.

⇒ Explores the use of technology to improve its ability to provide timely and effective access to the court.

Operations

Through its decisions and administration, the Court of Appeals has an impact on all Minnesotans.

In their adjudicative roles, the judges of the Court of Appeals are assisted by law clerks. Administratively, they are assisted by the Chief Staff Attorney's Office and the State Court Administrator's Office.

The Court of Appeals hears cases throughout the state as well as in St. Paul. The court has installed interactive video as an additional measure to provide timely access.

The Court of Appeals issues a published opinion, unpublished opinion, or order opinion on each case it considers. The judges also share responsibility for hundreds of special term opinions, orders on motions, and petitions filed with the court.

With the assistance of a computerized case management system, the court monitors the progress of every appeal to ensure that there are no unnecessary delays in processing. The court demonstrates the value of aggressive, hands-on management of its cases.

Budget

The Court of Appeals is funded 100% from General Fund direct appropriations.

Contact

Minnesota Court of Appeals
Minnesota Judicial Center
25 Reverend Doctor Martin
Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Sue Dosal
State Court Administrator
135 Minnesota Judicial Center
25 Reverend Doctor Martin
Luther King Jr. Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 296-2474
Fax: (651) 297-5636

Home page: http://www.courts.state.mn.us

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	8,189	8,189	8,189	8,189	16,378
Recommended	**8,189**	**8,189**	**8,517**	**8,857**	**17,374**
Change		0	328	668	996
% Biennial Change from 2006-07					6.1%
Expenditures by Fund					
Direct Appropriations					
General	8,052	8,326	8,517	8,857	17,374
Total	**8,052**	**8,326**	**8,517**	**8,857**	**17,374**
Expenditures by Category					
Total Compensation	6,861	7,143	7,143	7,143	14,286
Other Operating Expenses	1,191	1,183	1,374	1,714	3,088
Total	**8,052**	**8,326**	**8,517**	**8,857**	**17,374**
Expenditures by Program					
Court Of Appeals	8,052	8,326	8,517	8,857	17,374
Total	**8,052**	**8,326**	**8,517**	**8,857**	**17,374**
Full-Time Equivalents (FTE)	**79.9**	**81.6**	**81.6**	**81.6**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**8,189**	**8,189**	**8,189**	**16,378**
Subtotal - Forecast Base	**8,189**	**8,189**	**8,189**	**16,378**
Change Items				
Judicial Branch Increase	0	328	668	996
Total Governor's Recommendations	**8,189**	**8,517**	**8,857**	**17,374**

Change Item: Judicial Branch Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$328	$668	$668	$668
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$328	$668	$668	$668

Recommendation
The Governor recommends a general funding increase of 4% per fiscal year for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests.

Background
The Governor respects the separation of powers and the desire of officials in the judicial branch and legislative branches and other constitutional officers to independently present their requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

Relationship to Base Budget
Base funding for judicial branch agencies in the FY 2008-09 biennium is $687 million. The funding increase recommended is about 6.1% for the biennium.

THE SUPREME COURT OF MINNESOTA
MINNESOTA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
ST. PAUL, MINNESOTA 55155

CHAMBERS OF
RUSSELL A. ANDERSON
CHIEF JUSTICE

(651) 296-3380

January 22, 2007

The 2007 Minnesota Legislature:

On behalf of the hundreds of thousands of litigants, 304 judges, and 3000 employees of the judicial branch of the State of Minnesota, I transmit the FY08-09 budget request for the Minnesota Judicial Branch.

In addition to the FY08-09 base budget for the Supreme Court, the Court of Appeals, and the District Courts, I am transmitting six change requests highlighting additional needs of the judicial branch for the next biennium. Those requests are:

- $38,914,000 in projected salary and insurance increases to Maintain Core Justice Operations by funding current staffing levels
- $8,310,00 for caseload growth in mandated services: interpreters, psychological services, guardians ad litem, and in forma pauperis services
- $9,632,000 for new trial court and court of appeals judges to handle the ever increasing caseloads in our courts
- $5,606,000 for our Strategic Plan initiatives
- $517,000 to address the need for security at the Minnesota Judicial Center
- $4,000,000 for Civil Legal Services for the Poor

The Minnesota judiciary recently culminated a two-decade effort to change the structure of our judicial branch in a way that will better meet the needs of Minnesota's citizens and the increasing demands placed on our court system. What was once a confederation of state appellate and county-funded trial courts is now a unified, state funded branch of government. The Judicial Council, a single statewide policy-making entity, has replaced the various policy groups associated with the dispersed court structure. These changes present a tremendous opportunity for the judicial branch to more equitably, efficiently, and effectively serve the citizens of Minnesota.

As one of its first tasks, the Judicial Council developed a new strategic plan for the judicial branch, which sets a clear direction over the next three years for the operation of the unified court system. This strategic plan serves as a roadmap for the judicial branch – guiding judges and court employees as they perform their work, prioritizing the use of scarce judicial branch resources, and measuring the success of the courts as we strive to achieve our mission. The new strategic plan sets forth three long-term goals for the court system: (1) Access to Justice; (2) Administering Justice for Effective Results; and (3) Public Trust, Accountability, and Impartiality. Implementation of these goals is critical to achieving the full vision of a consolidated judicial branch.

At the same time, enormous caseload pressures continue, including the pervasive impact of methamphetamines on nearly every case type. Likewise, the need for services mandated by federal and state laws, such as interpreters, guardians ad litem, and psychological services, continues to grow.

State Funding and Judicial Branch Efficiencies

Over the past several years, the responsibility for funding trial court operations has shifted from county to state government. During this same time, the judicial branch has experienced little financial flexibility because of base budget cuts in FY04-05 and fewer funds provided in FY06-07 than were needed by the judicial branch.

Nonetheless, the judicial branch has endeavored to implement system changes aimed at providing services more efficiently and uniformly across the state. This has included consolidating court administrator positions so that over one-third of all court administrators (33 of 85) now serve more than one county; consolidating district administrator positions in the seventh and eighth judicial districts; sharing staff and moving work across county and district lines; developing an on-line self help center which is available across the state through the judicial branch website; contracting out collection efforts to obtain greater return on collection of court imposed fines and fees; and completing on schedule and within budget the implementation of MNCIS – a new statewide case management system which will provide better information to judges, court staff, criminal justice partners statewide, and the public. Our commitment to developing new performance standards will also guide the judicial branch toward new efficiencies.

The judicial branch has also effected fundamental reforms in programs that became state funded over the last several years to improve quality, coverage, and cost efficiency. For example, upon the transfer to state funding, the guardian ad litem (GAL) function in the state was a patchwork quilt of 56 different programs, delivering services of disparate quality with inadequate coverage for hundreds of abused and neglected children each year and at highly variable costs. Since that time, the number of programs has been reduced to ten (one per judicial district) and now operate with much greater consistency and efficiency. The number of supervisory staff has been cut nearly in half. Statewide training and a comprehensive quality assurance program have been implemented as well. And, most importantly, the number of children served has increased dramatically.

The statewide interpreter program also has undergone a comprehensive and policy-based reform resulting in improved program oversight, uniform rates of compensation, and timely provision of qualified spoken and sign language interpreters. Best practices and statewide training, testing, and certification, as well as a comprehensive procedure for handling ethics complaints against interpreters, have been instituted. Similar work is underway to improve the psychological examination and pro se services functions, as well.

To address the historic disparity in county funding of our trial courts, we have embarked on a long-term equity effort to equalize resources over ten judicial districts. Nearly $5 million was reallocated from within the trial court base budget in FY06 and again in FY07 to help equalize resources among the districts. It is the policy goal of the judicial branch that citizens of this state should have access to equitable kinds and levels of judicial services regardless of where they live to give meaning to our belief in equal justice under law. The budget we have proposed will enable us to continue those efforts.

No Control Over Workload

The Minnesota judiciary is an open door for justice in this state. Our workload is dictated by the will of prosecutors enforcing state and local laws, the desires of citizens and businesses for redress, and the needs of children and other vulnerable adults for protection. The judicial branch is unable turn away those who enter the courthouse to seek our services. The judiciary has an impact on the lives of citizens from birth to death. Unlike state agencies, the judiciary does not run programs and has no discretionary services. All resources of the court system support the adjudication of matters brought to us by the citizens of the state.

I am therefore presenting to the Governor and to the 2007 Legislature for consideration, a FY08-09 budget request, as outlined above, which funds the resources necessary to meet the constitutional and statutory mandates of the judicial branch and provide the citizens of this state with the quality of judicial services that they expect and deserve.

Very truly yours,

Russell A. Anderson
Chief Justice

Court of Appeals

	FY08	FY09	Total
Adjusted Base Budget	$8,189	$ 8,189	$16,378
Change Requests:			
Maintain Core Justice Operations	527	867	1,394
Caseload Increase	1,285	1,876	3,161
Total Request	$ 10,001	$ 10,932	$ 20,933

The Court of Appeals processes more than 2500 appeals annually. For most citizens, it is the court of last resort. The court seeks additional judges and staff to address the growing case scheduling delays and to continue to expedite time sensitive cases such as child protection, child custody, and civil commitment cases.

The Court of Appeals requests additional funding as follows:

- **Maintain Core Justice Operations** seeks to fund employee and projected insurance cost increases to be negotiated by the Department of Employee Relations.

- **Caseload Increase** will address the increased delay resulting from steady growth in the number of case filings along with statutory mandates and judicial branch policies that give scheduling priority to certain case types, such as civil commitments of sexual psychopathic personality and sexually dangerous persons, child protection, physical child custody and certification of juveniles for adult prosecution.

Change Item: Maintain Core Justice Operations

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$527	$867	$867	$867
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$527	$867	$867	$867

Request

The Court of Appeals requests $1.394 million in FY 2008-09 to maintain core justice operations.

Background

Currently the Court of Appeals has approximately 64 employee FTEs and 16 appellate judges. Employees of the court of appeals are compensated under the judicial branch compensation and pay plan administered by the State Court Administrator's Office (SCAO) under the direction of the Judicial Council.

The judicial branch non-judicial pay plan consists of the same four basic components as the executive branch: across the board adjustments to the salary range, merit or step increases, employer retirement contributions, and the insurance programs negotiated by the Department of Employee Relations for all state employees.

During the FY 2008-09 biennium, the judicial branch has estimated that additional salary funding will be necessary to implement a pay plan commensurate with other negotiated state and local agreements and to provide a salary increase for judges in FY 2008 and FY 2009. Additional funding is also required to fully fund recently mandated increases in employer paid retirement plan contributions. Especially problematic is the expected double digit cost increase for health insurance costs.

Due to a shortage of funding in the previous two biennia for maintaining core justice operations, both law clerk and staff positions in the Court of Appeals have been eliminated or held vacant for extended periods of time. This action was required even though case filings increased 15% from 2001 to 2005, indicating a need for additional staff. This loss of staff has resulted in case backlog and delay in case processing including a doubling of the time it takes from acceptance of a case to oral argument. Prior to the FY 2004-05 funding cuts and the inadequate funding for the Court of Appeals received in the FY 2006-07 biennium, the Minnesota Court of Appeals was a national model of efficiency in case processing time. In 2005, the Court of Appeals did not meet American Bar Association (ABA) standards for clearance rates on cases, last brief to submission, and last brief to disposition.

In 2005 the Court of Appeals backlog reached 506 cases. This was a 52% increase over the backlog in 2004 and a 283% increase over 2003. Delays in processing cases restrict access to justice for the Minnesota constituents as "justice delayed is justice denied". Litigants must wait a significantly longer period of time to have their cases heard by the Court of Appeals and as a result for a decision on their case.

Juvenile protection cases are expedited as the Children's Justice Initiative is a strategic priority of the judicial branch. However, because of the current, inadequate funding, prioritizing these cases comes at a cost to all other case types including: family, juvenile delinquency, economic security, criminal, and civil. The litigants in these cases will not be able bring the uncertainly to an end and achieve closure to this major part of his/her life until the case can be processed.

Relationship to Base Budget

This request represents an 8.5% increase to the Court of Appeals biennial base budget.

Key Measures

Failure to fund core justice operations including negotiated pay plans and mandated employee health insurance costs will result in layoffs and additional delays in case processing. These will significantly impact the ability of the courts to accomplish their constitutional role of adjudicating disputes.

Alternatives Considered

Because human resources costs are 88% of the entire Court of Appeals budget, the effective alternatives available to fund salary increases are few. A reduction in the workforce is the most likely and least desirable as it will severely limit access to justice for the constituents of Minnesota as cases will take even longer to process these important cases. Justice delayed is justice denied.

Statutory Change: Not Applicable

Change Item: Caseload Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,285	$1,876	$1,876	$1,876
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,285	$1,876	$1,876	$1,876

Request

The Court of Appeals requests $3.161 million in FY 2008-09 for caseload increases.

Background

The Minnesota Court of Appeals has been recognized as a national model of efficiency. But an increase in case filings coupled with inadequate funding of the court in the previous two biennia have caused the Court of Appeals to fail to meet the ABA standards in clearance rates, last brief to submission, and last brief to disposition for the first time in many years.

Created in 1983, the Minnesota Court of Appeals currently has 16 judges, who sit in three-judge panels. Retired judges sitting with the court for temporary terms substitute for judges on the panel, when they are absent due to other judicial duties or for personal reasons. Parties may appeal as a matter of right from decisions of the district court, state administrative agencies, city governments and county governments. The last judgeship was added to the Court of Appeals in 1990.

Since 1999, case filings have increased approximately 18%. An analysis of filing trends, which includes a study of the number of trial court filings, indicates that the number of case filings in the Court of Appeals will continue to increase. With the increase in filings, there has been a delay in the length of time that parties must wait to have their cases scheduled. As of October 2006, parties to an appeal had to wait approximately 180 days from the time briefing was complete to the time argument was scheduled. This is a significant increase from our historic average prior to 2003 of 30 to 45 days. Delays in processing cases restrict access to justice for Minnesota citizens and impact the scheduling of all case types, including family, juvenile delinquency, economic security, criminal, and civil.

The Minnesota Court of Appeals is requesting an increase in funding for three additional judge units (increasing the court's capacity by an additional three-judge panel), an additional staff attorney, 2.67 additional law clerks, and an increase in retired judge funding. This request will address the increased delay resulting from steady growth in the number of case filings along with statutory mandates and judicial branch policies that give scheduling priority to certain case types, such as civil commitments of sexual psychopathic personality and sexually dangerous persons, child protection, physical child custody and certification of juveniles for adult prosecution.

Along with the funding requested for an additional three-judge panel, funding for additional retired judges is needed to address the backlog and scheduling delays. In addition, unfunded budget needs from the last two biennia have forced the Court of Appeals to hold law-clerk positions and staff-attorney positions vacant during a period when the increase in case filings created a need for additional staff. As a result, the case backlog began to grow dramatically at the same time that staffing levels diminished. In 2005 the Court of Appeals backlog reached 506 cases. This was a 52% increase over the backlog in 2004 and a 283% increase over 2003. Delays in processing cases restrict access to justice for the Minnesota constituents as "justice delayed is justice denied". Litigants must wait a significantly longer period of time to have their cases heard by the Court of Appeals and as a result for a decision on their case.

Each Court of Appeals judge had two and one-half law clerks until the fall of 2003 (FY 2004). Budget cuts forced the court to reduce the number of law clerks per judge to two and one-third. These staff reductions had a direct impact on the overall time to resolve a case on appeal.

An increasing number of appeals involve one or more pro se litigants. These cases often require close monitoring, which also requires additional staff. The funding requested for an additional staff attorney and additional law clerks will restore the court to its FY 2002 staffing level, which is a critical component of the court's efforts to increase its capacity to address the increase in case filings and an increase in the complexity of cases. Without funding for three additional judge units, an additional staff attorney, 2.67 additional law clerks and an increase in retired judge funding, the length of time to disposition and the scheduling delays will continue to grow.

Relationship to Base Budget

This request represents a 19.3% increase to the Court of Appeals operations biennial base budget.

Key Measures

⇒ Three additional judges will permit the Court of Appeals to increase the number of three-judge panels from five to six. This increase would allow the Court of Appeals to decide 282 additional cases each year.

⇒ A key measure will be a reduction in the number of days between case filing and case scheduling. Each case represents an important human, civic or business controversy that deserves a prompt and just resolution. The court's increased capacity will result in the expeditious resolution of cases for the citizens of Minnesota.

⇒ With the additional funding requested for a three-judge panel, a staff attorney, law clerks and retired judges, the Court of Appeals will regain its status as a national model of efficiency.

Alternatives Considered

When it was thought that the increase in filings was a temporary phenomenon, the Court of Appeals tried a number of stopgap measures to address the problem. But none has proved sustainable. Extra cases have been added to panel calendars, ad hoc panels have been created (in addition to the judges' regular workload and panels), and full appeals have been added to motions calendars heard by the Special Term panel. Some of the stopgap measures have resulted in the issuance of less-detailed, summary opinions, which can have an impact on public perceptions about the care with which appeals are being considered, and which can pose difficulties for the Supreme Court when it is asked to review decisions of the Court of Appeals. Moreover, these stopgap approaches had little impact on reducing the backlog. Because a panel must consist of two active judges, adding retired-judge funding beyond the amount in this budget request would not increase the capacity of the court to the extent necessary to reduce the backlog and delay.

It is essential to public trust and confidence – and essential to the judges who care deeply about the quality of the court's opinions—that all appeals receive a full and fair hearing and that appellate opinions on which the parties, trial courts, and attorneys rely reflect the careful attention of the judges.

Statutory Change: Not Applicable

➲ Designates that this item is a change item

Agency Purpose

Minnesota Statutes Ch. 214, authorizes the Minnesota Board of Dentistry to act as the official regulatory agency for dental professionals. The Board of Dentistry enforces M.S. 150A and Minnesota Rules Ch. 3100 - the Minnesota Dental Practice Act - relating to dentists, hygienists, and dental assistants whose fitness to practice has been tested, and whose training and other qualifications meet the specifications established by the legislature and the board.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $2.604 million

Total Estimated Revenues: $1.864 million

Staff: 10 full-time equivalent employees

Minnesota Board of Dentistry Statistics
(As of June 30, 2006):

Total Licensed/Registered: 15,401

The mission of the board is:

- to ensure that Minnesota citizens receive quality dental health care from competent dental health professionals;
- to protect the public at large by issuing licenses/ registrations only to those who meet the minimum standards of practice;
- to provide timely and impartial resolution of complaints filed against dental professionals; and
- to demonstrate continued competency of regulated dental professionals through establishing and monitoring professional development standards.

Core Functions

The purpose of the board is to protect the public by ensuring that licensed dental professionals comply with the board's rules and practice in a professional, legal, and ethical manner. The core functions are:

- establishing minimum standards for licensure/registration;
- regulating the dental professionals in Minnesota;
- ensuring that those who hold a professional dental credential from the board continue to meet those standards throughout the time they hold the credential;
- identifying those who fail to maintain the minimum standards needed to render quality care to patients safely;
- taking timely and appropriate disciplinary or corrective action when warranted; and
- providing accurate and current information to the public to enable them to make informed decisions about their dental health care.

Operations

⇒ The board consists of nine members appointed by the governor: five dentists, one dental hygienist, one registered dental assistant, and two public members.

⇒ The full board normally meets five times per year. The board also appoints several committees (e.g., executive, complaint, licensure and credentials, policy) that meet as needed.

Key Measures

⇒ The board approved 728 new licenses and renewed 3,772 licenses in FY 2006.

⇒ 239 complaints were received in FY 2006, down 17% from FY 2005. 247 cases were closed during the year and 109 remained opened.

⇒ Currently the board has 61% of its licensees using the online renewal service.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $2.604 million, which includes 10 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Department of Health HIV/HBV/HCV program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect $1.864 million in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and from fines and civil penalties assessed through the disciplinary process.

Contact

Minnesota Board of Dentistry
2829 University Avenue Southeast, Suite 450
Minneapolis, Minnesota 55414

The web site at: http://www.dentalboard.state.mn.us/ gives visitors easy access to useful information about dentistry. Types of information available through the web site include; regulatory news and updates, rules and Minnesota statutes, public notices and forms, newsletters, and online license verification, renewal, and change of address.

Marshall Shragg, Executive Director
E-mail: dental.board@state.mn.us
Phone: (612) 617-2250
Non-metro toll free: (888) 240-4762
Fax: (612) 617-2260
TDD: 1 (800) 627-3529

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	1,038	955	955	955	1,910
Recommended	**1,038**	**955**	**987**	**1,009**	**1,996**
Change		0	32	54	86
% Biennial Change from 2006-07					0.2%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	813	1,030	987	1,009	1,996
Open Appropriations					
State Government Spec Revenue	21	13	20	20	40
Total	**834**	**1,043**	**1,007**	**1,029**	**2,036**
Expenditures by Category					
Total Compensation	615	670	735	784	1,519
Other Operating Expenses	219	373	272	245	517
Total	**834**	**1,043**	**1,007**	**1,029**	**2,036**
Expenditures by Program					
Dentistry, Board Of	834	1,043	1,007	1,029	2,036
Total	**834**	**1,043**	**1,007**	**1,029**	**2,036**
Full-Time Equivalents (FTE)	**8.7**	**9.7**	**10.1**	**10.1**	

	Dollars in Thousands			
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**955**	**955**	**955**	**1,910**
Subtotal - Forecast Base	**955**	**955**	**955**	**1,910**
Change Items				
Operating Budget Increase	0	10	10	20
Compensation Adjustment	0	22	44	66
Total Governor's Recommendations	**955**	**987**	**1,009**	**1,996**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**13**	**20**	**20**	**40**
Total Governor's Recommendations	**13**	**20**	**20**	**40**

Change Item: Operating Budget Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	10	10	10	10
Revenues	0	0	0	0
Net Fiscal Impact	$10	$10	$10	$10

Recommendation

The Governor recommends increasing the Board of Dentistry's annual appropriation by $10,000 in FY 2008 and by $10,000 for FY 2009 to cover the cost of investigations, credit card processing fees, and rulemaking.

Background

Over the past six years, the number of licensees has increased over 12%. And while the number of complaints varies year-to-year, the overall trend is increasing. In addition, the cases have become more complex and take more time to resolve, which increases the overall costs of investigations and litigation.

In an effort to improve customer service to licensees, the board has implemented an online licensing renewal system; however, in providing the service, the board incurs processing fees from credit card companies and banks administering the transaction. The board expects to pay $11,000 annually in processing fees over the next biennium.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $2.763 million. The board is estimated to collect $2.828 million in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures

The additional resources will assist the board in meeting the following key measures:

- review and approve licenses in a timely manner;
- promptly investigate complaints and resolve investigations; and
- protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	22	44	44	44
Revenues	0	0	0	0
Net Fiscal Impact	$22	$44	$44	$44

Recommendation

The Governor recommends additional funding of $22,000 in FY 2008 and $44,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	710	1,188	1,390	1,438	2,828
Other Revenues:					
State Government Spec Revenue	(7)	0	0	0	0
Total Non-Dedicated Receipts	**703**	**1,188**	**1,390**	**1,438**	**2,828**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**703**	**1,188**	**1,390**	**1,438**	**2,828**

➲ Designates that this item is a change item

Agency Purpose

Minnesota Statutes 148.621-148.633 and Minnesota Rules, Ch. 3250, authorize the Minnesota Board of Dietetics and Nutrition Practice (BDNP) to act as the licensure agency for the practice of dietetics and nutrition. It was established and currently exists to protect the public through the regulation of dietitians and nutritionists in the state of Minnesota. Regulation is accomplished through initial licensure examination, annual license renewal and required continuing education requirements.

The mission of the board is:

- to promote the public's interest in receiving quality dietetic and nutrition services from competent dietitians and nutritionists;
- to protect the public by ensuring that all licensed dietitians and nutritionists meet the educational and practical requirements specified in law; and
- to protect the public by setting standards for quality dietetic and nutrition services.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: $237,000

Total Estimated Revenue: **$**168,000

Staff: 0.75 Full-time equivalent employee

Minnesota Board of Dietetics and Nutrition Practice Statistics
(As of June 30, 2006)

Total Licensed: 1,081
Dietitians – 1,020
Nutritionists – 61

Core Functions

The board fulfills its mission by:

- reviewing and approving examination standards to ensure knowledge of applicants for licensure as dietitians and nutritionists;
- reviewing of continuing education required to maintain knowledge for the safe practice of dietetics and nutrition;
- managing complaints alleging violation of board statutes and rules through initial committee review, thorough investigation, and disciplinary conferences with licensees to determine whether legal action against a dietitian or nutritionist is warranted; and
- providing accurate information about licensure requirements, standards of practice, and disciplinary process to the public, licensees, and other interested parties.

Operations

⇒ The board consists of seven members appointed by the governor - two licensed dieticians, two licensed nutritionist, and three public members. BDNP maintains two active subcommittees: Continuing Education and Disciplinary. Board members also serve as representatives to the Council of Health Boards and the Health Professional Service Program.

⇒ A half-time executive director and a quarter-time clerical assistant complete day-to-day operations.

⇒ BDNP serves consumers, licensed dietitians, licensed nutritionists, applicants for licensure, other governmental agencies, third party payers and sponsors of continuing education courses.

Key Measures

⇒ In FY 2006 the board approved new licenses for two nutritionists and 89 dieticians, as well as renewed eight dietetics' licenses.

⇒ The board received three complaints and closed one case in FY 2006.

⇒ The board will initiate an online renewal service in 2006.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be $237,000, which includes 0.75 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the

Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect $168,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Dietetics and Nutrition Practice
2829 University Avenue Southeast, Suite 555
Minneapolis, Minnesota 55414

The web site at: http://www.dieteticsnutritionboard.state.mn.us/ gives visitors easy access to useful information.

E-mail: board.dietetics-nutrition@state.mn.us

Laurie Mickelson, Executive Director
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Phone: (651) 201-2764
Fax: (651) 201-2763
TDD: (612) 297-5353 or 1-(800)-627-3529

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	101	101	101	101	202
Recommended	**101**	**101**	**103**	**119**	**222**
Change		0	2	18	20
% Biennial Change from 2006-07					9.9%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	76	126	103	119	222
Open Appropriations					
State Government Spec Revenue	2	7	7	7	14
Total	**78**	**133**	**110**	**126**	**236**
Expenditures by Category					
Total Compensation	55	61	63	81	144
Other Operating Expenses	23	72	47	45	92
Total	**78**	**133**	**110**	**126**	**236**
Expenditures by Program					
Dietetics & Nutrition Bd.	78	133	110	126	236
Total	**78**	**133**	**110**	**126**	**236**
Full-Time Equivalents (FTE)	**0.8**	**0.8**	**0.8**	**0.8**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**101**	**101**	**101**	**202**
Subtotal - Forecast Base	**101**	**101**	**101**	**202**
Change Items				
Retirement Payout	0	0	14	14
Compensation Adjustment	0	2	4	6
Total Governor's Recommendations	**101**	**103**	**119**	**222**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**7**	**7**	**7**	**14**
Total Governor's Recommendations	**7**	**7**	**7**	**14**

Change Item: Retirement Payout

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	0	14	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$14	$0	$0

Recommendation

The Governor recommends a one-time increase to the Board of Dietetics and Nutrition Practice's appropriation by $14,000 in FY 2009 to cover the cost of an employee retirement payout.

Background

The board is staffed with a part-time Executive Director (.75 FTE) and receives an annual appropriation of $101,000, of which 63 percent is allocated for salaries. In FY 2009, a long-time employee of the state is planning to retire and has amassed substantial vacation and sick time, which the board is obligated to pay. Due to the small size of the budget, the board does not have the ability to pay this one-time obligation from its existing spending authority. The one-time payout accounts for 14 percent of the board's annual appropriation.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be $250,000. The board is estimated to collect $149,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Statutory Change: Not Applicable

DIETETICS & NUTRITION PRACTICE

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	2	4	4	4
Revenues	0	0	0	0
Net Fiscal Impact	$2	$4	$4	$4

Recommendation

The Governor recommends additional funding of $2,000 in FY 2008 and $4,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
State Government Spec Revenue	75	74	74	75	149
Total Non-Dedicated Receipts	**75**	**74**	**74**	**75**	**149**
Dedicated Receipts:					
Total Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Agency Total Revenue	**75**	**74**	**74**	**75**	**149**

	PAGE

➲ Designates that this item is a change item

Agency Purpose

The Minnesota State Council on Disability (MSCOD) is an independent agency with the broad charge of advising the governor, state legislature, state agencies, and the public about legislation, programs, and policies that impact the lives of persons who have a disability (M.S. 256.482). The MSCOD links people with disabilities to those who are statutorily responsible for planning and delivering services to them, and supplements the efforts of disability advocacy groups in the private sector.

At A Glance

- There are approximately **309,693** people with disabilities between the ages of 16 and 64 in Minnesota**. 50%** of Minnesotans with disabilities are employed compared to **80%** of Minnesotans with no disability.
- **2,176** Minnesotans with disabilities are institutionalized in nursing homes. MSCOD is leading the charge to relocate people in community settings as part of the Options Too program.
- The average individual earnings for a person with a disability are **$14,600** or less than half what a person without a disability averages.
- **17%** of Minnesotans with disabilities are at or below the federal poverty level compared to **7%** of Minnesotans without disability.

**Figures taken from the 2004 American Community Survey.*

MSCOD Mission: The MSCOD advises, provides technical assistance, collaborates, and advocates to expand opportunities, improve the quality of life and empower persons with disabilities.

The council plays a critical role for Minnesotans with disabilities because historically, people with disabilities have been and continue to be underrepresented in the legislature and have had limited access to the office of the governor and public policy makers. MSCOD provides leadership in the disability community while maintaining an excellent working relationship with the governor, members of both houses of the legislature, and other state agencies.

Overall, the populations served by the council are disproportionately impoverished and have experienced a multitude of complex and inter-related social and economic problems. These conditions are both caused and exacerbated by lack of equal access and opportunity.

Core Functions

Within our broad charge, the council has focused its purpose by identifying five strategies that span all MSCOD activities:

1. Be a resource for people with disabilities.
2. Engage in a range of outreach activities to serve stakeholders.
3. Partner and build relationships to effectively serve the state and the disability community.
4. Practice sound fiscal and administrative processes.
5. Provide research and data for use in advising its' customers.

MSCOD is known for its ability to answer tough questions as well as its strong leadership in forging partnerships to serve the disability community. Common questions range from how to apply for a disability-parking certificate to very technical questions about the building code, the Americans with Disabilities Act (ADA), and emergency preparedness. The council meets its charge by offering wide-ranging services to its customers, including:

- providing consultation and advisory services on disability related policy;
- supplying advice and information/referral services on all disability-related services and programs;
- providing guidance, training, and technical assistance on laws, regulations, and codes;
- researching, formulating, and developing plans, programs, and policies serving the needs of people with disabilities;
- delivering training on a myriad of disability related topics to a wide range of audiences; and
- forging partnerships to effectively address emerging trends in the disabled community.

Operations

The MSCOD serves a varied customer base. People with disabilities and their families are the primary clients of the council's services. MSCOD also provides services to public officials, state agency personnel, local governments, employers, community organizations, disability related organizations and institutions, architects, builders, neighborhood groups, and the broader public.

Advisory services are provided both formally and informally to public officials and state agency personnel. Disability related information, such as MSCOD's publications, frequently asked questions and answers (FAQs), fact sheets, and links are also available on our web site. MSCOD provides informational services via e-mail and distribution lists. MSCOD sponsors several public forums each year. Four town hall meetings (broadcast statewide via video conferencing) and one legislative forum, annually, reach approximately 500 people. The agency also offers customized training on disability issues to a wide array of audiences on topics such as access, disability awareness, emergency management and preparedness, employment, and the ADA. MSCOD does approximately 45 of these trainings each year, and provides technical assistance for those topics as well.

Key Measures

Demand for disability-related technical assistance has increased for the past three years. Over that period, the council received 25,448 contacts via telephone, e-mail, and fax – 6,523 in FY 2004, 8,776 in FY 2005, and 10,150 in FY 2006 – an average yearly increase of 25%.

To measure success and improve service quality, MSCOD conducts annual consumer satisfaction surveys; 97% of respondents in our most-recent survey rated our service as 'excellent' or 'very good'. The agency also evaluates all council events and seeks comments on the usefulness of our key publications, information, and referral services provided.

Success is also measured by state agencies using our services. In FY 2005-06, we had a 7% increase over the previous fiscal year of state agencies utilizing MSCOD for technical assistance. We have also increased our services to local governments and enhanced our relationships with the governor's office and state legislators to expand disability policy resources.

We are a valued resource for state agencies on issues such as: emergency preparedness and disaster planning for persons with disabilities, ADA training, disability parking, building code revisions, and other matters of public policy.

Budget

The council's FY 2006-07 budget totals $1 million from the state's General Fund, but will sunset at the end of the current biennium. Council staff includes 5.6 fulltime equivalent (FTE) positions. There are 21 council members appointed by the governor, with at least one member from each economic development region of the state. MSCOD also financially partners with state agencies and private enterprise to serve citizens with disabilities.

Contact

Minnesota State Council on Disability
121 East 7th Place, Suite 107, Saint Paul, Minnesota 55101
(651) 296-6785 V/TTY, 1 (800) 945-8913 V/TTY
E-mail: council.disability@state.mn.us

Further information about the MSCOD, including strategic plan, fact sheets, frequently asked questions (FAQs), publications, links and other information, is available at the council's web site at: http://www.disability.state.mn.us

To see the council strategic plan go to
http://www.disability.state.mn.us/pubs/strategicplan/stratplan.html

David Schwartzkopf, Chair
Joan Willshire, Executive Director – Phone (651) 296-1743 V/TTY; FAX (651) 296-5935

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	500	500	500	500	1,000
Recommended	**500**	**500**	**507**	**515**	**1,022**
Change		0	7	15	22
% Biennial Change from 2006-07					2.2%
Expenditures by Fund					
Direct Appropriations					
General	429	589	507	515	1,022
Statutory Appropriations					
Misc Special Revenue	136	153	0	0	0
Total	**565**	**742**	**507**	**515**	**1,022**
Expenditures by Category					
Total Compensation	349	449	372	380	752
Other Operating Expenses	216	293	135	135	270
Total	**565**	**742**	**507**	**515**	**1,022**
Expenditures by Program					
Cncl On Disability	565	742	507	515	1,022
Total	**565**	**742**	**507**	**515**	**1,022**
Full-Time Equivalents (FTE)	**6.1**	**6.0**	**6.0**	**6.0**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**500**	**500**	**500**	**1,000**
Technical Adjustments				
Program/agency Sunset		(500)	(500)	(1,000)
Subtotal - Forecast Base	**500**	**0**	**0**	**0**
Change Items				
Elimination of Agency Sunset	0	500	500	1,000
Compensation Adjustment	0	7	15	22
Total Governor's Recommendations	**500**	**507**	**515**	**1,022**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**153**	**0**	**0**	**0**
Total Governor's Recommendations	**153**	**0**	**0**	**0**

Change Item: Elimination of Agency Sunset

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation

The Governor recommends an appropriation of $500,000 per year in FY 2008, FY 2009, and beyond from the General Fund to continue base-level funding and eliminate the Minnesota Council on Disability (MSCOD) sunset provision.

Background

The MSCOD provides information, referral services, and technical assistance to individuals with disabilities, employers, builders and architects, the general public, and state agencies. They serve as a unique resource for information on a wide variety of disability-related issues, everything for obtaining parking to complying with provisions in the Americans with Disabilities Act. Allowing the agency to lapse could create a gap in the services they provide, causing confusion among the clients they previously served.

Additionally, the agency fills a unique role for state government by advocating for the disabled to ensure policies are created or altered with consideration for their distinctive needs. In the past, MSCOD staff have worked and provided input on issues including: access, employment rights, health care, accessible and affordable housing, and work incentives. The agency regularly advises the governor and executive branch staff, and makes an effort to contact every legislator once a year to educate them on issues of concern to the disabled community.

Relationship to Base Budget

Under current law, the agency has no base funding for the FY 2008-09 biennium because the agency sunsets at the end of FY 2007. This proposal restores the agency's base funding.

Key Measures

⇒ Over the past three years, the agency has received more than 25,000 contacts for technical assistance. The number of contacts has increased an average of 25% each year – over 6,500 in FY 2004, 8,700 in FY 2005 and 10,150 in FY 2006.

⇒ Annual surveys conducted demonstrate customer satisfaction with the agency services - 97% rate them "excellent" or "very good."

Statutory Changes: Elimination of sunset date in M.S. 256.482, Subdivision 8.

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$7	$15	$15	$15
Revenues	0	0	0	0
Net Fiscal Impact	$7	$15	$15	$15

Recommendation
The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget
This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Grants:					
Misc Special Revenue	75	0	0	0	0
Other Revenues:					
Misc Special Revenue	120	90	0	0	0
Total Dedicated Receipts	**195**	**90**	**0**	**0**	**0**
Agency Total Revenue	**195**	**90**	**0**	**0**	**0**

- CONTENTS (Continued)

➲ Designates that this item is a change item

January 22, 2007

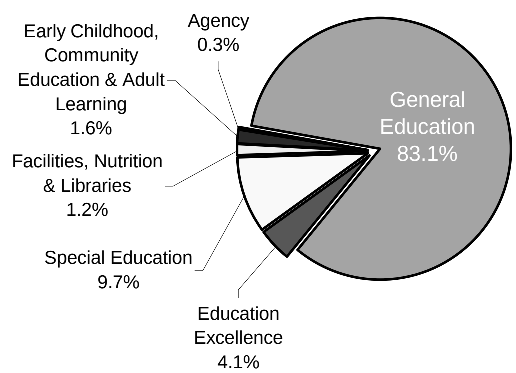
To the 2007 Minnesota Legislature:

On behalf of Governor Tim Pawlenty, I am pleased to submit the education budget for FY 2008-09. This budget consists of $13.7 billion from the state's General Fund and is a 7.7% increase from FY 2006-07 spending, when the impact of education shift buy backs are excluded.

Minnesota continues to be a national leader when it comes to the education of our children. As a matter fact, a recent *Education Week* study found that Minnesota ranks third in the nation when it comes to preparing our children for success. Additionally, Minnesota students once again had the top scores in the nation on the ACT.

Over the last several years, Minnesota has continued its efforts to raise student achievement by preparing for a more competitive global future, including:

FY 2008-09 Department of Education
General Fund = $13.7 Billion



- Creating more rigorous graduation requirements, including Algebra I by end of 8th grade, and Algebra II and Chemistry or Physics to graduate;
- Creating more rigorous standards in reading/language arts, math, science and social studies. In 2006, the new reading and mathematics MCA II assessments were given in grades 3-8, 10 and 11. The results of these new tests give us a clearer picture of how students are performing and serve as a basis to measure future improvement;
- Developing school report cards that provide a wealth of information to parents and the public, including student demographic information, enrollment, student achievement data, school safety information, academic opportunities, school staff characteristics, and a "Report to Taxpayers" regarding the school's and district's revenues and expenditures. The report card features a star rating system so that parents and the public have general information about the school's academic performance in reading and math. The report card also grants star ratings for schools with school safety policies and programs, for student participation, and for advanced academic opportunities. The report cards are easily accessible on the Department's website at www.education.state.mn.us;
- Implementing Minnesota's nation-leading Q Comp program, which is designed to advance the teaching profession by providing structured professional development and evaluation, as well as an alternative pay schedule that compensates teachers based on performance, not seniority. 34 school districts and 12 charter schools are participating in the Q Comp program. Approximately 134 other school districts have indicated to the Minnesota Department of Education they are planning to submit an application to implement Q Comp;
- Expanding *Get Ready, Get Credit*, which resulted in a nearly 20 percent increase in the number of Minnesota students taking Advanced Placement (AP) tests. There was also an 18.5 percent increase in the number of students scoring a "3" or higher on their exams, which is the cut score used by most colleges to award college credit to new entering students. During the 2005-06 school year, there was also an increase of 12 percent in the number of students taking International Baccalaureate (IB) exams;

- Implementing a new initiative to work with Minnesota's Regional Service Cooperatives to provide local support for Minnesota schools and districts in their efforts to meet federal Adequate Yearly Progress (AYP) and No Child Left Behind (NCLB) requirements;
- Developing a statewide initiative to formulate an articulated Mandarin Chinese curriculum. The initiative will ensure that our students are prepared to enter a competitive global economy;
- Starting a teacher recruitment web site, which assists school districts and charter schools with hiring teachers in all subject areas and recruiting teachers to fill hard-to-fill subject areas such as math, science, special education, and world languages;
- Implementing a new on-line learning program that provides more choice options to parents.

While Minnesota has a proud tradition of leading the nation in education excellence, much more needs to be done to take our students from nation-leading to world-competing.

That is why the Pawlenty Administration will set a course of action to create a system of education for the 21st Century, which prepares Minnesota students to compete with students from anywhere around the world.

In order to address needs and push for greater accountability and innovation, the Governor has proposed:

- Requiring all high schools to provide options for students to acquire one year of postsecondary education while in high school and encouraging high schools to redesign the delivery of high school education to meet the demands of the 21st Century;
- Focusing on improving teacher's professional development and continue linking student achievement to teacher compensation, including the expansion of the nation-leading Q Comp program;
- Providing a 2% increase on the general education funding formula and in special education funding each year;
- Providing an increase to the extended time revenue formula to provide additional supports and a safety net for students to reach state standards and requirements;
- Closing the achievement gap by focusing resources on at-risk students before they enter kindergarten and by extending time available for remediation;
- Boosting accountability so that resources are being used to ensure that all students are succeeding;
- Providing a reward payment for schools that reach a certain threshold on the State School Report Card;
- Implementing a new teacher induction program that will assist with recruiting and retaining high quality teachers.

In conclusion, Governor Pawlenty's education agenda and budget presented to the 2007 Legislature and the people of Minnesota is one that places priority on expanding resources for schools, while making reforms to create 3R high schools, increase rigor and accountability, develop more effective teachers and close the achievement gap. All of these things will be essential to taking Minnesota students from nation-leading to world-competing.

I look forward to working with the legislature, education organizations and the public as we work toward our common goal: improving student achievement for every Minnesota student.

Sincerely,

Alice Seagren
Commissioner

Agency Purpose

The Minnesota Department of Education's (MDE) mission is to improve educational achievement by establishing clear standards, measuring performance, assisting educators, and increasing opportunities for lifelong learning.

MDE strives to be an innovative education agency, assisting schools, families, and other education providers with exemplary services that result in high academic achievement for all students, pre-kindergarten to grade 12, and adult learners.

Every learner will have access to a high-quality education that promotes his or her development to full potential through an outstanding Minnesota education system that is a world leader.

At A Glance

MDE Customers (FY 2007):

- 824,653 pre-kindergarten through grade 12 students and their parents/guardians
- Nearly 143,000 licensed teachers
- Approximately 1,700 public schools
- 340 school districts and 132 charter schools
- Over 80,000 adult learners
- Over 125,000 children in early learning programs.

Annual K-12 School Funding (FY 2006):

- State - $6.3 billion or 69.7% of total funding
- Local - $2.1 billion or 23.7% of total funding
- Federal - $0.9 billion or 6.6% of total funding

Core Functions

MDE focuses on four primary goals.

Improve Achievement for all Students: Raise overall student achievement levels and close the achievement gap that currently exists among students of color and students with disabilities by implementing standards, research-based best practices, measuring progress with statewide assessments, and promoting lifelong learning.

Enhance Teacher Quality: Improve teacher quality in Minnesota by implementing initiatives to increase the number of highly trained teachers, enhance teacher preparation, improve teacher retention in high-needs schools, and provide ongoing professional development.

Expand Education Options for Students and Families: Ensure that programs offering education options to families support quality schools and continuous improvement in student achievement. Create new choices to better meet the educational needs of all children, especially students from low-income families, students of color, students with disabilities, and students who are English language learners.

Implement Education Finance Reform and Enhance Accountability: Encourage improved financial management of school districts and charter schools, make the system more understandable and accountable to the public, implement performance-based pay linked to student achievement gains, and enhance accountability for student learning through a comprehensive data system.

Operations

Office of Academic Excellence and Innovations

The Office of Academic Excellence is responsible for academic standards development, high school improvement activities, Indian education programs, school choice, charter schools, supplemental services programs, library development, the Faribault Library for the Blind, and school administrator and teacher licensing.

Office of Finance, Compliance and Special Education

The Office of Finance, Compliance and Special Education is responsible for calculating and distributing state aid to school districts and calculating school district property tax levy limitations, special education policy and compliance, food and nutrition programs for schools and child and adult care food programs, and adult basic education.

Office of Accountability and Improvement

The Office of Accountability and Improvement is responsible for statewide testing, federal education programs and funding, school improvement, professional development for educators, early childhood education, and research and evaluation.

In addition, the duties and activities described above, MDE provides services and assistance to students, teachers, parents, and school districts in the following areas:

- Academic Standards and High School Improvement
- Adult and Career Education and Service-Learning
- Assessment and Testing
- Compliance and Assistance
- Early Learning Services
- English Language Learners/Limited English Proficiency (LEP)
- Food and Nutrition Service
- Library Development and Services
- No Child Left Behind (NCLB) Consolidated Federal Programs
- Educator Licensing and Teacher Quality
- Safe and Healthy Learners
- School Choice
- School Finance
- School Technology
- Special Education

Budget

MDE will administer over $6 billion in state and federal funding for preK-12 and adult and career education funding. In addition, MDE will calculate over $1.5 billion of annual property tax levy limitations.

Contact

Agency Contact: (651) 582-8200
Department of Education Web Site: education.state.mn.us

Minnesota Department of Education
1500 Highway 36 West
Roseville, Minnesota 55113-4266

For information on how this agency measures whether it is meeting statewide goals, please refer to www.departmentresults.state.mn.us

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	6,867,094	6,484,760	6,485,010	6,484,760	12,969,770
Recommended	**6,867,094**	**6,462,891**	**6,753,988**	**6,950,385**	**13,704,373**
Change		(21,869)	268,978	465,625	734,603
% Biennial Change from 2006-07					2.8%
State Government Spec Revenue					
Current Appropriation	96	96	96	96	192
Recommended	**96**	**192**	**96**	**96**	**192**
Change		96	0	0	0
% Biennial Change from 2006-07					-33.3%
Federal Tanf					
Current Appropriation	0	0	0	0	0
Recommended	**0**	**0**	**500**	**500**	**1,000**
Change		0	500	500	1,000
% Biennial Change from 2006-07					n.m.
Expenditures by Fund					
Direct Appropriations					
General	6,857,892	6,475,315	6,753,888	6,950,285	13,704,173
State Government Spec Revenue	0	96	96	96	192
Federal Tanf	0	0	500	500	1,000
Statutory Appropriations					
Misc Special Revenue	11,060	10,023	8,625	8,598	17,223
Endowment School	21,099	24,046	24,674	25,297	49,971
Federal	587,350	649,342	653,997	653,905	1,307,902
Miscellaneous Agency	527	618	354	354	708
Gift	462	579	134	125	259
Total	**7,478,390**	**7,160,019**	**7,442,268**	**7,639,160**	**15,081,428**
Expenditures by Category					
Total Compensation	31,744	37,321	38,509	38,800	77,309
Other Operating Expenses	35,681	59,789	55,046	58,605	113,651
Payments To Individuals	3,606	4,459	3,591	3,581	7,172
Local Assistance	7,407,023	7,058,098	7,344,873	7,537,925	14,882,798
Other Financial Transactions	336	352	352	352	704
Transfers	0	0	(103)	(103)	(206)
Total	**7,478,390**	**7,160,019**	**7,442,268**	**7,639,160**	**15,081,428**

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Program					
General Education	5,849,419	5,490,708	5,618,807	5,725,094	11,343,901
Other General Programs	39,421	40,006	41,617	41,794	83,411
Ed. Exc. Choice Programs	101,222	115,413	127,470	130,606	258,076
Ed. Exc. Indian Programs	6,488	6,326	6,501	6,698	13,199
Ed. Exc. Innov/Accountability	8,210	14,592	111,580	154,861	266,441
Ed. Exc. Sp. Student/Teacher	198,243	221,461	232,110	230,474	462,584
Special Education	847,496	817,911	830,686	844,596	1,675,282
Facilities & Technology	52,100	41,681	60,542	56,711	117,253
Nutrition Programs	186,937	194,020	202,926	211,558	414,484
Library Programs	13,340	13,318	12,663	12,638	25,301
Early Chldhood & Fam Support	51,990	55,127	62,119	90,627	152,746
Community Ed & Prevention	2,845	2,733	2,080	1,578	3,658
Self Sufficiency & Lifelong Lr	43,761	48,140	46,321	46,572	92,893
Dept Of Education Operations	72,397	94,942	86,846	85,353	172,199
Discontinued Programs	4,521	3,641	0	0	0
Total	**7,478,390**	**7,160,019**	**7,442,268**	**7,639,160**	**15,081,428**
Full-Time Equivalents (FTE)	**402.7**	**474.0**	**479.5**	**476.0**	

Dollars in Thousands

		Dollars in Thousands		
		Governor's Recomm.		**Biennium**
	FY2007	**FY2008**	**FY2009**	**2008-09**
Fund: GENERAL				
FY 2007 Appropriations	**6,484,760**	**6,485,010**	**6,484,760**	**12,969,770**
Technical Adjustments				
Current Law Base Change		976	2,534	3,510
End-of-session Estimate		496	(58,566)	(58,070)
November Forecast Adjustment	(21,869)	14,817	24,694	39,511
One-time Appropriations		(3,921)	(3,671)	(7,592)
Program/agency Sunset		0	(1,250)	(1,250)
Subtotal - Forecast Base	**6,462,891**	**6,497,378**	**6,448,501**	**12,945,879**
Change Items				
General Education Funding Changes	0	106,008	263,401	369,409
Modify Abatement Aid Formula	0	604	835	1,439
Inflate Categoricals 2% and 2%	0	510	1,071	1,581
3R High Schools	0	19,147	55,927	75,074
Expand AP/IB Program	0	7,300	8,111	15,411
Successful Schools Program	0	75,000	75,000	150,000
Math & Science Teacher Academies	0	2,000	4,000	6,000
Collaborative Urban Educator	0	773	773	1,546
Alternative School Calendar	0	0	2,000	2,000
Mandarin Chinese Expansion	0	250	250	500
Minnesota Reading Corps	0	1,000	1,000	2,000
Minnesota First Five Teacher Induction	0	2,220	2,220	4,440
EPAS Expansion	0	464	464	928
Statewide Assessment Funding	0	2,883	6,214	9,097
Computer Based Formative Assessment	0	2,340	3,510	5,850
Special Education Funding Changes	0	11,087	24,174	35,261
School Technology Funding	0	19,000	19,000	38,000
JOBZ Definitions for Debt Service	0	0	(1)	(1)
Libraries-Basic Support	0	155	330	485
Comprehensive Library Study	0	200	0	200
Early Childhood Scholarship Program	0	392	28,509	28,901
ECFE Accountability	0	211	196	407
Early Childhood Teacher Training	0	155	70	225
School Readiness Improvement	0	4,183	4,183	8,366
Rulemaking authority for GRAD	0	204	0	204
Rulemaking for Career & Tech Ed	0	204	0	204
Compensation Adjustment	0	320	647	967
MN Library for the Blind - Technology	0	0	0	0
Total Governor's Recommendations	**6,462,891**	**6,753,988**	**6,950,385**	**13,704,373**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**96**	**96**	**96**	**192**
Technical Adjustments				
Current Law Base Change		(96)	(96)	(192)
Subtotal - Forecast Base	**96**	**0**	**0**	**0**
Change Items				
Parenting Time Centers	96	96	96	192
Total Governor's Recommendations	**192**	**96**	**96**	**192**
Fund: FEDERAL TANF				
FY 2007 Appropriations	**0**	**0**	**0**	**0**
Subtotal - Forecast Base	**0**	**0**	**0**	**0**
Change Items				
Fatherhood Leadership Initiative	0	500	500	1,000

	Dollars in Thousands			
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Total Governor's Recommendations	**0**	**500**	**500**	**1,000**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**10,023**	**8,625**	**8,598**	**17,223**
Total Governor's Recommendations	**10,023**	**8,625**	**8,598**	**17,223**
Fund: ENDOWMENT SCHOOL				
Planned Statutory Spending	**24,046**	**24,674**	**25,297**	**49,971**
Total Governor's Recommendations	**24,046**	**24,674**	**25,297**	**49,971**
Fund: FEDERAL				
Planned Statutory Spending	**649,342**	**653,997**	**653,905**	**1,307,902**
Total Governor's Recommendations	**649,342**	**653,997**	**653,905**	**1,307,902**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**618**	**354**	**354**	**708**
Total Governor's Recommendations	**618**	**354**	**354**	**708**
Fund: GIFT				
Planned Statutory Spending	**579**	**134**	**125**	**259**
Total Governor's Recommendations	**579**	**134**	**125**	**259**

Budget Activities

⇒ General Education
⇒ K-12 Education Shifts (information only)
⇒ Referendum Tax Replacement

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,828,353	5,480,942	5,480,942	5,480,942	10,961,884
Technical Adjustments					
End-of-session Estimate			(9,406)	(68,899)	(78,305)
November Forecast Adjustment		(19,803)	16,589	24,353	40,942
Subtotal - Forecast Base	5,828,353	5,461,139	5,488,125	5,436,396	10,924,521
Governor's Recommendations					
General Education Funding Changes		0	106,008	263,401	369,409
Total	**5,828,353**	**5,461,139**	**5,594,133**	**5,699,797**	**11,293,930**
Expenditures by Fund					
Direct Appropriations					
General	5,828,320	5,466,662	5,594,133	5,699,797	11,293,930
Statutory Appropriations					
Endowment School	21,099	24,046	24,674	25,297	49,971
Total	**5,849,419**	**5,490,708**	**5,618,807**	**5,725,094**	**11,343,901**
Expenditures by Category					
Local Assistance	5,849,419	5,490,708	5,618,807	5,725,094	11,343,901
Total	**5,849,419**	**5,490,708**	**5,618,807**	**5,725,094**	**11,343,901**
Expenditures by Activity					
General Education	5,840,250	5,482,004	5,610,103	5,716,390	11,326,493
Referendum Tax Replacement	9,169	8,704	8,704	8,704	17,408
Total	**5,849,419**	**5,490,708**	**5,618,807**	**5,725,094**	**11,343,901**

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
1a Basic Formula - Inflate 2% & 2%	$ 93,279	$198,275	$208,776	$209,138
1b Shared Time – Impact of 2% & 2% on Formula	-0-	75	150	150
1c Contract Alternative – Impact of 2% & 2% on Formula	214	455	479	479
2 Link Q Comp Allowance to Formula Allowance	1,711	3,966	4,736	5,228
3 Q Comp Expansion @ 10% per Year	-0-	6,877	15,099	24,161
4a Limited English Proficiency – Inflate 2% & 2%	696	1,527	1,611	1,611
4b Extended Time – Inflate 2% & 2%	1,431	2,350	2,424	2,429
5 Extended Time – Increase Maximum ADM from .2 to .5	6,851	7,836	7,798	7,790
6 Equity Revenue Simplification / Hold Harmless	153	41	(151)	(390)
7 Transportation Sparsity Formula Update	1,679	1,905	1,914	1,925
8 Wind Energy Tax Receipts Adjustment	-0-	-0-	(160)	(176)
9 JOBZ Exemption – Pre 2004 Operating Referendums	-0-	29	23	13
10 Operating Capital – Increase Equalizing Factor to $17,590	-0-	40,076	45,578	46,021
11 Permanent School Fund Earnings Change	(6)	(11)	(16)	(22)
Total Appropriation Basis	$106,008	$263,401	$288,261	$298,357
Aid Entitlement Basis				
1a Basic Formula - Inflate 2% & 2%	$103,643	$208,789	$208,775	$209,178
1b Shared Time – Impact of 2% & 2% on Formula	-0-	75	150	150
1c Contract Alternative – Impact of 2% & 2% on Formula	237	479	479	479
2 Link Q Comp Allowance to Formula Allowance	1,901	4,195	4,796	5,276
3 Q Comp Expansion @ 10% per Year	-0-	7,641	15,927	25,076
4a Limited English Proficiency – Inflate 2% & 2%	773	1,611	1,611	1,611
4b Extended Time – Inflate 2% & 2%	1,589	2,435	2,423	2,429
5 Extended Time – Increase Maximum ADM from .2 to .5	7,612	7,861	7,791	7,789
6 Equity Revenue Simplification / Hold Harmless	169	27	(169)	(415)
7 Transportation Sparsity Formula Update	1,865	1,909	1,915	1,926
8 Wind Energy Tax Receipts Adjustment	-0-	-0-	(160)	(176)
9 JOBZ Exemption – Pre 2004 Operating Referendums	-0-	32	22	12
10 Operating Capital – Increase Equalizing Factor to $17,590	-0-	44,528	45,695	46,057
Total Aid Entitlement	$117,789	$279,582	$289,255	$299,392
Property Tax Levy Impact				
1a Basic Formula - Inflate 2% & 2%	$ (14)	$ (16)	$ (15)	$ (8)
3 Q Comp Expansion @ 10% per Year	11	2,157	4,620	7,264
6 Equity Revenue Simplification / Hold Harmless	163	675	(2)	(810)
9 JOBZ Exemption – Pre 2004 Operating Referendums	-0-	(32)	(22)	(12)
10 Operating Capital – Increase Equalizing Factor to $17,590	-0-	(44,528)	(45,695)	(46,057)
Total Levy Impact	$ 160	$ (41,744)	$ (41,114)	$ (39,623)
Total District Revenue	$117,949	$237,838	$248,141	$259,769

Recommendation

The Governor recommends changes to the general education program to increase the basic formula and other general education funding, expand participation in the alternative teacher compensation (Q Comp) program, allow more time for students participating in extended time programs, and make education funding more understandable and more fair.

The Governor recommends the following changes in the general education program:

1. Increase the basic formula allowance by 2% in FY 2008 and an additional 2% in FY 2009.
2. Beginning in FY 2008, link the allowance for Q Comp to the formula allowance and increase the limit on state total basic Q Comp revenue by a corresponding amount. This will provide a 2% increase in the Q Comp allowance for FY 2008 and an additional 2% for FY 2009.
3. Beginning in FY 2009, increase the limit on state total basic Q Comp aid by an additional 10% each year to enable more school districts and charter schools to participate, and eliminate the separate limit on the aid for charter schools.
4. Increase the allowances for limited English proficiency (LEP) and extended time by 2% for FY 2008 and an additional 2% for FY 2009.
5. Beginning in FY 2008, increase the maximum additional average daily membership (ADM) for a student in grades 1-12 participating in an extended time program from 0.2 ADM to 0.5 ADM.
6. Beginning in FY 2008, simplify the equity formula, include the low referendum equity revenue in the sliding scale formula, and adjust the transition revenue formula to ensure that no district receives less revenue as a result of changes in the equity formula. Changes to simplify the equity formula include:
   a. using 27% of the formula allowance instead of the regional 95th percentile of referendum revenue per pupil unit in the sliding scale calculations,
   b. using each district's referendum revenue per resident marginal cost pupil unit, instead of the district's referendum revenue per adjusted marginal cost pupil unit in the sliding scale calculations, and
   c. using 1.5% of the formula allowance instead of 10% of the state average referendum revenue per pupil unit in the low referendum allowance formula.
7. Beginning in FY 2008, update the transportation sparsity formula to reflect changes in the relationship between average pupil transportation cost per pupil unit and population density occurring since the formula was enacted in 1995. Increase the coefficient for the density index from 0.26 to 0.30, increase the coefficient for the sparsity index from 0.13 to 0.15, increase the formula allowance multiplier from 0.1469 to 0.1493, and reduce the portion of the basic formula attributed to pupil transportation from 4.85% to 4.16%.
8. Beginning in FY 2009, include wind energy tax receipts in the county apportionment deduction from general education aid.
9. Beginning in FY 2009, make property in job opportunity building zones exempt from operating referendum levies authorized before 2004.
10. Beginning in FY 2009, increase the equalizing factor for the operating capital levy from $10,700 to $17,590.
11. Beginning in FY 2008, adjust general education appropriations for a change in the DNR budget, which will slightly increase the earnings from the Permanent School Fund.

Background

1. **Increase the basic formula allowance by 2% in FY 2008 and an additional 2% in FY 2009.**
   For FY 2008, the formula allowance will equal $5,074 per pupil unit, a $100 increase over current law. For FY 2009, the formula allowance will equal $5,176 per pupil unit, an additional $102 over current law. The 2% increase per year parallels the projected rate of growth in the Consumer Price Index (CPI) for the period, which is estimated in the November forecast at 2.17% for FY 2008 and 1.83% for FY 2009.

2. **Beginning in FY 2008, link the allowance for Q Comp to the formula allowance.** Under current law, the allowance for Q Comp is fixed at $260 per pupil. Linking the Q Comp allowance to the formula allowance will help ensure that the buying power of the program is maintained. Several other general education formulas, including compensatory revenue, sparsity revenue, and transportation sparsity revenue, are already linked to the formula allowance. This will provide a 2% increase for FY 2008 and an additional 2% for FY 2009, increasing the Q Comp allowance to $266 for FY 2008 and to $272 for FY 2009 and later. The equalized levy

share of the Q Comp allowance will be fixed at $70 and the increase will be funded with state aid. The limit on state total basic Q Comp revenue will be increased by a corresponding amount.

3. **Beginning in FY 2009, increase the limit on state total basic Q Comp aid by an additional 10% each year, and eliminate the separate limit on the aid for charter schools.** For FY 2007 and later, the state total basic Q Comp aid is limited to $75,636,000. For FY 2007, the actual basic Q Comp aid will be approximately 51% of the statutory limit. However, a survey conducted as part of the November 2006 forecast indicated that there is considerable interest in the program among school districts not currently participating. The November forecast projected that the total demand will slightly exceed the available funds in FY 2008 and that the number of districts choosing to participate will continue to grow in later years. Increasing the Q Comp basic aid limit by an additional 10% each year will enable continued gradual expansion of the program. The initial limit on the aid for charter schools is set at $3,374,000 for FY 2007, with an adjustment for charter school enrollment growth in later years. The separate cap for charter schools was established to prevent charter schools from accessing more than their proportionate share of total Q Comp funds, given the first come, first served application process and an expectation that charter schools would be able to apply more quickly than school districts due to the flexibility afforded them in law. However, the actual rate of participation by charter schools has been lower than that for school districts; for FY 2007, charter schools used only 28% of their initial cap, versus 52% for school districts.

4. **Increase the allowances for limited English proficiency (LEP) and extended time by 2% for FY 2008 and an additional 2% for FY 2009.** Increasing the LEP and extended time allowances by the same percentage as the general education formula allowance will help ensure that the buying power of these programs is maintained. The basic LEP allowance will be increased from $700 in FY 2007 to $714 in FY 2008 and to $729 in FY 2009 and later. The LEP concentration allowance will be increased from $250 in FY 2007 to $255 in FY 2008 and to $261 in FY 2009 and later. The extended time allowance will be increased from $4,601 in FY 2007 to $4,694 in FY 2008 and to $4,788 in FY 2009 and later.

5. **Beginning in FY 2008, increase the maximum additional ADM for a student in an extended time program from 0.2 to 0.5 ADM.** Since FY 1990, students attending school more than full-time in an extended time program at an area learning center, state approved alternative program, or learning year program have generated more than one ADM. For FY 1990 – FY 2002, there was no limit on the additional ADM, except that kindergarten students were limited to an additional 0.2 ADM. For FY 2003, students in grades 1-12 were limited to an additional 0.5 ADM. Beginning in FY 2004, students in grades 1-12 were limited to an additional 0.2 ADM and extended time revenue was established as a separate category of general education revenue. Increasing the maximum additional ADM for a student in grades 1-12 participating in extended time programs from 0.2 to 0.5 will enable school districts to provide additional learning time for at-risk students, thereby reducing the achievement gap. It will also allow students enrolled in optional learning year programs to accelerate attainment of credits toward graduation.

6. **Beginning in FY 2008, simplify the equity formula, include the low referendum equity revenue in the sliding scale formula, and adjust the transition revenue formula to ensure that no district receives less revenue as a result of the changes in the equity formula.** Under current law, separate formulas are used to calculate equity revenue for metro and non-metro districts, based on the regional 95th percentiles of basic plus referendum revenue per adjusted marginal cost pupil unit. A portion of the revenue depends on the extent to which a district's referendum revenue per pupil unit falls below 10% of the state average referendum revenue per pupil unit. The use of regional 95th percentiles and the state average referendum revenue per pupil unit creates instability and unpredictability, depending on annual referendum election results. The use of *adjusted* pupil units (reflects enrollment options adjustments) adds to the instability, as referendum authorities are expressed as an allowance per *resident* marginal cost pupil unit, and the ratio of resident to adjusted pupil units varies each year depending on the number of students participating in enrollment options programs. Converting to a uniform statewide formula substituting 27% of the formula allowance for the regional 95th percentiles, substituting 1.5% of the formula allowance for 10% of the state average referendum revenue per pupil unit, and using *resident* marginal cost pupil units, will improve predictability and stability. Including the low referendum equity revenue in the sliding scale calculations will

eliminate a quirk in the formula which currently results in a slight decrease in total referendum plus equity revenue per pupil as a district's referendum allowance increases from $1 to about $60 per pupil.

7. **Beginning in FY 2008, update the transportation sparsity formula to reflect changes in the relationship between average pupil transportation cost per pupil unit and population density**. The transportation sparsity formula provides additional funding for school districts with low population density, based on analysis of the relationship between average transportation cost per pupil unit and the number of pupils per square mile. The coefficients included in the current formula were established during the 1995 legislative session, when pupil transportation funding was rolled into the general education program. In the 12 years since 1995, the relationship between average pupil transportation cost and population density has gradually changed and the cost differential between isolated rural districts and higher density urban and suburban districts has increased. To more accurately reflect the current relationship between transportation cost per pupil unit and population density, the coefficients in the transportation sparsity formula will be updated to reflect analysis completed using FY 2005 data. The changes will include increasing the coefficient for the density index from 0.26 to 0.30, increasing the coefficient for the sparsity index from 0.13 to 0.15 increasing the formula allowance multiplier from 0.1469 to 0.1493, and reducing the portion of the basic formula attributed to pupil transportation from 4.85% to 4.16%.

8. **Beginning in FY 2009, include wind energy tax receipts in the county apportionment deduction from general education aid**. Under current law, miscellaneous revenues received by school districts from the county, such as power line taxes, liquor licenses, and fines, are subtracted from general education aid. However, the school district share of wind energy tax receipts is not currently included in the county apportionment deduction, creating a revenue advantage for the affected school districts. To facilitate equity and uniformity in access to school revenues, wind energy tax receipts will be included in the county apportionment deduction from general education aid beginning in FY 2009. Because the adjustments are taken from the final payment for the fiscal year, which takes place in the fall of the following fiscal year, the state appropriation is not affected until FY 2010.

9. **Beginning in FY 2009, make property in job opportunity building zones exempt from operating referendum levies authorized before 2004.** Under current law, property in JOB zones is included in the tax base for operating referendum authorities that were approved by the voters prior to the designation of job zones in 2003, but is excluded from the tax base for newer authorities. The requirement for separate calculation of referendum equalization aid and property taxes for pre-2004 referendum levies complicates the school levy process significantly, but has virtually no impact on actual referendum aids and levies due to the very small amount of JOB zone valuation in school districts with pre-2004 operating referendum authorities. Beginning in FY 2009 (taxes payable in 2008), property in job opportunity building zones will be exempt from all operating referendum levies, including those authorized before 2004.

10. **Beginning in FY 2009, increase the equalizing factor for the operating capital levy from $10,700 to $17,590**. The equalizing factor for the operating capital levy was set at $22,222 for FY 2006 and is set at $10,700 for FY 2007 and later. Increasing the equalizing factor for the operating capital levy to $17,590 will reduce average tax rate for operating capital from 1.82% of Adjusted Net Tax Capacity (ANTC) to 1.15% of ANTC. This will provide nearly uniform property tax relief statewide, with 328 of the state's 340 districts receiving a levy reduction.

11. **Beginning in FY 2008, adjust general education appropriations for a change in the DNR budget which will slightly increase the earnings from the Permanent School Fund.**

Relationship to Base Budget

The proposed increases in state appropriations are 1.9% of the base budget for FY 2008 and 4.8% of the base budget for FY 2009. The proposed revenue increases (general education aid entitlement plus levy including referendum) on a per pupil basis are 1.9% of current law revenue for FY 2008 and 3.8% of current law revenue for FY 2009.

Key Measures

The table below shows school district general operating resources for FY 2002-09 (general operating resources includes other revenue sources such as special education, but excludes non-general fund items such as debt service, community education, and nutrition programs). This table takes into account the Governor's budget recommendations across all aid and levy programs that affect districts' general funds. Under the Governor's budget, district revenue general fund per pupil will be $9,268 in FY 2008 and $9,640 in FY 2009.

Total District General Fund Revenue from State Aids and Property Taxes
Governor's Budget Recommendations

Revenue Per Pupil*

Fiscal Year	Operating Referendum Revenue Amount	Operating Referendum Revenue % Change	Other Revenue Amount	Other Revenue % Change	Total Revenue Per Pupil Amount	Total Revenue Per Pupil % Change
2002	653		6,594		7,247	
2003	349	(46.6)%	7,363	11.7%	7,712	6.4%
2004	514	47.3%	7,384	0.3%	7,898	2.4%
2005	611	18.9%	7,385	0.0%	7,996	1.2%
2006	646	5.7%	7,672	3.9%	8,318	4.0%
2007	727	12.5%	8,060	5.1%	8,787	5.6%
2008	777	6.9%	8,492	5.4%	9,269	5.5%
2009	882	13.5%	8,749	3.0%	9,631	4.0%

*Current year average daily membership

The table below is a subset of the district general fund table above. This shows district revenue from the general education program only.

General Education Revenue Only From State Aids and Property Taxes
Governor's Budget Recommendations

Revenue Per Pupil

Fiscal Year	Operating Referendum Revenue Amount	Operating Referendum Revenue % Change	Other Revenue Amount	Other Revenue % Change	Total Revenue Per Pupil Amount	Total Revenue Per Pupil % Change
2002	653		5,440		6,093	
2003	349	(46.6)%	6,076	11.7%	6,425	5.4%
2004	514	47.3%	6,075	0.0%	6,589	2.6%
2005	611	18.9%	6,108	0.5%	6,719	2.0%
2006	646	5.7%	6,381	4.5%	7,027	4.6%
2007	727	12.5%	6,727	5.4%	7,454	6.1%
2008	777	6.9%	6,938	3.1%	7,715	3.5%
2009	882	13.5%	7,075	2.0%	7,957	3.1%

Statutory Changes: Amend M.S. 126C.10, Subdivision 2, to increase the basic formula allowance. Amend M.S. 122A.415, subdivisions 1 and 3, and M.S. 126C.10, subdivision 34, to adjust the alternative teacher compensation (Q Comp) formula and statewide revenue limits. Amend M.S. 126C.10, Subdivision 2a, to increase the extended time allowance. Amend M.S. 124D.65, Subd. 5, to increase the basic LEP allowance, and M.S. 126C.10, subdivision 4, to increase the LEP concentration allowance. Amend M.S. 126C.05, Subdivision 15, to increase the maximum number of pupil units for students in extended time programs. Amend M.S. 126C.10, subdivisions 24, 26, and 27 for changes in the equity revenue formula. Amend M.S. 126C.10, subdivision 31, for changes in the transition revenue formula. Amend M.S. 126C.10, subdivision 18, M.S. 124D.11, subdivisions 1 and 2, and M.S. 127A.47, subdivision 8 for changes in the transportation sparsity formula. Amend M.S. 126C.21, subdivision 3, and M.S. 272.09, to include wind energy tax receipts in the apportionment deduction. Amend M.S. 272.02, subdivision 64, to exclude JOB zone property from the tax base for pre-2004 operating referendum levies. Amend M.S. 126C.10, subdivision 13a, to increase the operating capital equalizing factor.

Repeal M.S. 126C.10, subdivisions 25 and 28, relating to regional calculations for equity revenue.

Activity Description

Citation: M.S. 122A.415; 122A.61; 123A.27; 123B.05; 126C; 127A.51; 127A.47

General education is the largest single item of state general fund spending and also the largest resource available to school districts. The following is a description of the purposes, uses, history, and measures of general education as a funding source for school finance, as well as a detailed explanation of the component parts that make up total funding.

The purpose of this activity is to promote a general and uniform, thorough and efficient system of public schools throughout the state by providing the following:

Activity at a Glance

Estimates for FY 2007

- ♦ 824,653 pre-kindergarten through grade 12 students average daily membership (ADM)
- ♦ 340 school districts and 132 charter schools
- ♦ $5.5 billion in state aid and $0.7 billion in levies
- ♦ $7,556 average general education revenue per student
- ♦ $4,974 basic education formula allowance per adjusted marginal cost pupil unit

⇒ **Adequate and equitable core funding for students** – General education revenue provides sufficient funding to ensure that each student receives an adequate education (excluding unique needs funded through categorical programs). This includes a large base of funding on a uniform per pupil basis and additional revenues for variations in 1) the cost of delivering equivalent educational programs and services to students; and 2) the cost of programs to meet the unique needs of different student populations.

⇒ **Equity for taxpayers** – Core educational programs are funded primarily by the state with proceeds from uniform statewide taxes. Discretionary programs and services are funded with local operating referendum levies, which are equalized by the state to enable participation by districts with low tax base.

⇒ **Efficient use of resources** – This program encourages school districts to provide programs and services efficiently by allocating resources based on uniform formulas applied to demographic and economic factors that are beyond local control and by giving districts flexibility in the use of funds.

⇒ **Limited local control** – The referendum levy permits local school districts to raise limited additional revenues, with voter approval, to supplement state allocations.

⇒ **Facilitate state priorities** – This program encourages the development of programs and services identified as priorities by the state, such as class size reduction, alternative teacher compensation, staff development, gifted and talented programs, and basic skills.

⇒ **Stability** – This program provides stable funding to ensure continuity of programs for students and stability in tax rates for taxpayers.

Population Served

General education revenue is provided for all public school students in kindergarten through grade 12 and for pre-kindergarten students with disabilities. In addition to students attending schools operated by school districts, this includes charter school students, students in grades 11 and 12 attending Minnesota higher education institutions under the Post-Secondary Enrollment Options (PSEO) program, students enrolled in private, nonsectarian schools that have contracted with a public school district to provide educational services (contract alternative), and students attending public schools on a part-time basis while also attending nonpublic schools (shared time).

The following table shows the estimated state total number of students served in FY 2007 by grade level grouping and program type. The student counts shown are average daily membership (ADM) or the average number of students enrolled throughout the school year.

	Regular District	Charter School	PSEO College	Contract Alternative	Shared Time	Total ADM
Disabled Pre-K	6,143	3	-0-	-0-	5	6,156
Disabled Kndgrtn	4,018	45	-0-	2	21	4,086
Regular Kndgrtn	51,697	2,372	-0-	40	14	54,123
Grades 1-3	173,538	5,969	-0-	104	137	179,748
Grades 4-6	173,921	4,893	-0-	77	206	179,097
Grades 7-12	385,767	10,204	3,443	1,752	277	401,443
TOTAL ADM	795,084	23,486	3,443	1,975	665	824,653

Historical and projected ADM state totals and historical ADM by school district are available on the Division of Program Finance web site.

Services Provided

General education revenue is the primary source of general operating funds for school districts and charter schools. In FY 2007, it accounts for 84% of school district general fund state aid and levy revenues.

⇒ Programs supported by general education revenue include regular instruction, vocational instruction, special education, instructional support services, pupil support services, operations, and maintenance of school facilities, pupil transportation, district and school administration, district support services, and capital expenditures.

⇒ The School District Profiles report, available on the Minnesota Department of Education (MDE) web site, provides a breakdown of FY 2005 operating expenditures for each school district and charter school, as well as regional and state totals.

Most general education revenue is unrestricted, and can be used for any school operating purpose. Exceptions are as follows:

⇒ *Class-size reduction* (M.S. 126C.12). The additional basic revenue generated by the portion of the pupil unit weight for regular kindergarten students exceeding 0.5 and the portion of the pupil unit weight for students in grades one to six exceeding 1.0 is reserved for class-size reduction, beginning with kindergarten through grade three.

⇒ *Alternative teacher compensation (Q Comp)* (M.S. 122A.415). This revenue must be used for alternative teacher professional pay systems.

⇒ *Staff development* (M.S. 122A.61). An amount equal to 2% of basic revenue ($99.48 per pupil unit in FY 2007) must be reserved for staff development. This requirement is waived for school districts in statutory operating debt and may be waived by a majority vote of the school board and the teachers in any district.

⇒ *Gifted and talented* (M.S. 126C.10, Subd. 2b). This revenue must be used for gifted and talented programs.

⇒ *Basic skills* (M.S. 126C.15). This revenue, which includes compensatory education revenue and limited English proficiency (LEP) revenue, must be used to meet the educational needs of students who enroll under-prepared to learn and whose progress toward meeting state or local content or achievement standards is below the level that is appropriate for learners of their age. Compensatory revenue must be allocated to the buildings where the children generating the revenue are served; however, an amount up to 5% of the prior year's revenue may be allocated according to a local plan approved by the commissioner.

⇒ *Operating capital* (M.S. 126C.10, Subd. 13, 14). This revenue must be used for facilities, equipment, or for personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and software.

Historical Perspective

The general education program has undergone several changes since its inception in the late 1980s, including the following:

⇒ Initiated in FY 1989, the general education program replaced the foundation program and numerous categorical programs, including teacher retirement aid, summer program aid and levy, gifted and talented aid, arts education aid, chemical dependency aid, programs of excellence grants, and the liability insurance levy.

⇒ In FY 1994, FY 1995, and FY 2000, the pupil weighting factors for regular kindergarten and elementary students were increased to provide additional funding for elementary class-size reduction.

⇒ Beginning in FY 1997, funding for regular transportation and operating capital is included in the general education program.

⇒ Beginning in FY 1998, compensatory education revenue is computed using building-level free and reduced-price lunch counts, instead of district-level Aid to Families with Dependent Children (AFDC) counts.

⇒ Beginning in FY 2000, additional funding is provided for districts with declining enrollments through the use of "marginal cost" pupil units, which reflect a mix of current and prior-year data. Also beginning in FY 2000, LEP program revenue is included in the general education program.

⇒ Beginning in FY 2001, district cooperation revenue was rolled into the general education formula, increasing the formula allowance by $67. Also beginning in FY 2001, LEP revenue is converted from an expenditure-based to an enrollment-based formula.

⇒ Beginning in FY 2003, the general education levy is eliminated and the general education formula is fully funded by the state. In addition, $415 per pupil unit was transferred from referendum revenue to the general education formula.

⇒ Beginning in FY 2004, two new components were added to general education revenue; extended time revenue and transition revenue. Except for the computation of extended time revenue, ADM is limited to 1.0 for each pupil.

⇒ Beginning in FY 2005, levy components were added to operating capital revenue, equity revenue, and transition revenue.

⇒ Beginning in FY 2006, two new components were added to general education revenue: alternative teacher compensation (Q Comp) revenue and gifted and talented revenue.

Additional information on the history of Minnesota School Finance is available on the Division of Program Finance web site.

Key Measures

Indicators of the adequacy and equity of general education revenue include the following:

⇒ *Growth in revenue per ADM.* The following table shows the change in general education revenue per ADM from FY 2002 through FY 2007 in current and constant (2006) dollars. Between FY 2002 and FY 2007, general education revenue per ADM increased by 23.2%. After adjusting for inflation using the consumer price index (CPI), the increase was 8.1%.

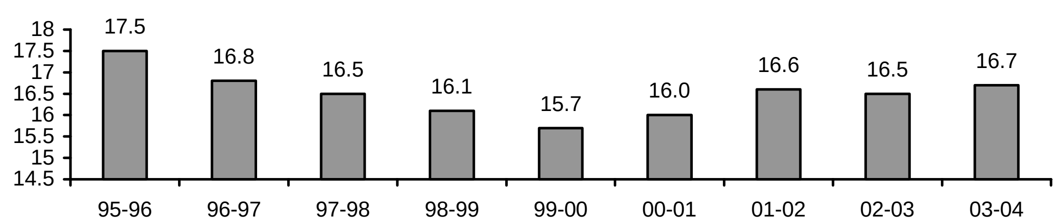
General Education Revenue per ADM, FY 2002 - FY 2007
Including Operating Referendum Revenue

	Revenue per ADM Current Dollars		Revenue per ADM Constant (2006) Dollars	
	Amount	Cumulative % Change	Amount	Cumulative % Change
2002	6,135	N/A	6,852	N/A
2003	6,484	5.7%	7,085	3.4%
2004	6,633	8.1%	7,093	3.5%
2005	6,762	10.2%	7,020	2.5%
2006	7,068	15.2%	7,068	3.2%
2007	7,556	23.2%	7,408	8.1%

Includes revenues and pupils for PSEO college, shared time, and contract alternative adjustments.

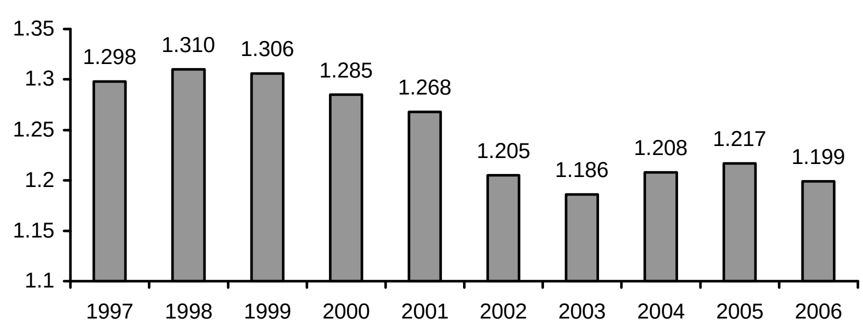
⇒ *Pupil – staff ratios.* Compensation for teachers and other district staff constitutes the districts' largest operating cost. The graph shows the ratio of ADM pupils to licensed instructional staff. From FY 1996 to FY 2000 the ratio decreased. Since then, the ratio has increased but remains lower that it was in the mid-1990s.

Pupils : Instructional Staff



⇒ *Disparity in revenue per pupil unit.* M.S. 127A.51 requires the department to report annually on the disparity in general education revenue per pupil unit, as measured by the ratio of the 95th percentile to the 5th percentile of general education revenue per pupil unit. According to this measure, the disparity in general education revenue per pupil unit has decreased significantly since the late 1990s.

Ratio of 95th to 5th Percentile of General Education Revenue Per Pupil, Excluding Cost Differentials



⇒ *Student achievement.* State assessments provide teachers and school administrators with information about the academic status of all students. Information is available on the department's web site for all state assessments given on a regular basis to students in Minnesota. The below shows the percentage of students exhibiting proficiency in reading and math based on Minnesota comprehensive assessments. The shaded areas represent years in which no tests were administered.

Percentage of Students Achieving Proficiency on the Minnesota Comprehensive Assessments

Mathematics

	2002	2003	2004	2005
Grade 3	65.1%	71.5%	70.5%	77.5%
Grade 5	70.2%	74.9%	74.3%	80.1%
Grade 7			66.6%	75.8%
Grade 11			70.0%	71.9%

Reading

	2002	2003	2004	2005
Grade 3	66.1%	72.4%	73.3%	78.4%
Grade 5	74.8%	76.8%	76.1%	80.7%
Grade 7			69.8%	74.2%
Grade 10			77.9%	81.2%

⇒ *Other measures.* Except for the portion of revenue attributable to compensatory revenue, which must be passed through to each school site, each local school board determines how to allocate the general education revenue among school sites and programs subject to certain legislative restrictions. Information on school performance and school district spending can be found on the department's website.

Activity Funding

⇒ Funding is based primarily on the ADM of students in pre-kindergarten through grade 12. ADM is computed by dividing the sum of the number of students enrolled each school day (student membership) by the number of days school is in session.

⇒ Except for the computation of extended time revenue, ADM is limited to 1.0 for each pupil beginning FY 2004.

⇒ ADM in excess of 1.0, not to exceed an additional 0.2 ADM per pupil, is used only to compute extended time revenue for students in learning year programs.

⇒ To reflect cost differences, the ADM is weighted by grade level to determine the number of pupil units:

Disabled Pre-K	1.250	Grades 1 - 3	1.115
Disabled Kindergarten	1.000	Grades 4 - 6	1.060
Regular Kindergarten	0.557	Grades 7 - 12	1.300

⇒ Most revenues are computed using adjusted marginal cost pupil units (AMCPU). "Adjusted" means that the resident pupil units have been adjusted by adding the pupil units generated by nonresident students served in the district under alternative attendance programs such as open enrollment and subtracting the pupil units generated by resident students served in another district under an alternative attendance program. "Marginal cost" means that pupil units are computed using a mix of current and prior year data, recognizing that school districts have fixed costs that do not decline in direct proportion to enrollment decline. AMCPU equals the greater of the adjusted pupil units for the current year or 77% of the adjusted pupil units for the current year plus 23% of the adjusted pupil units for the prior year.

General education revenue includes several components, as shown in the table below. Referendum revenue is funded with a mix of local property taxes, state referendum equalization aid, and state tax base replacement aid. Operating capital revenue, alternative teacher compensation revenue, equity revenue, and transition revenue are also funded with a mix of state aid and local property taxes. All other components are funded entirely with state aid.

Spreadsheets showing general education revenue by component for FY 2002 through FY 2007 for individual districts and the state are available on the Division of Program Finance web site at district revenue FY 2002 through FY 2007. Detailed spreadsheets showing the calculation of each revenue component for each school district and charter school for each fiscal year are also available on the Division of Program Finance web site.

General Education Revenue by Component – FY 2007 (est.)

	Number of Districts	Number of Charter Schools	Amount (Millions)	Percent of Total
1. Basic	342	125	$ 4,721.3	75.8%
2. Extended Time	118	6	55.8	0.9%
3. Gifted and Talented	342	104	8.5	0.1%
4. Basic Skills:				
a) Compensatory	342	121	316.4	5.1%
b) LEP	209	50	30.5	0.5%
c) LEP Concentration	209	50	7.9	0.1%
5. Sparsity	85	125	19.7	0.3%
6. Transportation Sparsity	342	125	59.7	1.0%
7. Training & Experience	121	125	4.8	0.1%
8. Operating Capital	342	125	193.2	3.1%
9. Alternative Teacher Compensation	20	4	93.8	1.5%
10. Equity	342	125	94.6	1.5%
11. Transition	204	48	30.5	0.5%
12. Alternative Attendance Adjust.	251	125	(1.0)	0.0%
13. Misc. Adjustments				
a) Pension Adjustment	342	125	(47.1)	(0.8%)
b) PSEO-College	N/A	N/A	21.4	0.3%
c) Shared Time	N/A	N/A	3.7	0.1%
d) Contract Alternative	N/A	N/A	14.1	0.2%
e) Online Learning	N/A	N/A	0.6	0.0%
SUBTOTAL	343	125	5,628.4	90.4%
14. Operating Referendum	302	0	597.4	9.6%
GRAND TOTAL REVENUE	343	125	$6,225.8	100.0%

DETAIL OF REVENUE COMPONENTS. For FY 2006 and later, the components of general education revenue are as follows:

Basic Revenue

⇒ Basic revenue provides all districts with a uniform allocation per pupil unit.

⇒ Basic revenue for a district equals the product of the district's AMCPU times the formula allowance established in law.

⇒ The formula allowance for FY 2007 and later is $4,974.

⇒ The change in the formula allowance is not a reliable indicator of the growth in school district revenue per student over time because of several factors, including changes in pupil weights, changes in formulas for allocating additional pupil units to districts with declining enrollment, transfers of various funding programs into or out of the general education formula, offsets to the formula for changes in other funding components, and changes in other funding components.

Extended Time Revenue

⇒ Extended time revenue provides districts with additional revenue to fund extended day, extended week, summer school, and other programming authorized under the learning year program.

⇒ Extended time revenue for a district equals the product of the district's extended time marginal cost pupil units times $4,601. The extended time allowance does not automatically increase with increases to the basic formula allowance.

Gifted and Talented

⇒ Gifted and talented revenue provides school districts and charter schools with $4 per pupil unit for FY 2006 and $9 per pupil unit for FY 2007 and later for identifying gifted and talented students, providing education programs for these students or providing staff development for teachers to best meet the needs of these students.

Basic Skills Revenue

Basic skills revenue includes compensatory revenue and LEP revenue:

Compensatory Revenue is based on the concentration of poverty in a school building.

⇒ A site's compensatory revenue for each eligible pupil increases as the concentration of eligible pupils at the site increases. The maximum compensatory funding per free-lunch pupil is 60% of the formula allowance minus $415 in sites where the free lunch count plus 1/2 of the reduced-price lunch count is 80% or more of the total enrollment. Funding is based on the October 1 count for the prior school year.

LEP Revenue is based on the number and concentration of LEP students enrolled in the district. There are two components to LEP revenue: regular LEP revenue and concentration aid.

⇒ For districts and charter schools with at least one LEP ADM student, regular LEP revenue equals $700 times the greater of 20 or the marginal cost number of LEP ADM pupils enrolled in the district (greater of current year count or 77% of current year plus 23% of prior year).

⇒ LEP concentration aid provides additional funding of $250 times the LEP ADM, times the lesser of one or the ratio of the district's LEP concentration percent to 11.5%.

To be eligible for LEP funding, a student must have generated fewer than five years of ADM in Minnesota public schools and must be served in an LEP program during the current fiscal year. An LEP pupil ceases to generate revenue in the school year following the school year in which the pupil attains the state cut-off score on the Test of Emerging Academic English (TEAE). This test is designed to provide information about how well students with limited English language proficiency are learning academic English required for achievement of the high state standards in reading and writing.

Sparsity Revenue

⇒ This revenue funds the added costs of operating small schools that are too isolated to reduce costs by cooperating or consolidating. The smaller the enrollment, the greater the potential sparsity revenue per student. The greater the isolation, the greater the portion of potential revenue that is paid. Sparsity revenue is calculated on a school-by-school basis.

⇒ Separate formulas are used for elementary schools and secondary schools.

For a secondary school to generate sparsity revenue, it must have a secondary ADM (grades 7-12) less than 400, and an isolation index greater than 23. The isolation index equals the square root of 55% of the attendance area of the school district, plus the distance to the nearest other high school. The isolation index approximates the longest travel distance that would be necessary after consolidation.

For an elementary school to generate sparsity revenue, it must have an elementary ADM (grades K-6) less than 140 and be located at least 19 miles from the nearest other elementary school.

Transportation Sparsity Revenue

⇒ This revenue funds the added cost of pupil transportation in areas with low population density, supplementing the 4.85% of basic revenue ($241 per pupil unit in FY 2007), provided to all districts for transportation purposes. The transportation sparsity allowance for a district increases as the number of pupil units per square mile decreases.

Training and Experience (T & E) Revenue

⇒ This revenue adjusts for cost variations associated with differences in the training and experience of the faculty. Faculty employed by the district in 1996-97 and the current year are counted at their 1996-97 levy of training and experience. Faculty hired by the district after 1996-97 are counted at the lowest step on the salary schedule. The revenue phases out as faculty employed by the district in 1996-97 retire of otherwise leave the employment of the district.

Operating Capital Revenue

⇒ This revenue, which is reserved for facilities and equipment purposes, equals $173 per pupil unit, plus an adjustment of up to $50 per pupil unit, based on the average age of the district's buildings.

⇒ In order to receive operating capital revenue, school districts must levy for this purpose beginning in FY 2005. The levy is spread based on the net tax capacity (NTC) of the district.

⇒ The local levy share of operating capital revenue equals the lesser of the revenue or the product of the revenue times the ratio of the district's adjusted net tax capacity (ANTC) per AMCPU to $10,700.

Alternative Teacher Compensation (Q Comp) Revenue

⇒ School districts, charter schools, the Perpich Center for Arts Education, and multi-district integration collaboratives with an approved alternative teacher professional pay system are eligible to receive up to $260 per pupil enrolled at participating sites for implementation of the alternative teacher professional pay system. Participating school districts receive basic state aid of $190 per pupil and are authorized to make an equalized levy of up to $70 per pupil. Other participating units receive an amount equal to the average per pupil revenue of participating school districts, all in the form of state aid. For FY 2007 and later, funding will allow participation of districts and schools making up 48% of the state's total enrollment.

Equity Revenue

⇒ This formula provides additional revenue targeted primarily to districts with referendum revenue per pupil unit below the 95th percentile for the region where the district is located (metro or rural).

⇒ For qualifying districts with no referendum levy, the initial revenue allowance is $13 per pupil unit.

⇒ For qualifying districts with a referendum levy, the initial revenue allowance is $13 plus an amount up to $75 per pupil unit, depending on how far the district's referendum revenue per pupil unit is below the 95th percentile (sliding scale).

⇒ Districts with referendum revenue per pupil unit below 10% of the state average receive additional equity revenue equal to the difference between 10% of the state average and the district's referendum revenue per pupil unit.

⇒ For districts in the seven county metro area, the equity revenue as computed above is increased by 25%.

⇒ Minneapolis, St. Paul, and Duluth are not eligible for the components of equity revenue described above.

⇒ Beginning in FY 2007, all districts below the regional 95th percentile (including Minneapolis, St. Paul, and Duluth) are eligible for an additional $46 per pupil unit of equity revenue and districts at or above the 95th percentile are eligible for an additional $23 per pupil unit.

⇒ School districts must levy to receive equity revenue. The levy is spread based on the referendum market value (RMV) of property, which excludes seasonal recreational cabin property and agriculture land (the house, garage, and one acre of farm properties are taxable).

⇒ Equity revenue is equalized by state aid at the same rate as Tier 1 referendum equalization.

⇒ The local levy share of equity revenue equals the lesser of the revenue or the product of the revenue times the ratio of the district's RMV per resident marginal costs pupil unit to $476,000.

Transition Revenue

⇒ Transition revenue was added in FY 2004 to mitigate the loss of general education revenue that districts experienced from changes in the calculation of compensatory and LEP revenue and the effect of changes in pupil accounting.
⇒ Transition revenue guarantees that a district's FY 2004 general revenue per old formula AMCPU, excluding referendum revenue and alternative attendance adjustments, will not be less than the lesser of 1) the district's FY 2003 general education revenue per old formula AMCPU, excluding referendum revenue and alternative attendance adjustments, or 2) the district's old formula FY 2004 general education revenue per old formula AMCPU (before FY 2004 implementation of 1.0 ADM limit), excluding referendum revenue and alternative attendance adjustments (as computed using Minnesota Statutes 2002).
⇒ A district's transition allowance equals the FY 2004 transition allowance per old formula pupil unit times the ratio of the old formula pupil units to the new formula pupil units. Transition allowance is not recalculated after FY 2004.
⇒ Beginning in FY 2006, districts that received general education revenue in FY 2004 for pupils enrolled in pre-kindergarten programs receive additional transition revenue based on 4% of the revenue generated by the enrollment of those students in FY 2004. The additional revenue must be reserved for pre-kindergarten programs.
⇒ School districts must levy to receive transition revenue. The levy is also spread based on the RMV of property.
⇒ Transition revenue is equalized by state aid at the same rate as Tier 1 referendum equalization and equity revenue.

Alternative Attendance Adjustment

⇒ Referendum equalization aid follows the student to the nonresident district or charter school the student attends. The resident district loses the aid generated by the student.
⇒ If the student enrolls in another school district, that district's aid is increased by the nonresident district's referendum equalization aid per pupil unit.
⇒ If the student enrolls in a charter school, the charter school's aid is increased by the amount subtracted from the aid paid to the resident district.

Miscellaneous Adjustments to General Education Revenue

⇒ *Post-Secondary Enrollment Options (PSEO) Aid* is paid to Minnesota higher education institutions for courses taken by 11th and 12th grade students for high school credit. For institutions granting quarter credit, the reimbursement per credit hour is 88% of the formula allowance times 1.3 and divided by 45. For institutions granting semester credit, the reimbursement per credit hour is 88% of the formula allowance times 1.3 and divided by 30. Additional information on this program can be found on the department's web site.
⇒ *Contract Alternative Aid* is paid to districts for students eligible to participate in the graduation incentives program who enroll in nonpublic, nonsectarian schools that have contracted with the serving school district to provide education services.
⇒ *Shared Time Aid* is paid to districts for students who attend public schools on a part-time basis while also attending private schools. Revenue for shared time pupils equals their full-time equivalent pupil units times the formula allowance.
⇒ *Pension Adjustment* is an adjustment to general education aid to offset the impact of certain changes in employer contribution rates for members of the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). General education aid is reduced by an amount equal to 2.34% of the FY 1997 salaries for TRA members and is increased by an amount equal to 0.7% of FY 1997 salaries for PERA members. In addition to these adjustments, an adjustment is made for a 1984 PERA rate change. The adjustment will be reduced beginning in FY 2008 by 0.5% of FY 2007 TRA salaries to offset an increase in the TRA employer contribution rate.

Referendum Revenue

⇒ A school board may increase its revenue for general education, beyond the level otherwise provided by state law, by obtaining approval from district voters for a referendum levy.

⇒ A district's gross referendum revenue equals the allowance per resident marginal cost pupil unit specified on the ballot times the school district's resident marginal cost pupil units.

⇒ A district's referendum allowance per pupil unit may not exceed the greater of: 1) 26% of the formula allowance adjusted for inflation ($1,411 in FY 2007); or 2) 117.7% of the district's referendum allowance in FY 1994 adjusted for inflation minus $215. The referendum allowance cap does not apply to districts receiving sparsity revenue.

⇒ School districts receiving referendum revenue make an additional levy for this purpose. The levy is spread based on the referendum market value of property, which excludes seasonal recreational cabin property and agricultural land (the house, garage and one acre of farm properties are taxable).

⇒ The state funds a portion of referendum revenue with referendum equalization aid and tax base replacement aid. Beginning in FY 2003, a two-tiered referendum equalization formula is used. For the first $600 of revenue per pupil unit ($700 beginning in FY 2008), the local levy share equals the lesser of the revenue or the product of the revenue times the ratio of the district's RMV per resident marginal cost pupil unit to $476,000. For revenue over $600 per pupil unit, up to the referendum allowance cap, the local levy share equals the lesser of the revenue or the product of the revenue times the ratio of the district's RMV per resident marginal cost pupil unit to $270,000. For districts qualifying for sparsity revenue, the referendum allowance cap does not apply and the full referendum revenue over $600 per pupil unit is eligible for equalization using the $270,000 equalizing factor.

⇒ For districts with an FY 2002 referendum allowance levy exceeding $415, the state pays tax base replacement aid equal to the portion of the district's referendum levy for taxes payable in 2002 attributable to the portion of the referendum allowance exceeding $415 levied against seasonal recreational cabin property and agricultural land. Because tax base replacement aid is subtracted from referendum equalization aid, in FY 2007, it provides a net reduction in taxes only for 30 school districts where the tax base replacement aid exceeds the referendum equalization aid. Tax base replacement aid remains in effect each year that a district's current referendum authority exceeds its FY 2002 referendum authority over $415 per pupil unit.

Replacements of General Education Revenue

A district's general education aid is reduced by the amount that it receives from the following sources:

⇒ *School Endowment Fund.* This fund is apportioned twice a year to all districts on the basis of the previous year's ADM (M.S.127A.33). The school endowment fund distributes investment earnings transferred to it from the permanent school fund. The principal of the permanent school fund, which must remain perpetual and inviolate, has been generated by land sales, mining royalties, timber sales, lakeshore and other leases, and other miscellaneous sources.

⇒ *County Apportionment Deduction*. School districts receive revenue from the apportionment of certain county receipts (M.S. 127A.34). This revenue is derived from penalties on real estate taxes, taxes on transmission and distribution lines, liquor license fees, fines, and other sources.

⇒ *Taconite Aid*. Certain districts may receive a small portion of their general education revenue from various taconite taxes (M.S. 294.21-294.28; M.S. Chapter 298). Taconite receipts of a school district for a fiscal year exceeding the amount needed to offset the taconite levy limitation reduction recognized for that fiscal year are subtracted from general education aid under M.S. 126C.21, Subd. 4.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8868, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: GENERAL EDUCATION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recommendation		Biennium 2008-09
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2008-09**
General Fund					
1 Current Program Appropriation	5,257,798	5,472,238	5,472,238	5,472,238	10,944,476
2 Tax Shift Buyback Appropriation	252,367				
3 Aid Payment Buyback	305,199				
4 Technical Adjustments					
a. End of Session Estimate			(9,406)	(68,899)	(78,305)
b. Open Appropriation	3,789	5,955			
c. November Forecast		(19,803)	16,589	24,353	40,942
d. Cancellation	(2)	(432)			
5 **Forecast Base**	**5,819,151**	**5,457,958**	**5,479,421**	**5,427,692**	**10,907,113**
6 **Governor's Recommendation**					
a. Increase Basic Formula 2% and 2%			93,279	198,275	291,554
b. Shared Time - Impact of Basic Formula			-	75	75
c. Contract Alternative - Impact of Basic Formula			214	455	669
d. Link Q Comp Allowance to Basic Formula			1,711	3,966	5,677
e. Q Comp Expansion at 10%			-	6,877	6,877
f. Limited English Proficiency 2% and 2%			696	1,527	2,223
g. Extended Time - 2% and 2%			1,431	2,350	3,781
h. Extended Time - Increase .2 Maximum ADM to .5			6,851	7,836	14,687
i. Equity Revenue Simplification/Hold Harmless			153	41	194
j. Transportation Sparsity Formula Update			1,679	1,905	3,584
k. Wind Energy Tax Adjustment (Begins FY 2010)			-	-	-
l. JOBZ Exemption - Pre 2004 Operating Referendum			-	29	29
m. Operating Capital Increase Equalizing Factor			-	40,076	40,076
n. Permanent School Fund Earnings Change			(6)	(11)	(17)
Subtotal Governor's Appropriation Recommendation			106,008	263,401	369,409
7 **Governor's Recommended Appropriation**	**5,819,151**	**5,457,958**	**5,585,429**	**5,691,093**	**11,276,522**

District Revenue Summary (Entitlement Basis)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2008-09
AID **State Aid**					
6 Statutory Formula Aid	5,382,179	5,556,762	5,551,093	5,495,467	11,046,560
7 Statutory Excess/(Shortfall)					
8 Appropriated Entitlement	5,382,179	5,556,762	5,551,093	5,495,467	11,046,560
9 Adjustments					
a. TRA Adjustment	(46,808)	(46,994)	(31,973)	(32,119)	(64,092)
b. Endowment Adjustment	(21,099)	(24,046)	(24,668)	(25,286)	(49,954)
d. County Apportionment	(15,243)	(14,670)	(14,670)	(14,670)	(29,340)
e. Other Adjustments including Taconite	(850)	(971)	(1,226)	(1,500)	(2,726)
10 **State Aid Current Law**	**5,298,179**	**5,470,081**	**5,478,556**	**5,421,892**	**10,900,448**
11 Governor's Recommendation (Entitlement)					
a. Increase Basic Formula 2% and 2%			103,643	208,789	312,432
b. Shared Time - Impact of Basic Formula			-	75	75
c. Contract Alternative - Impact of Basic Formula			237	479	716
d. Link Q Comp Allowance to Basic Formula			1,901	4,195	6,096
e. Q Comp Expansion at 10%			-	7,641	7,641
f. Limited English Proficiency 2% and 2%			773	1,611	2,384
g. Extended Time - 2% and 2%			1,589	2,435	4,024
h. Extended Time - Increase .2 Maximum ADM to .5			7,612	7,861	15,473
i. Equity Revenue Simplification/Hold Harmless			169	27	196
j. Transportation Sparsity Formula Update			1,865	1,909	3,774
k. Wind Energy Tax Adjustment (Begins FY 2010)			-	-	-
l. JOBZ Exemption - Pre 2004 Operating Referendum			-	32	32
m. Operating Capital Increase Equalizing Factor			-	44,528	44,528
Subtotal Governor's Entitlement Recommendation			117,789	279,582	397,371
12 Governor's Recommendation (Adjustments)			(6)	(11)	(17)
13 **Governor's Total Aid Recommendation**	**5,298,179**	**5,470,081**	**5,596,339**	**5,701,463**	**11,297,802**

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: GENERAL EDUCATION

Budget Activity Summary

plus						
LEVY	**Levy**					
	14 Local Levy Current Law	501,016	682,226	762,853	891,705	1,654,558
	15 Governor's Levy Recommendation					
	a. Increase Basic Formula 2% and 2%			(14)	(16)	(30)
	b. Q Comp Expansion at 10%			11	2,157	2,168
	c. Equity Revenue Simplification/Hold Harmless			163	675	838
	d. JOBZ Exemption - Pre 2004 Referendums			-	(32)	(32)
	e. Operating Capital Increase Equalizing Factor			-	(44,528)	(44,528)
	Subtotal Governor's Levy Recommendation			160	(41,744)	(41,584)
	16 **Governor's Levy Recommendation**	**501,016**	**682,226**	**763,013**	**849,961**	**1,612,974**
equals						
REVENUE	17 Current Law Revenue (State Aid & Levy)	5,799,195	6,152,307	6,241,409	6,313,597	12,555,006
	18 Governor's Aid and Levy Recommendation			117,943	237,827	355,770
	19 Governor's Revenue Recommendation	**5,799,195**	**6,152,307**	**6,359,352**	**6,551,424**	**12,910,776**
	20 **Other State and Local Revenue**					
	a. School Endowment (state)	21,099	24,046	24,674	25,297	49,971
	b. County Apportionment (local)	15,243	14,670	14,670	14,670	29,340
	c. Taconite (local)	1,268	971	1,226	1,500	2,726
	21 **Total All Sources Governor's Revenue**	**5,836,805**	**6,191,994**	**6,399,922**	**6,592,891**	**12,992,813**
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	787,978	519,803	531,494	542,404	1,073,898
	Transfer per M.S. 127A.41					
	Current Year (90%)	5,031,175	4,938,587	5,053,935	5,148,689	10,202,624
	Cancellation - Prior Year	(2)	(432)			
	Total State Aid - General Fund	**5,819,151**	**5,457,958**	**5,585,429**	**5,691,093**	**11,276,522**
Other State Funding Sources						
	School Endowment Fund	**21,099**	**24,046**	**24,674**	**25,297**	**49,971**

Activity Description

Citation: M.S. 123B.75, Subd.5; M.S. 16A.152, Subd. 2

These accounting mechanisms have helped balance the state's budget and lessen cuts in education programs during periods of state budget crisis.

Activity at a Glance

- Most recent Aid Payment Shift yielded $629.1 million in state budget savings.
- Most recent Property Tax Recognition Shift yielded $251.5 million in state budget savings.
- Both shifts were fully bought back with appropriations totaling nearly $1.1 billion in FY 2005-06.

Population Served

This activity benefits the state and its citizens by allowing the state to balance the state budget without making severe cuts in education aid. Districts benefit from certain provisions of the law that allow districts to preserve fund balances created by historic early recognition of the specific levies including referendum, health benefits, reemployment, and career-technical levies.

History

Aid Payment Shift

Since most school revenue is tied to the number and characteristics of students served by the district, there is general agreement that a portion of the funding should be held back until final student data is available.

90% Current Year Entitlement + 10% Adjusted Prior Year Entitlement =
School District Appropriation

The consensus is that a 10% hold back is prudent. However, during FY 2004 this hold back (or shift) reached 20% in order to help the state balance its budget.

Recent Use of Aid Payment Shift

Time Period	Changes in Aid Payment Percentages	State Budget (Savings)/Costs[1] $ in millions
2002 Legislative Session	90/10 to 83/17	($438.0)
2003 Legislative Session	83/17 to 80/20	($191.1)
November 2004 Forecast	80/20 to 81.9/18.1	$117.9
February 2005 Forecast	81.9/18.1 to 84.3/15.7	$150.1
November 2005 Forecast	84.3/15.7 to 90/10	$370.4

Property Tax Recognition Shift

While property taxes are paid on a calendar year basis, school districts operate on a fiscal year that runs from July 1 to June 30. The first half of the property taxes payable for the calendar year are due in May and the second half are due in October or November.

May 15th Payment + October 15th Payment = Levy

Prior to FY 1983, all of the school districts' May property tax collections were held and recognized as revenue in the following fiscal year, beginning July 1. Beginning in FY 1983, the revenue recognition policy was changed so that a portion of the spring proceeds was recognized as revenue in the fiscal year of collection. The shift provision was structured to be revenue neutral to school districts by adjusting state aid payments by the difference between the current year's early levy recognition amount and the previous year's early levy recognition amount. This accounting change provided the state with one-time savings in state aid appropriations, without reducing the overall revenue recognized by a school district.

[1] Savings do not equal costs because underlying funding formulas were increased beginning in FY 2006. This made the aid payment shift buy back more expensive.

In the period FY 1983-1993, the state experienced savings of $775.7 million resulting from this revenue shift. This amount was appropriated by the state over a six-year period beginning in FY 1994 to repay school districts the revenue neutral portion of the shift that had previously been reduced from state aid payments.

Beginning in FY 2004, the revenue recognition policy was reinstated to again provide the state with one-time appropriation savings. To emphasize the importance of buying back the shift when the state's financial health improved, a statute was adopted that automatically appropriated positive forecast balances to shift repayment (M.S. 16A.152, Subd. 2). In FY 2006, the state again repaid the revenue neutral portion of the tax shift with appropriations totaling $424.2 million.

Recent Use of Property Tax Recognition Shift

Time Period	Changes in Early Recognition Percentages	State Budget (Savings)/Costs[2] $ in millions
2003 Legislative Session	0[3] to 48.6	($251.5)
November 2005 Forecast	48.6 to 10.8	$330.7
February 2006 Forecast	10.8[4] to 0	$93.5

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8566, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

[2] Savings do not equal costs because property tax levies grew significantly while the shift was in place. This generated additional savings for the state, but also increased the cost of the property tax recognition shift buy back.
[3] This number does not include the historical 31% shift in referendum levies or those levies subject to 100% shift. An amount equal to 31% of the referendum levy certified in 2000 is recognized early each year to prevent school district revenue and fund balance losses that would have occurred when the state bought back $415 in referendum levy for FY 2003. The continued early recognition of other specified levies such as reemployment, health benefits and insurance, and career and technical levies matches the timing of revenue recognition to district expenditures.
[4] This figure was subsequently adjusted to 15.1% because the November 2005 Forecast assumed a referendum growth recapture rate that was too high. The 15.1% shift was never actually implemented because the February 2006 Forecast provided enough funding to fully buy back the shift.

Activity Description

Citation: M.S. 126C.17, Subd. 7a

Referendum tax base replacement aid (TBRA) ensures that the removal of agricultural land and seasonal recreational cabin properties from the referendum tax base beginning with taxes payable in 2002 will not increase tax burdens for other taxpayers in a district.

Activity at a Glance

- FY 2007 state aid entitlement estimated at $8,704,000
- 128 districts participating
- Average aid amount per district of $68,000

Population Served

Referendum tax base replacement aid provides property tax relief to property owners who would otherwise have experienced tax increases as a result of the removal of farmland and seasonal recreational cabin property from referendum market value. All else being equal, the removal of these properties from the referendum tax base would have increased tax burdens on other taxpayers in a school district.

Services Provided

School districts do not receive additional revenue as a result of this aid.

Key Measures

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Number of participating districts	130	130	128	128	128

Activity Funding

The referendum tax base replacement aid for a district equals the amount of the FY 2002 referendum levy attributable to the portion of the referendum allowance exceeding $415 per pupil unit that was levied against agricultural land and seasonal recreational cabin properties. In any year that a district's referendum allowance per pupil is less than the base year amount, the district's tax base replacement aid will be proportionately reduced for that year.

Referendum tax base replacement aid is subtracted from referendum equalization aid otherwise due the school district. Referendum equalization aid was increased at the same time that TBRA was created. For most districts, referendum equalization aid provides the tax relief that TBRA was intended to provide. For a small number of districts with significant tax base loss, TBRA reduces property taxes as well as referendum equalization aid. In FY 2007 it provides a net reduction in property taxes for 28 of the 128 participating school districts where tax base replacement aid exceeds the referendum equalization aid. Forty districts are projected to receive a net reduction in property tax under this activity by FY 2009.

The total amount of tax base replacement aid is essentially constant from year to year. However, referendum equalization aid is decreasing in many districts since tax bases usually increase faster than pupil counts. As a result, an increasing portion of TBRA is serving to reduce levy authority rather than equalization aid.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8868, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: GENERAL EDUCATION Aid
Referendum Tax Replacement Aid

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
1	Appropriation Excluding Buyback	8,704				
2	Aid Payment Buyback	496				
3	Total Current Appropriation	9,200	8,704	8,704	8,704	17,408
	a. Cancellation	(31)				
4	**Governor's Recommended Appropriation**	**9,169**	**8,704**	**8,704**	**8,704**	**17,408**
	District Revenue Summary (Entitlement Basis)					
AID	**State Aid**					
5	Statutory Formula Aid	8,673	8,704	8,704	8,704	17,408
6	Statutory Excess/(Shortfall)	31				0
7	Appropriated Entitlement	8,704	8,704	8,704	8,704	17,408
8	Adjustments					
	a. Cancellation	(31)				
9	**State Aid Entitlement Current Law**	8,673	8,704	8,704	8,704	17,408
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	1,366	870	870	870	1,740
	Current Year (90%)	7,834	7,834	7,834	7,834	15,668
	Cancellation	(31)				
	Total State Aid - General Fund	**9,169**	**8,704**	**8,704**	**8,704**	**17,408**

Budget Activities

⇒ Enrollment Options Transportation
⇒ Abatement Revenue
⇒ Consolidation Transition
⇒ Nonpublic Pupil Aid
⇒ Nonpublic Transportation
⇒ Special Provisions for Selected Districts
⇒ Compensatory Pilot Grants
⇒ Miscellaneous Levies
⇒ State Paid Property Tax Credits (information only)

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	39,943	40,729	40,729	40,729	81,458
Technical Adjustments					
Current Law Base Change			(84)	(137)	(221)
End-of-session Estimate			840	147	987
November Forecast Adjustment		(723)	(957)	(796)	(1,753)
Subtotal - Forecast Base	39,943	40,006	40,528	39,943	80,471
Governor's Recommendations					
Modify Abatement Aid Formula		0	604	835	1,439
Inflate Categoricals 2% and 2%		0	485	1,016	1,501
Total	**39,943**	**40,006**	**41,617**	**41,794**	**83,411**
Expenditures by Fund					
Direct Appropriations					
General	39,421	40,006	41,617	41,794	83,411
Total	**39,421**	**40,006**	**41,617**	**41,794**	**83,411**
Expenditures by Category					
Local Assistance	39,421	40,006	41,617	41,794	83,411
Total	**39,421**	**40,006**	**41,617**	**41,794**	**83,411**
Expenditures by Activity					
Enrollment Options Transportat	72	85	88	90	178
Abatement Revenue	909	764	1,433	1,489	2,922
Consolidation Transition	0	388	565	214	779
Nonpublic Pupil Aid	15,201	15,991	16,524	16,962	33,486
Nonpublic Transportation	21,091	20,491	20,804	20,889	41,693
Special Provisions	50	187	103	50	153
Compensatory Pilot Grants	2,098	2,100	2,100	2,100	4,200
Total	**39,421**	**40,006**	**41,617**	**41,794**	**83,411**

Change Item: Modify Abatement Aid Formula

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$604	$835	$853	$853
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$604	$835	$853	$853

Recommendation

The Governor recommends the abatement aid/levy calculation and tax increment financing (TIF) adjustment calculation be amended to include all equalized levies. This will improve taxpayer equity by updating the abatement statute to reflect the original intent of holding districts harmless for abatements. The fiscal impact is $604,000 in FY 2008, $835,000 in FY 2009, $853,000 in FY 2010, and $853,000 in FY 2011. The proposal will reduce school district property taxes by $1,524,000 for taxes payable in 2008, $853,000 for taxes payable in 2009, and $853,000 for taxes payable in 2010.

Background

Abatement aid and levy enable school districts to recover tax revenue lost when the assessed valuation of property is reduced due to taxpayer appeals after taxes have been spread by the county auditor. The intent is to provide approximately the same mix of aid and levy that the district would have received if the adjusted net tax capacity had been adjusted to reflect the change.

TIF adjustments reduce district aid and levy in an amount equal to district receipts of distributions of excess tax increment or residual receipts upon decertification of a tax increment district. The reduction is calculated to approximate the aid/levy mix of equalized programs in the year the school district receives the tax increment funds.

However, due to the introduction of new equalized levy categories over the years without corresponding amendments to the abatement aid and TIF statutes, the aid calculations do not currently include all equalized levies. This proposal adds the following equalized levies to the computations of abatement revenue and TIF adjustments: operating capital, equity, transition, debt service, deferred maintenance, alternative teacher compensation, and school-age care.

Relationship to Base Budget

This initiative will increase the state base budget for this program by $604,000 in FY 2008 and $835,000 in FY 2009. The current base budget for abatement aid is $829,000 in FY 2008 and $654,000 in FY 2009.

Key Measures

School districts will recover lost revenues in the same aid/levy ratio as if property values had been adjusted prior to the county auditors spread of levies on individual properties.

Statutory Change: M.S. 127A.49, subdivisions 2 and 3.

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures				
Nonpublic Pupil Aid	$116	$245	$144	$13
Nonpublic Pupil Transport	369	771	453	41
Tribal Contract Aid	25	55	58	58
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$510	$1,071	$655	$112

Recommendation
The Governor recommends providing a 2% increase for the nonpublic pupil, nonpublic pupil transportation, and tribal contract schools formulas, consistent with the increase provided in the general education formula.

Background
The formulas for nonpublic pupil (textbook and individualized instructional materials portion), nonpublic transportation, and tribal contract aids are linked to the general education formula allowance. The proposed changes would keep the funding for these programs in line with the Governor's general education changes as provided for in current law.

Relationship to Base Budget
FY 2008 changes represent an increase from base of 0.7% for nonpublic pupil aid, 1.8% for nonpublic pupil transportation aid, and 1.1% for tribal contract school aid. FY 2009 changes represent an increase from base of 1.5% for nonpublic pupil aid, 3.8% for nonpublic pupil transportation aid, and 2.3% for tribal contract school aid.

Statutory Change: Not Applicable

Activity Description

Citation: M.S. 124D.03; 124D.09; 124D.10

Activity at a Glance

FY 2005
- 143 students served
- $297 average reimbursement

This state aid program helps low-income students participate in the post-secondary enrollment options (PSEO), school district enrollment options (SDEO), and charter schools (CS) programs by providing state aid to school districts that reimburse families for transportation expenses associated with these programs (see Student Choice/Tax Incentives narrative for more information).

Population Served

Low-income students participating in PSEO, SDEO, and CS programs are served by this program.

Services Provided

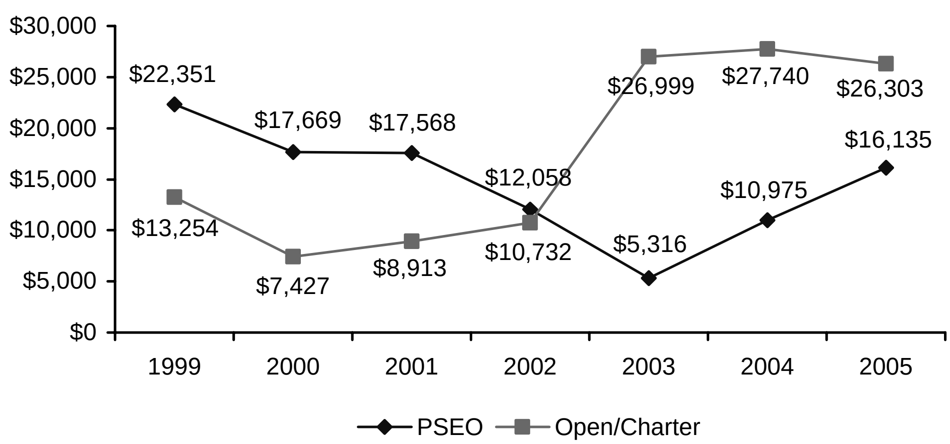
State aid is paid to school districts to reimburse transportation costs to families whose income is at or below the federal poverty income guideline level.

Some students, because of disabilities, cannot participate in this program unless they receive district-provided transportation services. For disabled students participating in open enrollment, districts may be required to travel beyond district boundaries to transport the students. Some charter schools, even though they elected to use district-provided transportation, may be required to transport nonresident students with disabilities within those students' resident districts. In all these cases, these potentially high cost transportation services are not authorized for state special education transportation aid. This program assures that disabled students of low-income families will not be discouraged from participating in options programs due to high cost transportation.

Historical Perspective

Beginning in FY 1999, the program was expanded to allow PSEO mileage reimbursement to students attending nonpublic schools (including home schools).

Aid Amounts to School Districts



In FY 2003, the post-secondary enrollment options transportation reimbursement declined from the previous year because of the temporary decline in both participating districts and qualifying families. Since 2003, the rate of both had steadily increased. Also in FY 2003, the open enrollment/charter school transportation reimbursement was impacted by a dramatic increase in the number of families participating from 66 in 2002 to 168.

Key Measures
All families of students meeting eligibility are reimbursed by school districts.

Activity Funding
The mileage reimbursement rate is set at $0.15 per mile and is limited to 250 miles per week. There is an exception to the 250 miles per week limit in the PSEO program if the nearest post-secondary institution is more than 25 miles from the student's home or high school. School districts and post-secondary institutions receive notification of this program on an annual basis. Students/families provide their own transportation in this program. PSEO students apply for reimbursement through their resident districts (or the post-secondary institutions, if nonpublic). Open enrollment students submit their applications to the enrolling districts. Charter school students apply to their charter schools.

The low eligibility threshold for this program (100% of federal poverty guidelines) excludes many students that qualify for other poverty-based measures (e.g., free and reduced priced lunch).

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8480, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: OTHER GENERAL PROGRAMS
Enrollment Options Transprotation

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Current Appropriation	55	55	55	55	110
a. Transfer per M.S. 127A.41	17				
b. November Forecast Adjustment		30	33	35	68
2 **Governor's Recommended Appropriation**	**72**	**85**	**88**	**90**	**178**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
3 Statutory Formula Aid	72	85	88	90	178
4 Statutory Excess/(Shortfall)	(17)	(30)			0
5 Appropriated Entitlement	55	55	88	90	178
6 Adjustments					
a. Transfer per M.S. 127A.41	17				
b. Supplemental Appropriation		30			
7 **State Aid Entitlement Current Law**	72	85	88	90	178
Appropriations Basis for State Aid					
Transfer per M.S. 127A.41	17				
Current Year	55	85	88	90	178
Cancellation					
Total State Aid - General Fund	**72**	**85**	**88**	**90**	**178**

Activity Description

Citation: M.S. 126C.46; 127A.49, Subd.2

This state aid and local levy program maintains equity for students and taxpayers by replacing revenue to which the district was entitled but did not receive due to abatements.[1] The objective is to replace the revenue in the same proportion of aid and levy as the original entitlement.

Activity at a Glance

In calendar year 2005, the following occurred in this program:

- Taxes Abated $6.0 million
- Abatement Aid $0.7 million
- Abatement Levy $5.3 million
- Number of Districts Impacted 218

Population Served

All eligible school districts in Minnesota participate in this program.

Services Provided

Abatement revenue is provided to school districts to prevent permanent revenue losses. The amount of abatement revenue for a school district is determined from data on net revenue losses as certified by the county auditors.

Historical Perspective

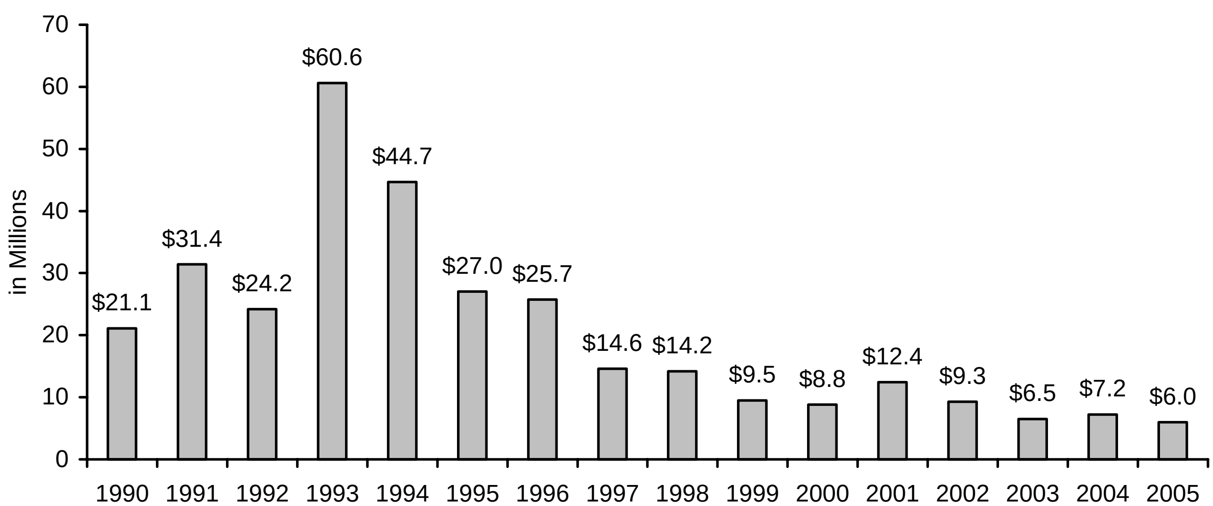
Funding for abatement revenue began in the late 1970s and was expanded in 1993 to include interest paid by the district on abatement refunds.

Key Measures

⇒ A total of 218 school districts receive abatement revenue in FY 2007 for taxes abated in calendar 2005.

⇒ The following graph shows the amount of school taxes abated each year since 1990. These amounts would be permanent losses to school district budgets without the abatement revenue formula.

Net Schools Taxes Abated



In the early 1990s due to economic conditions and a large unanticipated increase in commercial and industrial court ordered tax abatements, dramatic increases in net school taxes abated occurred.

[1] Court-ordered net reductions in the tax capacity of the district after taxes have been spread by the county auditor.

Activity Funding

Net revenue loss due to abatements is replaced with state aid and levy authority. The intent is to pay approximately the same amount in abatement aid as would have been paid to the district in general education and other equalized aids if the adjusted net tax capacity could have been adjusted to the lower level.

In general, school taxes abated in one calendar year are reported to the state in the following calendar year and included in the levy certified in the fall of that year for taxes payable in the next calendar year. For example, school taxes abated in 2005 are reported in the spring of 2006 and included on the 2006 payable 2007 levy.

A district may levy a year early for the net revenue loss incurred during the first six months of the calendar year (advance abatement levy) or choose to spread the levy over two years (three years with approval of the commissioner).

A district's aid entitlement is equal to its revenue loss multiplied by the ratio of: 1) the amount certified by the district in equalized referendum, health and safety, community education levies, and early childhood family education for which the district received corresponding state aid in the second preceding year, to 2) the district's total certified levy in the third preceding fall, plus or minus auditor's adjustments.

Abatement levy authority is the total of the three following components:

- the net revenue loss minus abatement aid after any proration is deducted,
- the net revenue loss for the first six months of the following calendar year, less any amount certified for the first six months of the prior calendar year, and
- an amount for any interest paid by the district on abatement refunds.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8566, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: Other General Education Programs
Abatement

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Appropriation Excluding Buyback	861				
2	Aid Payment Buyback	48				
3	Total Current Appropriation	909	1,026	1,026	1,026	2,052
	a. End of Session Estimate			184	(195)	(11)
	b. November Forecast Adjustment		(262)	(381)	(177)	(558)
4	**Forecast Base**	**909**	**764**	**829**	**654**	**1,483**
5	Governor's Recommendation					0
	a. Abatement aid formula modification			604	835	1,439
6	**Governor's Recommended Appropriation**	**909**	**764**	**1,433**	**1,489**	**2,922**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
7	Statutory Formula Aid	802	760	836	634	1,470
8	Statutory Excess/(Shortfall)		291			0
9	Appropriated Entitlement	802	1,051	836	634	1,470
10	Adjustments					
	a. Appropriation Reduction		(291)			
11	**State Aid Entitlement Current Law**	802	760	836	634	1,470
12	*Governor's Recommendation*					
	a. Abatement aid formula modification			671	853	1,524
13	**Governor's Aid Recommendation**	**802**	**760**	**1,507**	**1,487**	**2,994**
plus						
LEVY	**Levy**					
14	Local Levy Current Law	6,415	5,344	4,681	5,237	9,918
15	*Governor's Recommendation*					
	a. Abatement aid formula modification			(671)	(853)	(1,524)
16	**Governor's Levy Recommendation**	**6,415**	**5,344**	**4,010**	**4,384**	**8,394**
equals						
REVENUE 17	Current Law Revenue (State Aid & Levy)	7,217	6,104	5,517	5,871	11,388
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	187	80	76	150	226
	Current Year (90%)	722	684	1,357	1,339	2,696
	Total State Aid - General Fund	**909**	**764**	**1,433**	**1,489**	**2,922**

Activity Description

Citation: M.S. 123A.485

This state aid program supports districts that have recently consolidated by providing funds for one-time reorganization costs.

Activity at a Glance

For FY 2007, two sets of consolidations occurred.

- Plainview (806) and Elgin-Millville (810)
- Russell (418), Tyler (409), and Ruthton (584)

Population Served

Students and communities in eligible districts are served by this activity.

Services Provided

Voluntary school district reorganizations help to expand programs and services to students and families in greater Minnesota at a lower cost. This program provides an incentive for district consolidation and addresses some of the one-time costs associated with district consolidation. This program provides an alternative means of dealing with fiscal issues, such as staff reduction and operational debt reduction that often prevent permanent school district reorganization. Revenue may be used to cover district costs for early retirement incentives granted by the district under M.S. 123A.48, Subd. 23; to reduce operating debt as defined in M.S. 123B.82; to enhance learning opportunities; and to cover reorganization expenses.

A school district is eligible for revenue if it has reorganized under M.S. 123A.48 after 06-04-1994 and has not received cooperation and combination revenue for at least six years. M.S. 123A.48 provides for the process of school consolidation, including approval procedures and timelines.

Historical Perspective

This program was enacted by the 1994 legislature. This revenue replaced the cooperation and combination (C & C) revenue and transition and severance levies for consolidating districts.

Key Measures

While there are financial implications to consolidation, the primary reason for districts to consolidate is to address the academic needs of students. School districts that have consolidated through this program have reported that the consolidation has provided additional opportunities to meet student academic needs, increased efficiency in district operations, and improved the likelihood of long-term financial health of the newly formed district. The potential cost efficiencies that could be attributed to this program vary by district due to the unique financial, operating, and facility characteristics of the combining districts.

For example, Jackson Country Central, Independent School District 2895, was formed by consolidation of two existing districts in FY 2001. On a per student measure, expenditures for the new district decreased by 22% for district support services, 11% for pupil support services, and 15% for operations and maintenance costs when compared to the sum of previous year expenditures for the two districts that combined. The savings were primarily due to the closing of the Sioux Valley school site.

Activity Funding

This program is funded with state aid and a local property tax levy. State aid is equal to $200 times the resident pupil units in the first year after consolidation and $100 times the resident pupil units in the second year after consolidation. A maximum of 1,500 pupil units may be counted for the purpose of aid calculation. If consolidation transition aid is not sufficient to cover the eligible district costs, school districts may levy the difference, spreading the levy over up to three years.

School District Consolidations

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
First Year of Consolidation	2	3	2	0	0	0	0	2
Second Year of Consolidations	3	2	3	2	0	0	0	0

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8757, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: Other General Education Programs Consolidation Transition

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Current Appropriation	0	527	527	527	1,054
	a. End of Session Estimate			245	(69)	176
	b. November Forecast Adjustment		(139)	(207)	(244)	(451)
2	**Governor's Recommended Appropriation**	**0**	**388**	**565**	**214**	**779**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
3	Statutory Formula Aid	0	431	580	173	753
4	Statutory Excess/(Shortfall)		154			0
5	Appropriated Entitlement	0	585	580	173	753
6	Adjustments					
	a. Appropriation Reduction		(154)			
7	**State Aid Entitlement Current Law**	0	431	580	173	753
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	0	0	43	58	101
	Current Year (90%)	0	388	522	156	678
	Total State Aid - General Fund	**0**	**388**	**565**	**214**	**779**

Activity Description

Citation: M.S. 123B.40; 123B.41; 123B.42; 123B.43; 123B.44; 123B.445; 123B.45; 123B.46; 123B.47; 123B.48.

This state aid program provides every pupil in the state with equitable access to secular study materials and pupil support services.

Population Served

Services are provided to Minnesota students attending nonpublic schools including home schools.

Services Provided

Funding is allocated to public school districts for the benefit of nonpublic school students and not directly to nonpublic schools.

School districts are reimbursed for the costs of the educational materials loaned to the nonpublic pupil (textbooks, individualized instructional materials, and standardized tests) or for the costs of providing support services (health services and secondary guidance and counseling services) to the nonpublic pupil. School districts receive additional funds to cover administrative costs. This amount is equal to 5% of their total aid reimbursement amount.

Activity at a Glance

- Number of students participating (FY 2006)
  - ⇒ Text Book/Materials 84,000
  - ⇒ Health Services 79,000
  - ⇒ Guidance and Counseling 28,700
- Percentage of nonpublic students participating in program (FY 2006)
  - ⇒ Text Book/Materials 90%
  - ⇒ Health Services 83%
  - ⇒ Guidance and Counseling (grades 7-12) 87%
- FY 2006 rates per nonpublic pupil
  - ⇒ Text Book/Materials $66.23
  - ⇒ Health Services $49.69
  - ⇒ Guidance and Counseling $167.59
- All nonpublic students requesting materials and/or services by the statutory deadline have been and are being accommodated.

There are three basic categories of nonpublic pupil aid supporting the following services.

Textbooks, Individualized Instructional Materials, and Standardized Tests

⇒ Public school districts, upon formal request, must provide nonpublic pupils with instructional materials that are secular, neutral, nonideological, and not able to be diverted to religious use. These items are loaned to the nonpublic pupil and remain the property of the district.

Health Services

⇒ Public school districts, upon formal request, provide nonpublic pupils with student health services provided to public pupils. Health services may be provided to nonpublic students at a public school, a neutral site, the nonpublic school, or any other suitable location.

Guidance and Counseling Services

⇒ Public school districts, upon formal request, provide nonpublic secondary pupils with guidance and counseling services provided to public secondary pupils. This does not include guidance or counseling in the planning or selection of particular courses or classroom activities of the nonpublic school. Eligible services must be provided either at the public school, the nonpublic school, or a neutral site.

Key Measures

Textbooks, Individualized Instructional Materials, and Standardized Tests

⇒ The percentage of nonpublic school pupils participating in this category increased slightly from 89% in FY 1990 to 90% in FY 2006.

Health Services

⇒ The percentage of nonpublic school pupils participating in this category decreased from 88% in FY 1990 to 84% in FY 2006.

Guidance and Counseling Services

⇒ The percentage of nonpublic secondary school pupils participating in this category increased from 76% in FY 1990 to 87% in FY 2006.

Activity Funding

Nonpublic pupil aid is funded exclusively with state funds.

Textbooks, Individualized Instructional Materials, and Standardized Tests

⇒ The districts are reimbursed for the cost of purchasing and distributing eligible materials. This is calculated as an amount equal to the statewide average expenditure per public school pupil for similar materials in the second preceding school year, adjusted by the percent of increase in the general education formula allowance from the second preceding school year to the current school year, multiplied by the number of nonpublic pupils served. For purposes of this formula, kindergarten pupils are weighted at 0.5. For FY 2006, the maximum per pupil rate for textbooks is $66.23.

Health Services

⇒ Each participating district is reimbursed for the cost of providing these services up to an amount equal to the statewide average expenditure per public school pupil for similar services in the second preceding school year, times the number of nonpublic pupils served.

⇒ For FY 2006, the maximum per pupil rate for health services is $49.69.

Guidance and Counseling Services

⇒ Each participating district is reimbursed for the cost incurred in providing eligible services up to an amount equal to the statewide average expenditure per public secondary pupil for similar services in the second preceding school year, times the number of nonpublic secondary pupils served.

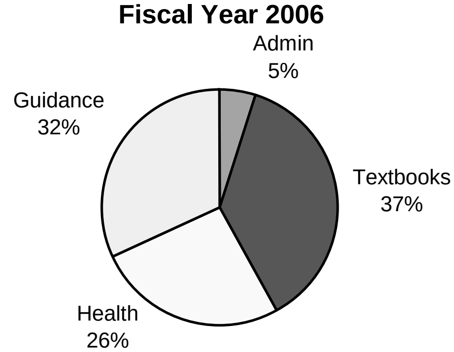
⇒ For FY 2006, the maximum per pupil rate for guidance and counseling is $167.59.

Administration

⇒ A district may claim and receive an additional amount equal to 5% of the district's aid for administrative costs.

The chart below provides a breakdown of estimated nonpublic pupil aid for FY 2006. Money is allocated based on the number of participating nonpublic students and actual program expenditures.

Fiscal Year 2006



Contact

Additional information is available from the MDE, Division of Program Finance, (651) 582-8858, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/Miscellaneous_Revenue/index.html.

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: Other General Education Programs
Nonpublic Pupil Aid

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
1	Appropriation Excluding Buyback	14,574				
2	Aid Payment Buyback	884				
3	Total Current Appropriation	15,458	15,991	15,991	15,991	31,982
	a. End of Session Estimate			417	726	1,143
	b. Transfer per M.S. 127A.41	(257)				
4	**Forecast Base**	**15,201**	**15,991**	**16,408**	**16,717**	**33,125**
5	Governor's Recommendation					
	a. 2% inflation factor			116	245	361
6	**Governor's Recommended Appropriation**	**15,201**	**15,991**	**16,524**	**16,962**	**33,486**
	District Revenue Summary (Entitlement Basis)					
AID	**State Aid**					
7	Statutory Formula Aid	14,847	16,089	16,444	16,747	33,191
8	Statutory Excess/(Shortfall)	257				0
9	Appropriated Entitlement	15,104	16,089	16,444	16,747	33,191
10	Adjustments					
	a. Transfer per M.S. 127A.41	(257)				
11	**State Aid Entitlement Current Law**	14,847	16,089	16,444	16,747	33,191
12	*Governor's Recommendation*					
	a. 2% inflation factor			128	258	386
13	**Governor's Aid Recommendation**	**14,847**	**16,089**	**16,572**	**17,005**	**33,577**
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	1,864	1,510	1,608	1,656	3,264
	Current Year (90%)	13,594	14,481	14,916	15,306	30,222
	Transfer per M.S. 127A.41	(257)				0
	Total State Aid - General Fund	**15,201**	**15,991**	**16,524**	**16,962**	**33,486**

Activity Description

Citation: M.S. 123B.92, Subd. 9, 123B.84, 123B.85, 123B.86 and 123B.87.

This program ensures that nonpublic school students receive the same level of transportation services as public school students receive and that the school districts are able to provide this transportation without significant cross-subsidy from the district's general fund.

Activity at a Glance

FY 2005

- ♦ 65,192 nonpublic students were transported to and from schools
- ♦ 216 districts transported students

Population Served

Minnesota students attending nonpublic schools are provided transportation services.

Services Provided

School districts must provide equal transportation within the district for public and nonpublic school students. This means that the district where a non-disabled pupil resides must provide transportation for the nonpublic pupil within the district in like manner as that provided to the public school student residing in the district. If the district transports nonpublic students to a school in another district because there is not a suitable nonpublic school located within the district, the nonpublic school or the parents pay the cost of transportation outside the district boundaries.

Public schools must also provide nonpublic school pupils with transportation within the district boundaries between the private school and public school or neutral site for health and secondary guidance and counseling services provided to nonpublic school pupils. The public school district must also transport nonpublic school students on late activity bus routes if it provides that service for public school students.

Key Measures

Since FY 1997, funding for the transportation of nonpublic students has been calculated using a separate formula based on average second prior year costs and the number of current year nonpublic students transported. The following table shows the number of nonpublic students transported to and from school.

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Nonpublic Enrollment	88,502	89,680	91,682	89,944	88,203	86,914	85,065
Percentage Transported	80.14%	80.96%	78.82%	76.36%	77.45%	75.01%	75.01%
Nonpublic Students Transported	70,929	72,606	72,266	68,677	68,315	65,192	63,805

Activity Funding

Nonpublic transportation aid equals the sum of the following two items:

- ⇒ For regular and excess transportation, an amount equal to the product of the district's actual cost per public and nonpublic pupil transported in the regular and excess categories for the second preceding year, times the number of nonpublic pupils receiving regular or excess transportation in the current year, times the ratio of the formula allowance for the current year to the formula allowance for the second preceding year.
- ⇒ For non-regular (e.g., shared time, support services) and late activity transportation, an amount equal to the product of the district's actual cost in the second preceding year, times the ratio of the formula allowance for the current school year to the formula allowance for the second preceding year.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8480, at http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Activity: Other General Education Programs
Nonpublic Pupil Transportation

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Appropriation Excluding Buyback	20,142				
2	Aid Payment Buyback	1,229				
3	Total Current Appropriation	21,371	20,843	20,843	20,843	41,686
	a. End of Session Estimate			(6)	(315)	(321)
	b. November Forecast Adjustment		(352)	(402)	(410)	(812)
	c. Cancellation	(106)				
	d. Transfer per M.S. 127A.41	(174)				0
4	**Forecast Base**	**21,091**	**20,491**	**20,435**	**20,118**	**40,553**
5	Governor's Recommendation					
	a. 2% inflation factor			369	771	1,140
6	**Governor's Recommended Appropriation**	**21,091**	**20,491**	**20,804**	**20,889**	**41,693**
	District Revenue Summary (Entitlement Basis)					
AID	**State Aid**					
7	Statutory Formula Aid	19,827	20,534	20,424	20,084	40,508
8	Statutory Excess/(Shortfall)	280	391			0
9	Appropriated Entitlement	20,107	20,925	20,424	20,084	40,508
10	Adjustments					
	a. Cancellation	(106)				
	b. Appropriation Reduction		(391)			
	c. Transfer per M.S. 127A.41	(174)				
11	**State Aid Entitlement Current Law**	19,827	20,534	20,424	20,084	40,508
12	*Governor's Recommendation*					
	a. 2% inflation factor			409	812	1,221
13	**Governor's Aid Recommendation**	**19,827**	**20,534**	**20,833**	**20,896**	**41,729**
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	3,274	2,010	2,053	2,082	4,135
	Current Year (90%)	18,097	18,481	18,751	18,807	37,558
	Transfer per M.S. 127A.41	(174)				
	Cancellation	(106)				
	Total State Aid - General Fund	**21,091**	**20,491**	**20,804**	**20,889**	**41,693**

Activity Description

These programs address specific and unique financial circumstances for the impacted district.

Population Served

All students and communities in selected school districts benefit from this funding.

Activity at a Glance

Target Districts

- ♦ Warroad School District Independent School District 660 – Angle Inlet
- ♦ Rocori Independent School District 750

One-Room Schoolhouse
Citation: Laws 2005 1st Special Session, Chapter 5, Article 1, Section 54, Subd. 9

This program provides additional revenue to the Warroad school district to assist with expenses related to the Angle Inlet school. This program was implemented in FY 1995 for the Warroad school district to open and operate a one-room schoolhouse at Angle Inlet. This program provides aid of $50,000 in each year.

Rocori Grant
Citation: Laws 2006, Chapter 282, Article 5, Section 5

The grant is for a continuation of district activities that were developed in concert with the Rocori school district's federal School Emergency Response to Violence, or Project SERV, grant. The state grant may be used to continue the district's recovery efforts, and uses include:

- ♦ an academic program and impact of tragedy or program assessment of educational adequacy;
- ♦ an organizational analysis;
- ♦ a strategic planning overview;
- ♦ a district assessment survey;
- ♦ continued recovery support;
- ♦ staff development initiatives; and
- ♦ any other activities developed in response to the federal Project SERV grant.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8851.

DEPT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: SPECIAL PROVISIONS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	50	187	187	187	374
Technical Adjustments					
Current Law Base Change			(84)	(137)	(221)
Subtotal - Forecast Base	50	187	103	50	153
Total	**50**	**187**	**103**	**50**	**153**
Expenditures by Fund					
Direct Appropriations					
General	50	187	103	50	153
Total	**50**	**187**	**103**	**50**	**153**
Expenditures by Category					
Local Assistance	50	187	103	50	153
Total	**50**	**187**	**103**	**50**	**153**

Activity Description

Citation: Laws 2005 1st Special Session, Chapter 5, Article 1, Section 50

This pilot program provides grant funding and allows school districts to allocate compensatory revenue received under M.S. 126C.10, Subd. 3, and the grants among their school buildings according to each building's school performance measures. Other districts must allocate at least 95% of their compensatory revenue to the building where the students generating the revenue are served.

Activity at a Glance

Districts that received funding in FY 2006

♦ Anoka Hennepin	$1,500,000
♦ Osseo	$210,000
♦ Robbinsdale	$160,000
♦ Rochester	$165,000
♦ South Washington	$65,000

Population Served

This pilot program is limited to five school districts listed in law.

Services Provided

School districts participating are required to submit to the commissioner an application and board-approved plan that includes the following information.

⇒ Identification of the test results that will be used to assess student performance.
⇒ Description of the method the district will use to distribute the compensatory revenue.
⇒ Summarization of the evaluation procedure the district will use to determine if the redistribution of compensatory revenue results in an improvement of measurable student performance.

If any of the funds are not awarded the commissioner is allowed to increase the grant amounts to any of the remaining districts.

The pilot program requires a report to the legislature by 2-1-08 about the effectiveness of the program.

Key Measures

Required school district reports and data will be used to determine if the compensatory redistribution pilot program results in an improvement of student services and performance. As of the time of writing this data was not yet available.

Contact

Additional information is available from the Minnesota Department of Education, School Improvement, (651) 582-8655, http://education.state.mn.us/mde/Accountability_Programs/index.html.

DEPT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: COMPENSATORY PILOT GRANTS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	2,100	2,100	2,100	2,100	4,200
Subtotal - Forecast Base	2,100	2,100	2,100	2,100	4,200
Total	**2,100**	**2,100**	**2,100**	**2,100**	**4,200**
Expenditures by Fund					
Direct Appropriations					
General	2,098	2,100	2,100	2,100	4,200
Total	**2,098**	**2,100**	**2,100**	**2,100**	**4,200**
Expenditures by Category					
Local Assistance	2,098	2,100	2,100	2,100	4,200
Total	**2,098**	**2,100**	**2,100**	**2,100**	**4,200**

Activity Description

Citation: See individual activities.

Activity at a Glance

- Number of current levy programs 20

The following state programs currently exist to provide additional local property tax levy revenue to school districts to fund specific obligations of the district's General Fund. School districts must meet statutory requirements for each levy program. Local school boards must annually approve each levy authority.

⇒ *Reemployment Insurance Levy* (M.S. 126C.43, Subd. 2). A school district may levy for the district's obligations for unemployment insurance under M.S. 268.052, Subd. 1 and for job placement services offered to employees who may become eligible for benefits under M.S. 268.085. For taxes payable in 2004 and 2005, this levy was limited to 90% of costs exceeding $10 times the district's adjusted marginal cost pupil units.

⇒ *Operating Debt Levy* (Laws of 1984, Chapter 463, Article 6, Section 15 and Laws of 1999, Chapter 241, Article 1, Section 2). Under special legislation, certain districts have authority to levy for past operating debt.

⇒ *Judgment Levy* (M.S. 126C.43, Subd. 3). A school district may levy for the district's obligations for judgments against the district, including interest costs.

⇒ *Health Benefit Levy* (M.S. 126C.41, Subd. 2). A school district may levy for the district's obligations under the collective bargaining agreement in effect on 3-30-1992 for health insurance and unreimbursed medical expenses of employees who retired before 7-1-1992. The district levy authority may not exceed $600,000. The levy is limited to the costs for the current fiscal year.

⇒ *Additional Retirement Levy* (M.S. 126C.41 Subd. 3). Beginning in 1991, the Minneapolis school district may levy an additional amount required for contributions to the Teacher Retirement Association fund as a result of the maximum dollar amount limitation on state contributions to the fund. The Minneapolis and St. Paul school districts may also levy for the increased costs of Teachers Retirement Association contributions due to changes in the contribution rates since 1992 and for supplemental contributions they have been required to make since 1998.

⇒ *Minneapolis Health Insurance Subsidy Levy* (M.S. 126C.41, Subd. 4). The Minneapolis school district may levy 0.10% of the district's adjusted net tax capacity to subsidize health insurance costs for retired teachers who were basic members of the Minneapolis Teachers Retirement Fund Association, who retired before 5-01-1974, and who are not eligible to receive the hospital insurance benefits of the federal Medicare program without payment of a monthly premium.

⇒ *St. Paul Severance Levy* (M.S. 126C.41, Subd. 5). The St. Paul school district may levy 0.34% of the district's adjusted net tax capacity to pay for severance costs.

⇒ *Safe Schools Levy* (M.S. 126C.44). A school district may levy up to $27 times the district's adjusted marginal cost pupil units to provide a drug abuse prevention program in the elementary schools, to provide liaison services in the schools, to provide a gang resistance education program in the schools, to pay the costs for security on school property, and/or pay for other crime prevention, drug abuse, student and staff safety, and violence prevention measures taken by the school district.

⇒ *Ice Arena Levy* (M.S. 126C.45). A school district that operates and maintains an ice arena may levy for the net operational costs of the ice arena for the previous fiscal year. Starting with taxes payable in 2004, this levy is limited to 90% of net operational costs. The school district must demonstrate that it will offer equal access for male and female students.

⇒ *Reorganization Operating Debt Levy* (M.S. 123A.73, Subd. 9 and M.S. 123B.82). A school district that reorganizes under consolidation or dissolution and attachment may levy to retire the net negative undesignated fund balance in the operating funds. The levy may be spread over a period up to five years.

⇒ *Severance Levies* (M.S. 123A.30, Subd. 6; M.S. 123A.73, Subd. 12; M.S. 123A.444; M.S. 124D.05, Subd. 3). A school district that reorganizes under dissolution and attachment may levy the costs of severance pay or early retirement incentives for licensed and nonlicensed employees who resign or retire early as a result of the reorganization. A school district with a secondary agreement with another district must pay severance to licensed employees placed on unrequested leave and may levy for the expenses.

⇒ *Consolidation Retirement Levies* (M.S. 123A.485, Subd. 2). For a school district that consolidates under 123A.48, consolidation transition aid is equal to a maximum of $200 per resident pupil unit for the first year of consolidation and $100 per resident pupil unit for the second year of consolidation. If the cost of the early retirement incentives offered by the district under M.S. 123A.48, Subd. 23, exceeds the amount of consolidation transition aid, the district may levy for the difference for a period not to exceed three years.

⇒ *Consolidation/Transition Levies* (M.S. 123A.41, Subd. 4, M.S. 123A.76). The board(s) of districts combining or combined under M.S. 123.37, Subd. 2, may levy over three years or less for costs directly related to the transition from cooperation to combination. These costs must be approved by the commissioner and may be costs of negotiations, administrative expenses, and new athletic or band uniforms. The board of a school district that has had all or a portion of a dissolved district attached to previous district boundaries may levy in the year the dissolution and attachment are effective for commissioner approved costs of negotiations and administrative expenses.

⇒ *Swimming Pool Levy* (M.S. 126C.455). Each year, a school district with its home office located in a county that has (i) a population density of 10 or fewer persons per square mile according to the 2000 census of population; (ii) an international border; and (iii) more than one school district within its boundaries, may levy for the net operational costs of a swimming pool. The levy may not exceed the net actual costs of operation of the swimming pool for the previous year.

⇒ *Career and Technical Education Levy* (M.S. 126C.457 and M.S. 124D.4531). Through the Pay 2007 levy cycle, a district may levy an amount equal to the district's FY 2001 entitlement for Career and Technical Education or $10,000, whichever is greater. The 2005 legislature reestablished a formula-based career and technical education levy beginning in the Pay 2008 levy certification process. Districts with programs and budgets approved by Minnesota Department of Education (MDE) will qualify for a levy equal to the lesser of $80 times district ADM in grades 10-12 or 25% of approved expenditures. A hold harmless provision guarantees the levy limit will not be less than the lesser of previous year levy or 100% of approved expenditures. Districts will recognize the entire levy in the same fiscal year it is certified.

⇒ *Economic Development Abatement Levy* (M.S. 469.1812 through M.S. 469.1815). The governing body of a political subdivision may grant an abatement of the taxes imposed by the political subdivision on a parcel of property, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if: 1) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement or intends the abatement to phase in a property tax increase; and 2) it finds that doing so is in the public interest. The political subdivision must add to its levy amount for the current year the total estimated amount of all current year abatements granted. No abatement aid is generated for these abatements.

⇒ *Lost Interest Earnings Levy* (Laws of 2001, First Special Session, Chapter 6, Article 1, Section 53, as amended by Laws of 2002, Chapter 377, Article 5, Section 5). Districts may levy for the reduction in estimated net interest earnings attributable to the repeal of the general education levy, as calculated by the MDE. This levy expires after taxes payable 2006.

⇒ *Tree Growth Replacement Levy* (M.S. 126C.445). Districts may levy an amount not to exceed its tree growth revenue for taxes payable in 2001.

⇒ *Carpenter Bus* (Laws of Minnesota, 2005 First Special Session, Chapter 5, Article 1, Section 49). A school district may levy $30,000 times the number of Carpenter school buses in its fleet as of 1-1-03, that have been determined to have potentially defective welds and are subject to limitations imposed by the Department of Public Safety. The levy authority may be spread over five years, taxes payable 2006 through 2010.

⇒ *Administrative Services* (M.S. 123A.12). If an administrative position is discontinued in a district as a result of the purchase of administrative services from another district, the district may levy for costs of retirement incentives or severance pay or other costs related to the discontinuance of that position.

Minnesota school districts will generate revenue to the extent needed for various general fund obligations, thereby contributing to their overall financial health. School districts will not need to allocate general education formula funding to these identified costs.

Activity Funding

The following table shows certified levy amounts and number of school districts participating in each program.

	FY 2002 00 PAY 01	FY 2003 01 PAY 02	FY 2004 02 PAY 03	FY 2005 03 PAY 04	FY 2006 04 PAY 05	FY 2007 05 PAY 06
1. Reemployment Ins.	$1,989.4	$3,775.2	$8,251.1	$3,333.5	$3,201.6	$9,420.6
# of Districts	114	155	184	92	123	282
2. Operating Debt	593.1	502.9	525.4	174.1	175.7	187.7
# of Districts	16	11	11	2	1	1
3. Judgment Levy	451.8	494.9	185.7	87.0	85.5	1,740.8
# of Districts	11	12	8	4	3	17
4. Health Benefit	3,625.4	4,071.4	4,278.7	3,319.9	2,674.8	3,338.8
# of Districts	72	42	30	25	19	21
5. Additional Retirement	8,391.3	9,168.1	9,649.4	9,885.0	10,354.4	10,735.1
# of Districts	2	2	2	2	2	2
6. Mpls. Health Ins.	-0-	261.9	291.5	323.3	355.1	389.8
7. St. Paul Severance	525.9	433.3	662.2	777.9	834.3	911.9
8. Safe Schools Levy (1)	9,984.5	10,065.9	27,615.2	24,395.1	24,196.1	24,055.1
# of Districts	263	275	309	309	315	314
9. Ice Arena Levy	608.4	751.4	840.1	747.2	742.5	895.2
# of Districts	8	9	10	9	11	10
10. Reorg. Oper. Debt	705.4	378.1	378.1	212.4	196.1	-0-
# of Districts	7	5	5	3	2	-0-
11. Severance Levies	1,330.7	866.0	621.3	630.1	668.3	316.8
# of Districts	8	8	6	6	7	4
12. Consol/Retirement	-0-	-0-	-0-	-0-	-0-	-0-
# of Districts	-0-	-0-	-0-	-0-	-0-	-0-
13. Consol/Transition	-0-	-0-	-0-	-0-	-0-	-0-
# of Districts	-0-	-0-	-0-	-0-	-0-	-0-
14. Swimming Pool (2)	-0-	411.7	383.4	424.2	457.0	508.5
# of Districts	-0-	4	4	4	4	4
15. Career and Technical (2)	-0-	12,498.0	12,620.3	12,505.7	12,678.2	12,689.2
# of Districts	-0-	292	312	305	308	310
16. Econ. Dev. Abatement (2)	-0-	353.0	299.6	395.5	413.7	491.6
# of Districts	-0-	5	5	8	7	7
17. Lost Interest Earnings (3)	-0-	-0-	2,994.2	2,992.8	2,987.7	2,975.1
# of Districts	-0-	-0-	337	339	336	333
18. Tree Growth (3)	-0-	-0-	631.5	630.2	618.0	620.8
# of Districts	-0-	-0-	48	47	46	46
19. Adm. Services(4)	-0-	-0-	-0-	-0-	-0-	-0-
# of Districts	-0-	-0-	-0-	-0-	-0-	-0-
20. Carpenter Buses (4)	-0-	-0-	-0-	-0-	-0-	3,205.4
# of Districts	-0-	-0-	-0-	-0-	-0-	36

(1) Renamed Safe Schools Levy for Pay 2003
(2) New Levy for Pay 2002
(3) New levy for Pay 2003
(4) New levy for pay 2006

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Division, (651) 582-8566, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

Activity Description

Citation: M.S. 273.123; M.S. 273.1398; M.S. 273.1384; M.S 469.170; M.S. 469.171.

Activity at a Glance

- six credit programs in FY 2007
- $74 million total credits FY 2007

Information Only

Property tax credits and aids calculated by the Department of Revenue provide a vehicle for property tax reform or relief for targeted real property classes. The effect of these state paid property tax credits and aids is to shift a portion of property tax burden for education from property owners to the state.

Population Served

All school districts in the state receive some form of state paid property tax credits. The number and the amount of state paid tax credits that districts and property tax owners in the district receive is dependent upon the local conditions.

Activity Funding

Current property tax credit and aid programs paid to school districts by the Minnesota Department of Education (MDE) reduce property taxes paid by property owners in one of two ways:

Programs reducing the property tax rate applied to the property value to calculate property tax.

⇒ *Disparity Reduction Aid* provides relief to high tax rate areas. The Department of Revenue calculates a reduction to the initial tax rate to reduce the rate as much as 10%.

Programs providing a reduction to the calculated property tax (listed in the order applied to the tax).

⇒ *Disaster Credit* provides relief to homesteads located in declared disaster or emergency areas.

⇒ *Agricultural Preserves Credit* provides relief to owners of agricultural property in the seven county metropolitan area.

⇒ *Disparity Reduction Credit* provides relief to apartments, commercial, industrial, and public utilities in economically depressed areas located at Minnesota borders designated as enterprise zones.

⇒ *Residential Homestead Market Value Credit*, implemented in 2002, provides relief to residential homestead property, including the house, garage, one acre of land for farm homesteads, and certain resort homesteads. The credit is computed as 0.4% of the first $76,000 market value of each homestead property. The maximum credit is $304 and is phased out at a rate of .09% of the value over $76,000.

⇒ *Agricultural Land Market Value Credit*, implemented in 2002, provides relief to agricultural homestead property, excluding the house, garage, and one acre. The credit is computed as 0.3% of the first $115,000 market value of each homestead property. The maximum credit is $345 and is phased out at a rate of .05% of the value over $115,000 with a maximum reduction of $115.

In addition to the property tax relief aids and credits listed above, school districts may receive others paid by the county, including power line credit, county conservation credit, and taconite homestead credit. Taconite homestead credit targets Iron Range homeowners with a credit of either 66% or 57%, depending on characteristics of the mining industry within the school district. The 66% credit has a maximum of $315.10 per property. The 57% credit has a maximum of $289.80 per property.

Activity Funding

Open appropriations are provided for the following aids and credits paid to school districts by MDE. The amounts include credits and aids for mobile home properties. The property tax credit expenditures are reported in the Department of Revenue budget.

State Paid Property Tax Credits

	Dollars in Thousands					
	FY 2002 00 Pay 01	FY 2003 01 Pay 02	FY 2004 02 Pay 03	FY 2005 03 Pay 04	FY 2006 04 Pay 05	FY 2007 05 Pay 06
Disparity Reduction Aid	$10,398	$7,802	$8,432	$8,927	$8,127	$7,983
Disaster Credit	9	2	19	-0-	-0-	-0-
Agricultural Preserves Credit	163	288	110	-0-	-0-	61
Disparity Reduction Credit	1,433	259	439	710	644	798
Homestead Market Value Credit	N/A	69,468	69,007	64,741	59,208	58,964
Agric Homestead Market Value Credit	N/A	3,853	5,879	5,209	5,296	5,597
Education Homestead Credit	405,887	* 806	* 111	N/A	N/A	N/A
Education Agricultural Credit	55,116	N/A	N/A	N/A	N/A	N/A
HACA	17,199	N/A	N/A	N/A	N/A	N/A
Enterprise Zone Credit	1	N/A	N/A	N/A	N/A	N/A
TOTAL	$490,206	$82,478	$83,997	$79,587	$73,275	$73,403
Prior Year Adjustment	17	-0-	128	95	125	365
Adjusted TOTAL	$490,223	$82,478	$84,125	$79,682	$73,400	$73,768

*Prior year adjustments

Source: Tax Research Division, Department of Revenue, 1-23-06

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available the MDE, Division of Program Finance, (651) 582-8566, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

Programs

- ⇒ Education Excellence – Choice Programs
- ⇒ Education Excellence – Indian Programs
- ⇒ Education Excellence – Innovation Accountability
- ⇒ Education Excellence – Special Student & Teacher Programs

Change Item: 3R High Schools

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$19,147	$55,927	$54,945	$54,132
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$19,147	$55,927	$54,945	$54,132

Recommendation

The Governor recommends $19.147 million in FY 2008 and $55.927 million in FY 2009 for the establishment of *3R High Schools*. The three Rs stand for rigor, relevance and results. This program will encourage systemic high school redesign through the implementation of six key components. All schools are required to implement the first component (one year of post-secondary education for all students), but in order to access funding to support their redesign efforts, schools must implement all six components. Participating schools will receive $68 per student enrolled in grades 9-12 on October 1 of the previous school year for FY 2008 and $200 per student enrolled in grades 9-12 on October 1 of the previous school year for FY 2009 and later.

Background

The current high school structure is not designed to meet the demands of a new global reality. This initiative encourages high schools to implement new policies, programs, and practices that prepare students for a more complex and competitive global economy.

All schools will be required to ensure students earn at least one year of post-secondary education while in high school (component one). In order to access funding, schools must implement the features of all six components as identified in the following bulleted items:

Component 1: One Year of Post-Secondary Education for All Students (required of all high schools)

⇒ Students will be required to take at least one year of post-secondary education while in high school. The credit will serve as “dual credit” for high school and post-secondary education. This requirement begins with this year’s fourth graders (fourth-graders during the 2006-07 school year or graduating class of 2015).

⇒ High schools must offer programs that support post-secondary access that may include Advanced Placement (AP), International Baccalaureate (IB), Post-Secondary Education Options (PSEO), College in the Schools (CIS), Concurrent Enrollment, and College Level Examination Program (CLEP).

⇒ High schools must offer rigorous programs of study that include career and technical (CTE) courses that are offered in high demand fields, leading to certification or other industry-recognized credentials.

⇒ High schools must collaborate in partnerships that create opportunities for students to pursue meaningful work-based learning and internships.

Component 2: College Access Programs for Students (required if high school accepts funding)

⇒ Access to a Minnesota Department of Education list of approved program partners to guide and prepare students for post-secondary education. These programs may include AVID, MCAN, Admissions Possible, Princeton, Gear Up, etc.

Component 3: Personal Graduation Plan (PGP) (required if high school accepts funding)

⇒ PGP begins by 8^{th} grade and is updated at least one time per year.

⇒ PGP includes academics, extracurricular activities, and opportunities to provide service and leadership in the school and community.

⇒ Annual contract must be signed by parent(s) or guardian(s) and includes a commitment from parent(s) or guardian(s) to support student and school.

Component 4: High Quality Teacher and Principal Leadership (required if high school accepts funding)
⇒ Principal strongly supports and leads the school's continuous improvement efforts.
⇒ School provides high quality, real time professional development for licensed staff, and provides opportunities for leadership positions among teachers.
⇒ District gives the principal added autonomy and authority to make meaningful decisions

Component 5: Rigorous and relevant course taking for all students (required if high school accepts funding)
⇒ All students have access to a rigorous, standards-based core academic curriculum.
⇒ All students have access to accelerated learning opportunities such as AP, IB, or other kinds of rigorous coursework.
⇒ The curriculum is connected to real-world contexts.
⇒ The curriculum includes opportunities for service learning.
⇒ Structures/programs are in place to ensure that students stay on track for graduation.

Component 6: Use of Data for School Improvement (required if high school accepts funding)
⇒ The school uses a systemic, data-driven school improvement planning process.
⇒ All staff use data to improve curriculum and instruction.
⇒ All staff use data to improve school culture, organization and management.

Relationship to Base Budget
This is a new program.

Key Measures
Some key measures to be used at each school could include the following:
- percentage of students earning at least one year of dual credit;
- percentage of students participating in CTE courses associated with rigorous programs of study that lead to certification or other industry-recognized credentials;
- numbers of students participating in college access programs;
- percentage of students with a PGP;
- principal observations/walkthroughs to ensure congruence in intended curriculum and taught curriculum;
- staff survey regarding alignment of professional development funds and activities with school and classroom improvement goals;
- "advanced course" enrollment figures, course grades, and state test results analyzed by student subgroup;
- student surveys about the extent to which the curriculum reflects their needs and interests; and
- school improvement goals initiated as a result of data analysis.

Statutory Change: Not Applicable

Change Item: Expand AP/IB Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$7,300	$8,111	$8,111	$8,111
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$7,300	$8,111	$8,111	$8,111

Recommendation
The Governor recommends $7.3 million in FY 2008 and $8.111 million in FY 2009 for schools looking to implement and expand Advanced Placement (AP), pre-Advanced Placement (pre-AP) and International Baccalaureate (IB) programs in schools. This funding will allow schools to offer equal access to AP, pre-AP and IB courses and programs.

Background
This state program will provide financial incentives for schools to begin or expand their AP, pre-AP and IB programs that will promote rigorous, challenging courses of study as part of the regular offerings for students in elementary, middle and secondary schools.

In FY 2006, 233 public schools and 40 nonpublic schools participated in the AP programs. The IB program participation included 11 schools in the Diploma Program, four schools in the Middle Years Program, and six schools in the Primary Years Program.

These programs provide rigorous academic opportunities for elementary, middle, and high school students. In addition, high school students in the program are better prepared for college and have the opportunity to earn college credit and/or advanced standing, thus saving students and their parent's time and money during post-secondary education. The Minnesota College and State Universities are required to offer college credit if students obtain a three or higher on an AP exam and a four or higher on the IB exam. Minnesota's private colleges and the University of Minnesota have credit awarding policies for AP and IB course credits for exams taken by students.

These programs provide increased academic rigor, offer sound curricular design, accountability, comprehensive external assessment, feedback to students and teachers, and the opportunity for high school students to compete academically on a global level.

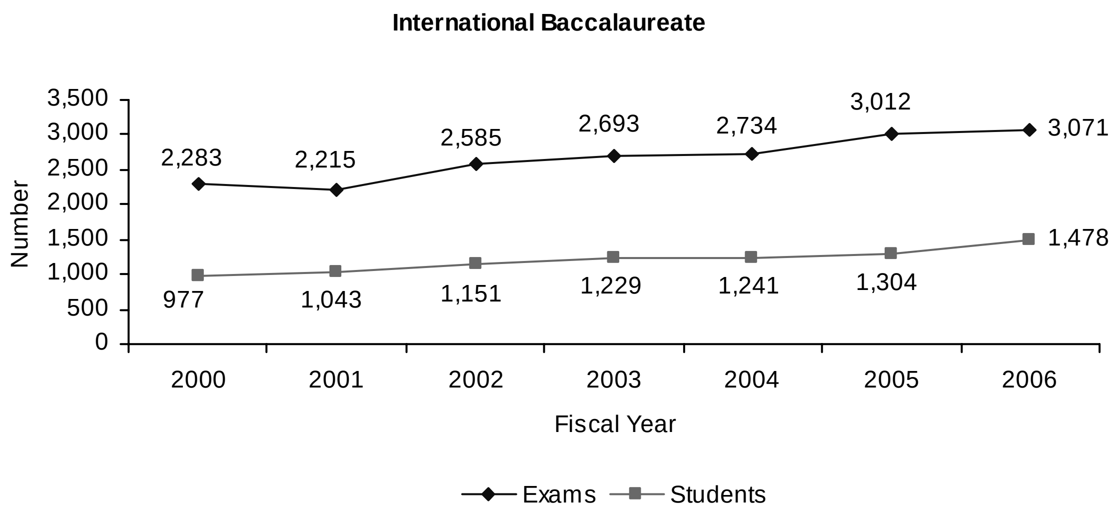
Schools have benefited from an AP or IB program in that it revitalizes teachers and departments, and indicates to the public that the school values intellectual achievement and academic excellence.

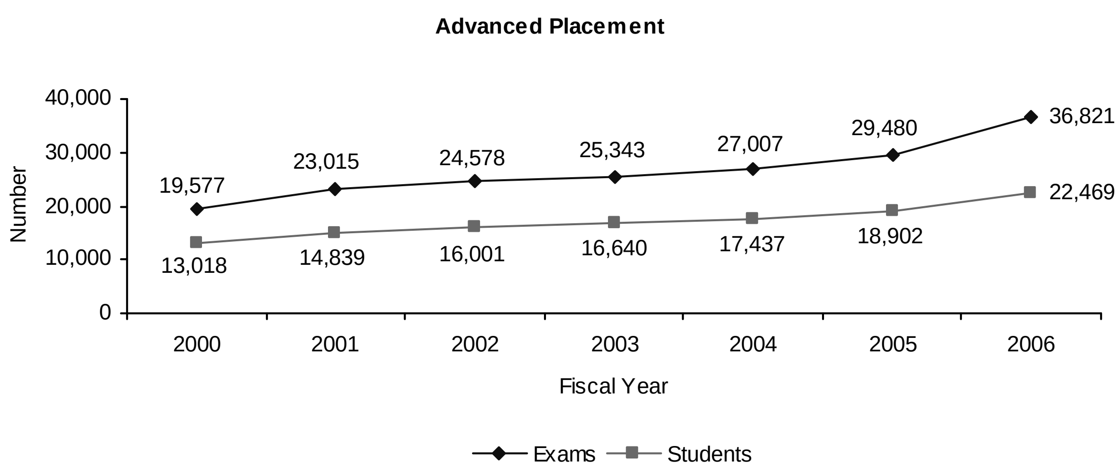
Relationship to Base Budget
This initiative will increase the state base budget $7.3 million in FY 2008 and $8.111 million in FY 2009. The current base funding for AP/IB is $4.5 million in FY 2008 and $4.5 million in FY 2009.

Key Measures
⇒ The number of AP and IB students testing and the number of exams taken will increase each year.
⇒ The number of schools offering these programs will increase.
⇒ The number of students earning college credit through AP and IB will increase.
⇒ The percentage of minority and low-income students participating in these programs and taking exams will increase each year.

Advanced Placement
Based on FY 2006 data
⇒ Students of color represent 14% of all Minnesota students testing in AP in FY 2006.
⇒ Low income students represent 11% of students testing and take 16% of the exams. This demonstrates a 3% increase of students testing and 7% increase in exams taken from the previous year.

International Baccalaureate
Based on FY 2006 data
⇒ Students of color represent 38% of all Minnesota students testing in IB - slightly less than students of color testing in 2005.
⇒ Low income students represent 24% of students testing and take 29% of the exams. This demonstrates a significant increase in low-income students testing and number of exams taken.





Statutory Change: New statute will be proposed (M.S. 120B.132).

Change Item: Successful Schools Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$75,000	$75,000	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$75,000	$75,000	$0	$0

Recommendation

The Governor recommends $75 million in FY 2008 and $75 million in FY 2009 for the implementation of the successful schools program. The successful schools program will provide annual one-time reward payments in FY 2008 and FY 2009 to schools earning at least three stars on the State School Report Card. Eligible schools will receive the equivalent of an additional 1.5% to 2.5% on the general education funding formula.

Background

The State School Report Card awards stars for academic performance to all 2,000 schools in the state. Schools not meeting adequate yearly progress (AYP) requirements earn one or two stars depending on the number of years the school has been having difficulty.

The successful schools program may impact the approximately 1,500 schools statewide that meet or exceed academic requirements in reading or mathematics as established by *No Child Left Behind* (NCLB). Schools that meet NCLB requirements earn three stars. Four and five stars are awarded for achieving specific additional performance measures on the Minnesota Comprehensive Assessments-Series II (MCA-II) assessments. In FY 2008, successful schools will be required to earn a three, four, or five star rating in reading or math during the 2006-07 school year. Star results will be available in August and funding will be available in October 2007.

In FY 2009, schools would be required to earn three, four, or five stars in reading or math during the 2007-08 school year. Like the previous year, star results will be available in August and funding will be available in October 2008. Additional details about the star rating system can be found on the Minnesota Department of Education's (MDE) public website at: http://education.state.mn.us under *Data Downloads, NCLB Report Card Star Rating.*

The reward for successful schools will be calculated as a rate per student enrolled on October 1 of the school year in which the assessment is made. Depending on the percentage of the state's students enrolled in successful schools, the rate per student will vary from a minimum of $90 (equivalent to 1.5% on the general education funding formula) to a maximum of $150 (equivalent to 2.5% on the general education funding formula). If 75% of the state's students are enrolled in successful schools, the rate will be approximately $120 per student (equivalent to 2% on the general education funding formula). These funds may be used for any purpose except to pay for permanent salary increases. They may be used for one-time compensation for staff. This funding is allocated to the school site with approval for expenditures required by the district.

Relationship to Base Budget

This reward program will allow schools to an additional one-time increase of up to $150 per student or approximately 2.5% on the general education funding formula.

Key Measures

To be eligible for this award, schools must earn three, four, or five stars on the State School Report Card. Three stars are awarded to schools making AYP under NCLB.

Schools may receive up to two additional stars for meeting any one of the following four sets of requirements.

Outstanding Achievement Stars

⇒ The school has fewer than 10% percent of students not meeting academic standards in each grade tested.
⇒ The school has 30% of student exceeding academic standards in each grade tested.

Better than Comparable School Stars

⇒ The average score for the school is in the top 25% when compared to schools with similar numbers of economically disadvantaged students.
⇒ The average score for the school is in the top 10% when compared to schools with similar numbers of student enrollment.

Comparable schools are determined by dividing all schools into four different groups. One set of comparison groups is based on the number of economically disadvantaged students and the other set of comparison groups is based on the number of students tested at each school. Schools must be at the top of their particular group to be eligible for the comparison stars.

Statutory Change: Not Applicable

Change Item: Math & Science Teacher Academies

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,000	$4,000	$4,000	$4,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,000	$4,000	$4,000	$4,000

Recommendation
The Governor recommends $2 million in FY 2008 and $4 million in FY 2009 for the establishment of five to six regional Math and Science Teacher Academies. The academies will provide technical assistance to schools and districts, and professional development to teachers in order to ensure the successful implementation of Minnesota Academic Standards in mathematics and science.

Background
Rigorous new standards and graduation requirements in math and science have created an urgent need for schools and districts to align curriculum and for teachers to improve their content knowledge and teaching skills. To help meet this need, the Minnesota Department of Education (MDE) will create a Request for Proposal (RFP) that invites regional educational service cooperatives, schools, school districts, institutions of higher education (IHE's), and/or other private or public education entities to form partnerships to sponsor an academy in each of the following regions of the state: northeast, northwest, southeast, southwest, west central, and metro. Each regional partnership must include the following:

- ♦ at least one IHE; and
- ♦ at least one local education agency or regional educational service cooperative.

Partnerships may also include business organizations, professional content organizations, and existing Title IIB Mathematics and Science Partnership programs.

Each regional academy will provide the following services.

Technical assistance to schools and school districts.

- ⇒ Tools and processes for curriculum alignment in math and science.
- ⇒ Development and/or adaptation of math instructional materials that align with newly revised standards and graduation requirements (i.e., three math credits including one credit in Algebra I by the end of grade eight and one credit in Algebra II).
- ⇒ Development and/or adaptation of science instructional materials that align with new science standards (especially standards related to the Earth Science and History and Nature of Science strands) and graduation requirements (i.e., three credits including one credit in biology, one credit in chemistry or physics, and one other science credit which may be fulfilled by an agriculture science course).
- ⇒ Assistance to ensure science laboratory safety so that school labs can safely accommodate increases in the number and kinds of courses and students taking science.

Professional development for math and science teachers

- ⇒ Intensive summer institutes followed by professional development provided during the school year that result in teachers' improved content knowledge and instructional skills and which align with the principles of Q Comp.

In addition, each regional academy will do the following:

⇒ Create incentives to encourage the participation of all K-12 math and science faculty in the region.
⇒ Give priority to teachers who are not "highly qualified," and low-performing schools/school districts (in math and science).
⇒ Help schools implement the Governor's proposed requirement that all students earn at least one year of post-secondary education in high school (i.e., dual credit) as it pertains to math and science.
⇒ Include one or more members of MDE's Quality Teaching Networks (QTNs) in mathematics and science in the planning and/or implementation of academy activities.
⇒ Plan and implement an academy program evaluation that includes measures of student achievement and teacher growth (especially teachers' improved content knowledge) and other measures recommended by MDE's contracted program evaluator.
⇒ Submit an annual report to MDE on the academy program's activities and results.

The RFP will be created by members of the math and science QTNs under the leadership of the MDE math and science content specialists. MDE math and science content specialists also will monitor the implementation of the grants and provide technical assistance to academy providers on research-based best practices in program evaluation, curriculum alignment, instruction and classroom assessment, and other topics as needed.

Relationship to Base Budget

This is a new program.

Key Measures

⇒ Number of schools provided technical assistance by each regional academy.
⇒ Number of math and science teachers who received professional development from each regional academy.
⇒ Student achievement in mathematics and science in participating schools (pre- and post-measures selected by academy provider in consultation with MDE-contracted program evaluator).
⇒ Teacher growth, especially improved content knowledge (pre- and post-measures selected by academy provider in consultation with MDE-contracted program evaluator).
⇒ Other measures recommended by MDE-contracted program evaluator.

Statutory Change: Not Applicable

Change Item: Collaborative Urban Educator

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$773	$773	$773	$773
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$773	$773	$773	$773

Recommendation

The Governor recommends $773,000 in FY 2008 and $773,000 in FY 2009 for the expansion of the Collaborative Urban Educator (CUE) program to support educator training and recruitment programs for individuals to meet the educational needs of the urban school and diverse student populations.

Background

The CUE program supports educator training and recruitment programs. This program addresses the need to recruit and train educators prepared to meet the educational needs of the urban school and a diverse student population. CUE funds three programs:

- the Southeast Asian Teacher program at Concordia University, St. Paul;
- the Collaborative Urban Educator Program at the University of St. Thomas; and
- the Center for Excellence in Urban Teaching at Hamline University.

Grant recipients collaborate and provide services to both urban and non-urban school districts.

In FY 2006 at the Center for Excellence in Urban Teaching at Hamline University, 50 emerging teachers of color participated through the urban scholars tutoring program in after-school reading tutoring to low-income students in metro area schools. The adventures in urban teaching seminar lecture series had 126 participants in 2006 and approximately 1,600 since 1997. Also in FY 2006, the certificate in urban teaching program had 26 teachers enrolled. Since 1977, 825 teachers have taken one or more classes with 40 teachers receiving certificates and in the onsite professional development program, over 10,000 participants over 45 districts, schools, and community organizations received training.

In FY 2006 in the Collaborative Urban Educator Project at the University of St. Thomas there were 23 students enrolled in the program. Since 1992, over 300 teachers have completed licensure programs through this program. In 2006, CUE alumni were teaching in 112 schools in Minnesota. In-service programs impacted more than 460 teachers and administrators and more than 145 CUE alumni completed master's degrees, education specialist, and doctoral programs.

Since 1998, 160 students entered the Southeast Asia Teacher Licensure Program at Concordia University. Of the 160 students in FY 2006, 81 graduated, 42 were teaching in Minnesota schools, 38 students had licensure pending, and 92% of graduates of the SEAT program were either currently teaching or in the process of completing their licensure requirements.

Concordia, St. Thomas, and Hamline universities will be able to expand current programs, offering services to more candidates and/or school districts. All students and candidates will benefit from the recruitment and training of school district teachers and staff, enabling school districts to meet the educational needs of a diverse student population.

The Minnesota Board of Teaching, in collaboration with the Minnesota Department of Education will approve and/or monitor such programs to ensure that standards and objectives are met.

Relationship to Base Budget

This initiative will increase the state base budget by $773,000 in FY 2008 and $773,000 in FY 2009. The current base funding for the Collaborative Urban Educator program is $528,000 in FY 2008 and $528,000 in FY 2009.

Key Measures

⇒ The CUE program will provide professional development to school district staff enhancing skills and abilities to meet the educational needs of urban learners and a diverse student population.

⇒ The CUE program will recruit and prepare underrepresented populations, persons with cultural or experiential backgrounds in urban settings and individuals currently employed in school districts as paraprofessionals or education assistants for Minnesota teacher licensure.

Statutory Change: First Special Session Laws 2005, Chapter 5, Article 2, Section 84, Subd. 15.

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$2,000	$2,000	$2,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$2,000	$2,000	$2,000

Recommendation

The Governor recommends $2 million a year for a six-year pilot project starting in FY 2009 to fund an alternative school calendar. The pilot project will fund a selected number of districts and schools and evaluate the effectiveness of alternative school calendars for potential statewide policy changes.

Background

School district calendars have not changed appreciably in the last 100 years despite many changes in public education. The current school calendar is based on an agrarian economy that required students to work in the farm industry during the summer months. While the economies of the United States and Minnesota have changed, the time and calendar structures of our school systems have not changed.

Minnesota law does not currently require a set number of calendar days or contact hours. The average Minnesota school district operates on 172 school days, with the time during the school day varied between schools.

This pilot project will evaluate the effectiveness of transitioning to an alternative school calendar. The alternative school calendar pilot project may include expanding the current school day, moving to a year-round school calendar, or moving to another alternative school calendar that includes the 45/15 model, where students attend school for 45 days and then have 15 days off. During the 15 days off, the school may run remedial or enrichment programs for students.

The pilot project will study and evaluate the effectiveness of an alternative school calendar compared to a traditional school calendar based on the criteria listed in “Key Measures” below.

Relationship to Base Budget

This initiative will sunset after FY 2014.

Key Measures

The alternative school calendar pilot project will measure the following:

- educational enrichment opportunities and remedial help available to students;
- impact on student achievement on statewide assessments;
- impact of calendar on student attendance and student disciplinary actions;
- amount of time available to students and school staff for out-of-school learning, vacations, and recreation; and
- financial impact on districts and schools.

Statutory Change: Amend M.S. 120A.41 and 120A.415 to exempt participating districts and schools.

Change Item: Mandarin Chinese Expansion

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$250	$0	$0
Revenues	0	0	0	0
Other Fund	0	0	0	0
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$250	$0	$0

Recommendation

The Governor recommends $250,000 in FY 2008 and $250,000 in FY 2009 for 25 $10,000 grants to local school districts and/or charter schools to initiate Mandarin Chinese programs or to support local school districts and/or charter schools that have implemented exemplary foreign language programs to allow them to continue to model and enhance best practices.

Background

In 2006, onetime funding of $250,000 was allocated to the Minnesota Department of Education (MDE) to develop and provide school districts with a common curriculum, materials, and classroom assessments to be used for a Mandarin Chinese program. The legislation also required MDE to make recommendations on related issues including teacher preparation programs, the need for an adequate supply of foreign language teachers, expedited licensure for foreign language teachers, and the development of an adequate number of high-quality programs.

A network of business leaders, Chinese speaking people, MDE staff, educators, higher education representatives, parents, and other interested partners were brought together to accomplish the goals set forth by the Governor and legislature. The individuals determined that in order to adequately prepare students to be globally competitive, more students must take foreign language and more foreign language options must be provided by school districts and/or charter schools.

From 2003-2006, only 32-35% of Minnesota secondary students studied a foreign language. In order to remain competitive in the global market and to participate in the economic, political, and social life of a state with growing diversity, students must be able to function competently in more than one language. These grants will provide local school districts and/or charter schools an incentive to initiate Mandarin Chinese programs. In addition, local school districts and/or charter schools that have implemented exemplary foreign language programs will be recognized and provided limited funding to continue to model best practices.

School districts choosing to apply will need to make necessary changes within their systems to begin Mandarin Chinese programs or provide evidence of current success, outlining future goals for improvement. MDE will develop the program approval process, assist and monitor school district progress, and facilitate necessary partnerships with the China Center, higher education institutions, and the Center for Advanced Research on Language Acquisition to ensure student success.

Start-up funds will assist interested school districts in initiating programs or recognizing and enhancing successful models in place. Incentives will also assist to ensure that all students, including those in rural or high-poverty school districts, be given the opportunity to compete in the global market and to participate in the economic, political, and social life of a state with growing diversity.

Relationship to Base Budget

This funding is only for FY 2008-09.

Key Measures

Twenty-five (25) school districts will initiate or enhance Mandarin Chinese programs or be recognized as providing exemplary programs to Minnesota students.

Statutory Change: Not Applicable

Change Item: Minnesota Reading Corps

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$1,000	$1,000	$1,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$1,000	$1,000	$1,000

Recommendation

The Governor recommends $1 million for FY 2008 and $1 million FY 2009 to establish the Minnesota Reading Corps program to provide literacy instruction from ages three to grade three.

Background

Minnesota School Readiness Study: Developmental Assessment at Kindergarten Entrance data demonstrates the relationship between developmental assessment by domains in the “not yet” category of readiness levels. In language development and literacy overall 12% of children rated “not yet.”

During the 1996-1997 school year, the St. Croix River Education District (SCRED) working in partnership with ServeMinnesota launched a literacy model to improve outcomes for children through the development and implementation of specific interventions for children being served in head start and K-3 classrooms.

This request will expand the Minnesota Reading Corps model through ServeMinnesota and allow other programs to participate using the SCRED and other research-based literacy models. Funding will be provided to expand models of literacy instruction from ages three to grade three in head start, other pre-kindergarten programs, and in K-3 schools. Interventions will be guided by formative and summative general outcome assessments linked to research-based indicators of literacy development. The goal of this expansion is to close the literacy achievement gap.

Relationship to Base Budget

This is a new program. The current base for Youthworks/ServeMinnesota programs is $900,000 in both FY 2008 and FY 2009.

Key Measures

⇒ Increase the number of children proficient in language development and literacy.
⇒ Increase the number of ServeMinnesota AmeriCorps members serving the Minnesota Reading Corps program.
⇒ Increase the number of pre-K through grade three programs using research based literacy models.
⇒ Increase federal and private funds leveraged.

Statutory Change: M.S. 124D.42.

Change Item: Minnesota First Five New Teacher Induction

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,220	$2,220	$2,220	$2,220
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,220	$2,220	$2,220	$2,220

Recommendation

The Governor recommends $2.22 million in FY 2008 and $2.22 million in FY 2009 and later years to establish the Minnesota First Five Teacher Induction Program to regionally deliver assistance to teachers in their first years of teaching. This funding would be available to regional educational service cooperatives, schools, school districts, institutions of higher education (IHE's), and/or other public education entities to form partnerships on a competitive grant process administered by the Minnesota Department of Education (MDE). To be eligible, each grantee will demonstrate that their funding is to be used to increase teacher retention and teacher effectiveness in high-need license areas of the state.

Background

Finding and keeping qualified teachers is a growing concern for Minnesota schools. High quality teaching is essential for all students to reach rigorous standards. A highly qualified teaching workforce, both novice and veteran, is the single greatest leverage point for assuring that all students achieve at their highest potential. Increasing the stability of the teaching corps, especially in schools with challenging student populations, can help to assure all children experience the high quality teaching they deserve.

The recruitment and retention of teachers has become a nationwide concern. States seeking to address issues of teacher attrition and improve teacher quality turn to teacher induction programs to provide support for new teachers. Based on Minnesota 2001-2006 data, 69% of all new teachers were still teaching in the state five years later but only 50% of teachers remaining in the same school district. However, there is even a lower retention rate in high-need urban and rural areas and in teacher shortage areas.

In 2003, MDE received a three-year United States Department of Education (USDE), Higher Education Act, Title II, Part A, Teacher Quality Enhancement (TQE) grant to advance comprehensive reforms to develop and retain high quality teachers in Minnesota. The TQE project included the development of the First Five Mentorship program to serve three regions in the state – one in the metropolitan area and two in rural Minnesota. The two-year program was built on new teacher-mentor activities around content knowledge, instructional practices, and classroom management. Initial results of the pilot reported significant new teacher growth in content area knowledge, classroom management skills, and delivering instruction for diverse groups of students. The mentorship project accelerated new teacher's learning with participants moving quickly from a focus on classroom organization and management issues to instructional planning and delivery.

With this initiative, Minnesota will establish regional teacher induction sites in high-need areas of the state targeting new teacher groups in high-need license areas. Regional teacher induction sites will use this money to implement an induction program to increase retention and effectiveness of teachers in their first years of teaching. Expectations from each site is to provide a professional development program specific to new teachers to include:

- an induction model to provide support to new teachers and training for mentors;
- collaboration time for new teachers and mentors to work together;
- coaching and observation of new teacher by mentors;
- professional learning activities unique to the first years of teaching to promote growth of teacher's practice (classroom management, subject matter and instructional strategies, lesson planning, etc.);
- formative assessments focused to improve instructional practice and set professional development goals; and
- program evaluation to measure program effectiveness and impact on new teacher's practice and retention.

Relationship to Base Budget

This is a new program.

Key Measures

⇒ The First Five Teacher Induction Program sites are established and sustained.

⇒ Site program models are developed and implemented to support new teachers and mentors.

⇒ Teacher participation in the program increases the retention rates of new teachers in the state and within the same school district and that teacher effectiveness will also increase.

Statutory Change: Not Applicable

Change Item: EPAS Expansion

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$464	$464	$565	$565
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$464	$464	$565	$565

Recommendation
The Governor recommends $464,000 in FY 2008 and FY 2009, and $565,000 in FY 2010 and FY 2011 to increase student participation in the Educational Planning and Assessment System (EPAS) at no cost to them or their school districts. This funding allows for all eligible students in the state to participate, plus an additional student data organization feature (pre-gridding of answer documents) at the districts' request.

Background
In 2005, the Governor's Get Ready, Get Credit initiative addressed the need to increase high school rigor and college preparedness. The get ready portion of the program allows students to take college readiness and interest assessments in 8th and 10th grade. This is conducted through aligned assessments in the EPAS system. This program was first available with statewide funding in 2005-06. During this year, 89,648 students participated in these assessments. This number was higher than anticipated. The Minnesota Department of Education (MDE) expects participation to increase during the 2006-07 school year.

This funding allows school districts and charter schools to voluntarily participate in the EPAS. The ACT EPAS provides a longitudinal, systematic approach to educational and career planning, assessment, instructional support, and evaluation. The EPAS achievement tests includes English, reading, mathematics, science, and includes components on planning for high school and beyond, interest inventory, needs assessments, and student education plans.

MDE, in conjunction with districts and schools, provides assessments that will help determine student strengths and weaknesses using the ACT Explore tests at 8th grade and the ACT Plan test at 10th grade. The state bears the cost of these two tests for Minnesota students. These tests are linked to the ACT assessment for college admission and will allow students, teachers, schools, and parents to determine college readiness earlier than the junior or senior year in high school. In addition, the ACT tests will allow for linkage to the state accountability system (Minnesota Comprehensive Assessments-Series II) and will help determine preparedness at an even earlier grade.

Relationship to Base Budget
This initiative will increase the state base budget by $464,000 in FY 2008 and $464,000 in FY 2009. Currently base funding for the Get Ready, Get Credit – EPAS program is $829,000 in FY 2008 and $829,000 in FY 2009.

Key Measures
EPAS provides more opportunities for students to prepare and plan for post-secondary education.

Statutory Change: Not Applicable

Change Item: Statewide Assessment Funding

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,883	$6,214	$6,433	$6,433
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,883	$6,214	$6,433	$6,433

Recommendation

The Governor recommends $2.883 million in FY 2008 and $6.214 million in FY 2009 to increase the effectiveness of the statewide assessment system. The additional funds would allow the state to establish a comprehensive assessment system that includes increased teacher access to student assessment results, the design of more appropriate customized assessments for special populations (e.g., English language learners, students with special needs), and the development of computer-delivered retest opportunities for graduation exams. These and other elements would increase the efficiency of test administration and decrease reporting timelines for graduation tests.

Background

This additional funding will provide for a number of initiatives within the assessment system that are more appropriate for students, more effective for teachers, and more efficient for Minnesotans. Three of the major initiatives are listed below.

Online, Computer-Based Reporting Tool

Classroom teachers currently have no easy access to the assessment history of the classroom they see before them in the fall. To obtain this history, teachers in many districts would have to collect the paper reports for their students from their student files. An online, web-based tool would give classroom teachers rights-based access to view the assessment history of the students in their classroom. Teachers could sort the students by strengths and weaknesses against the Minnesota Academic Standards. This system would also provide research-based teaching strategies aligned to the standards as a support to the teacher. This tool would be available the day of public release of test scores for classroom teachers to plan their fall instruction. Parents also would have access to a version of this system that has non-secure, non-student specific information about helping their students grow academically.

Computer-Based Graduation Retests

As the graduation tests in writing, reading, and mathematics move to the high school, the state must be more responsive to students in providing access to this test and providing results as quickly as possible. Using computers to deliver the retests will accomplish both these objectives. If computers are used for delivery, then a student anywhere in the state (or country, if need be) can have access to the graduation retest in an appropriate, secure setting. If paper is no longer being delivered to schools, the state can increase the access to this test, allowing for greater scheduling flexibility for the student (e.g., weekends, after school). If no human-scored, open-ended items are included, then the computer can quickly score the test. A preliminary score could be provided immediately, and a quality reviewed, final score could be provided within 24-48 hours.

Standards Alignment of Minnesota Tests

Under state law, Minnesota Academic Standards are revised every six years. When standards are revised and improved, Minnesota may need to be revised to align to those standards. When the expectations of Minnesota change as denoted in the standards, then the test questions and the performance expectations on the test may also change to reflect any changes. Mathematics and science are either currently undergoing standards revision or scheduled within the next biennium. These revisions may mean revision for the Minnesota Comprehensive Assessments as well. This alignment revision will provide an advantage for both students and teachers.

Relationship to Base Budget

This initiative will increase the state base budget by $2.883 million in FY 2008 and $6.214 million in FY 2009. Base funding for statewide assessment is $9 million in both FY 2008 and FY 2009.

Key Measures

⇒ Minnesota teachers will have access to the student-level assessment data of their entire classroom for planning purposes as soon as it is published.
⇒ Students will have greater access to graduation test opportunities and will have quick results for those tests.
⇒ Minnesota tests will continue to be aligned with the highest technical quality to reflect the rigorous standards adopted by the state.

Statutory Change: Not Applicable

Change Item: Computer Based Formative Assessment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,340	$3,510	$4,680	$4,680
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,340	$3,510	$4,680	$4,680

Recommendation
The Governor recommends $2.34 million in FY 2008, $3.51 million in FY 2009, and $4.68 million in FYs 2010-11 for voluntary, computer-based formative assessments to provide frequent, diagnostic, and predictive information in math, reading, and science throughout the school year. These formative assessments would be aligned to the state's summative accountability tests, the Minnesota Comprehensive Assessments-Series II (MCA-IIs). These formative assessments would provide schools and districts with immediate feedback about the strengths and weaknesses of their students throughout the school year as measured against the state's rigorous standards and as a predictive component of performance on the MCA-IIs.

Background
Minnesota has established its accountability tests to fulfill state and federal requirements. However, teachers and administrators seek more information to diagnose skill strengths and predict student performance, using immediate results. Districts across Minnesota use various assessments from various testing companies, each claiming alignment with the Minnesota Academic Standards. This initiative would allow the Minnesota Department of Education (MDE) to focus on a clearly-aligned formative assessment that matches state standards and can be used to predict student performance on the MCA-IIs.

Relationship to Base Budget
This is a new program.

Key Measures
A formative assessment system coordinated and aligned at the state level would allow for the following:
- a verifiable alignment of the assessment to the Minnesota Academic Standards;
- companion subjects available for assessment that are used for adequate yearly progress (reading and mathematics) as well as science;
- computer-based assessments for ease of administration (student-constructed responses would not be required for this assessment as they are on the MCA-IIs, per M.S. 120B.30, subd. 1);
- multiple administrations at the discretion of the school allowing teachers to adjust instruction based on the results;
- immediate results available for teachers (student-constructed responses scored by humans would not be required for this assessment as they are on the MCA-IIs, per M.S. 120B.30, subd. 1);
- diagnostic reports indicating students' strengths and weaknesses; and
- predictive information indicating a student's expected performance on the MCA-IIs in the spring of the year.

Statutory Change: Not Applicable

Budget Activities

⇒ Charter School Lease Aid
⇒ Charter School Start-Up Aid
⇒ Integration Revenue
⇒ Magnet School Grants
⇒ Magnet School Start-Up Aid
⇒ Interdistrict Desegregation Transportation

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	92,808	99,442	99,442	99,442	198,884
Technical Adjustments					
End-of-session Estimate			3,267	8,142	11,409
November Forecast Adjustment		(3,029)	2,761	4,022	6,783
Subtotal - Forecast Base	92,808	96,413	105,470	111,606	217,076
Governor's Recommendations					
Alternative School Calendar		0	0	2,000	2,000
Total	**92,808**	**96,413**	**105,470**	**113,606**	**219,076**
Expenditures by Fund					
Direct Appropriations					
General	91,996	96,413	105,470	113,606	219,076
Statutory Appropriations					
Federal	9,226	19,000	22,000	17,000	39,000
Total	**101,222**	**115,413**	**127,470**	**130,606**	**258,076**
Expenditures by Category					
Local Assistance	101,222	115,413	127,470	130,606	258,076
Total	**101,222**	**115,413**	**127,470**	**130,606**	**258,076**
Expenditures by Activity					
Charter School Lease	25,060	35,799	40,915	40,270	81,185
Charter School Start Up	10,479	13,289	14,888	15,161	30,049
Integration Revenue	58,901	57,945	61,941	61,654	123,595
Magnet School Grants	750	750	750	750	1,500
Interdistrict Deseg Transp	6,032	7,630	8,976	10,771	19,747
Alternate School Calendar	0	0	0	2,000	2,000
Total	**101,222**	**115,413**	**127,470**	**130,606**	**258,076**

Activity Description

Citation: M.S. 124D.11, Subd. 4; Elementary and Secondary Education Act of 1965, as amended, Title V Part B, Subpart 1.20, U.S.C. 8061-8067

This program provides funding to charter schools to access appropriate facilities for instructional purposes.

Population Served

Charter schools and enrolled students are served by the aid program

Activity at a Glance

- There are currently 132 charter schools in Minnesota (FY 2007)

Estimated Activity (FY 2006 data)

- Pupil units (PU) served 23,229
- Lease aid per PU (max) $1,200
- Average gross aid per PU $1,053.43

Services Provided

This program provides funding to charter schools to access appropriate facilities for instructional purposes. Charter schools may apply to the commissioner to receive additional funding for lease costs, after having determined that the total operating capital revenue under M.S. 126C.10, Subd. 13 is insufficient for their capital financial needs.

Historical Perspective

This program began in FY 1998 with 25 of 27 charter schools receiving aid; 123 of 125 schools received lease aid in FY 2006.

FY 1998 and FY 1999 lease aid was limited to 80% of the actual net lease costs. The maximum aid per pupil unit (PU) increased from $416 in FY 1998 to $440 in FY 1999, to $1,500 in FY 2000 through FY 2003, and to $1,200 in FY 2004 (except for schools that were grandfathered in at a higher level).

Key Measures

Charter School Lease Aid Statistics

							Estimate
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Eligible Lease Cost	$7,882,451	$12,443,440	$14,275,979	$17,833,442	$21,120,184	$23,589,096	$29,156,329
PU Served	8,397	10,381	11,480	13,856	15,889	19,524	23,226
Average Lease Cost Per PU	$938.72	$1,198.67	$1,243.55	$1,287.05	$1,329.23	$1,208.21	$1,255.00
Max Aid Per PU	$1,500	$1,500	$1,500	$1,500	$1,200	$1,200	$1,200
Total Gross Aid	$6,904,968	$10,705,174	$12,620,780	$15,625,004	$17,542,645	$20,634,020	$24,466,963
Average Aid/PU	822.31	1,031.23	1,099.37	1,127.67	1,104.07	1,056.85	1,053.43

Activity Funding

The commissioner reviews lease aid applications and denies or approves based on

- the reasonableness of the price based on current market conditions;
- the appropriateness of the proposed lease in the context of the space needs and financial circumstances of the charter school; and
- conformity of the lease to the laws and rules of the state of Minnesota.

Aid is limited to the lesser of

- 90% of actual net lease costs, or
- the product of the charter school's PU served for the current year times the greater of $1,200 or the charter school's building lease aid per pupil unit served for FY 2003 (35 charter schools have a grandfather allowance greater than $1,200).[1]

Federal funding is available through the Federal Charter School Facilities Incentive Grant Program (CFDA 84.282). This program supports the planning, development, and initial implementation of charter schools. In Minnesota, federal funds are used for a competitive grant initiative for charter school facilities.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8801, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html. Information about charter school laws, school formation, and operation is available at http://education.state.mn.us/mde/Academic_Excellence/School_Choice/Public_School_Choice/Charter_Schools/index.html.

[1] Because M.S. 126C.05, Subd. 14, requires that pupil units be adjusted to reflect any change for the relative weighting by grade level or category of special assistance, the grandfather allowance based on FY 2003 was calculated to reflect the change in pupil unit weighting that occurred in FY 2004.

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
Activity: Choice Programs
Charter School Lease

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
1	Appropriation Excluding Buyback	23,834				
2	Aid Payment Buyback	1,497				
3	Total Current Appropriation	25,331	27,806	27,806	27,806	55,612
	a. End of Session Estimate			3,820	7,984	11,804
	b. November Forecast Adjustment		(7)	289	480	769
	d. Cancellation	(302)				
4	**Governor's Recommended Appropriation**	**25,029**	**27,799**	**31,915**	**36,270**	**68,185**

District Revenue Summary (Entitlement Basis)

		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
AID	**State Aid**					
5	Statutory Formula Aid	24,318	28,152	32,333	36,707	69,040
6	Statutory Excess/(Shortfall)	302	7			0
7	Appropriated Entitlement	24,620	28,159	32,333	36,707	69,040
8	Adjustments					
	a. Cancellation	(302)				
	c. Appropriation Reduction		(7)			
9	**State Aid Entitlement Current Law**	24,318	28,152	32,333	36,707	69,040
10	**Other Revenue**					
	a. Federal	31	8,000	9,000	4,000	13,000
11	**Total All Sources Current Law**	24,349	36,152	41,333	40,707	82,040

Appropriations Basis for State Aid

	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
Prior Year (15.7%/10%)	3,324	2,462	2,815	3,233	6,048
Current Year (90%)	22,141	25,337	29,100	33,037	62,137
Cancellation Prior Year Account	(151)				
Cancellation Current Year Account	(285)				
Total State Aid - General Fund	**25,029**	**27,799**	**31,915**	**36,270**	**68,185**

Activity Description

State Citation: M.S. 124D.11, Subd. 8
Federal Citation: Elementary and Secondary Education Act of 1965; Title V, Part B, Subpart 1 - Charter Schools Program (CSP); CFDA 84.282A

The state and federal funded programs provide start-up funding for charter schools. State funding is available for the first two years of operation and federal funding is available for three years (typically one year for planning and the first two years of operations). Federal funding is provided as grants to assist charter schools in specific start-up activities.

Activity at a Glance

- ♦ There are currently 132 charter schools in Minnesota (FY 2007)
- ♦ Number of charter schools receiving funding (FY 2006 data)
  State start-up 23
  Federal start-up 65

Population Served

This program serves charter school organizers, charter schools, students, and their parents.

Services Provided

State funds for start-up of charter schools provide funding for the costs associated with start-up.

Federal funds may be used for the following purposes

- ♦ Planning and Implementation
  - ⇒ For planning, program design, and initial implementation of new charter schools.
- ♦ Dissemination
  - ⇒ To fund proposals from eligible high quality charter schools that will support activities to open new public schools, including public charter schools, or share charter schools' best practices with other public schools.

Key Measures

This table represents charter schools receiving state and federal funding. Since federal funding is available for three years and state funding is available for two years, the schools are counted more than once.

Charter Schools Receiving Start-Up Revenue

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
State	11	20	28	32	26	20	11	-0-*	23
Federal	39	47	53	48	40	37	54	70	65

*No appropriation for state start-up aid was provided for schools opening in FY 2005.

Activity Funding

The state funded start-up aid is available for two years and for each year equals the greater of $50,000 per charter school or $500 times the charter school's pupil units for that year. All charter schools receive this funding for their first two years of operation.

To Qualify for federal start-up awards, schools must meet the following eligibility requirements.

- ⇒ Planning and implementation grants: Newly approved public charter schools.
- ⇒ Dissemination grants: Successful charter schools that have been in operation for three consecutive years. Demonstration of a successful charter school includes substantial improvement of student achievement, high levels of parent satisfaction and the management and leadership necessary to overcome initial start-up problems and establish a thriving, financially viable charter school.

Subgrants are awarded for a total period of up to 36 months; up to 18 months of the period may be used for planning and program design, and up to 24 months of which may be used for the initial implementation of a charter school. High-quality charter schools in their fourth or subsequent year of operation are eligible to receive one dissemination grant for a period of up to two years.

Federal planning and implementation maximum amount per school is $540,000, distributed over 36 months. This is usually divided into three periods:

- Pre-operational planning - $180,000
- First year of implementation - $180,000
- Second year of implementation - $180,000

Minnesota's dissemination grants have ranged from $50,000 to $300,000 per year. There is no specified maximum amount.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, School Choice and Innovation Division, (651) 582-8217. Information about charter school laws, school formation, and operation is available at http://education.state.mn.us/mde/Academic_Excellence/School_Choice/Public_School_Choice/Charter_Schools/index.html.

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
Activity: Choice Programs
Charter School Startup Aid

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Appropriation Excluding Buyback	1,197				
2	Aid Payment Buyback	94				
3	Total Current Appropriation	1,291	2,347	2,347	2,347	4,694
	a. End of Session Estimate			(653)	(736)	(1,389)
	b. November Forecast Adjustment		(58)	194	550	744
	c. Cancellation	(7)				
4	**Governor's Recommended Appropriation**	**1,284**	**2,289**	**1,888**	**2,161**	**4,049**
	District Revenue Summary (Entitlement Basis)					
AID	**State Aid**					
5	Statutory Formula Aid	1,427	2,384	1,833	2,197	4,030
6	Statutory Excess/(Shortfall)	7	64			0
7	Appropriated Entitlement	1,434	2,448	1,833	2,197	4,030
8	Adjustments					
	a. Cancellation	(7)				
	b. Appropriation Reduction		(64)			
9	**State Aid Entitlement Current Law**	1,427	2,384	1,833	2,197	4,030
10	**Other Revenue**					
	a. Federal	9,195	11,000	13,000	13,000	26,000
11	**Total All Sources Current Law**	10,622	13,384	14,833	15,197	30,030
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	0	143	238	183	421
	Current Year (90%)	1,291	2,146	1,650	1,978	3,628
	Cancellation	(7)				
	Total State Aid - General Fund	**1,284**	**2,289**	**1,888**	**2,161**	**4,049**

Activity Description

Citation: M.S. 124D.86

The purpose of this state aid and local levy program is to promote voluntary racial integration, increase learning opportunities, and close the academic achievement gap between learners living in high concentrations of poverty and their peers through programs established under an integration plan mandated by state rules or under court order.

Activity at a Glance

- ♦ District participation has increased from 53 districts in FY 2003 to 93 districts in FY 2007.
- ♦ Integration plans are designed to provide voluntary strategies to reduce the racial isolation of school districts from their neighboring districts or to reduce racial isolation across schools within a single district.

Population Served

All students attending public schools receiving integration revenue are served by this program.

Services Provided

In conjunction with other programs focused on preparing integrated educational environments, this program helps achieve these goals:

- ♦ to increase the number of students enrolled in schools that offer an integrated educational environment;
- ♦ to promote opportunities to close achievement gaps relative to the progress that districts are making on their own;
- ♦ to create welcoming and encouraging school environments for children and families of color; and
- ♦ to increase experience and exposure to racial, ethnic, and cultural diversity for students, staff, and communities.

Integration revenue may be used for

- ♦ additional operating costs for magnet/specialty schools or other methods used to achieve school district integration;
- ♦ integration transportation costs (see Interdistrict Desegregation Transportation budget narrative);
- ♦ staff development costs for preparing teachers to work with diverse populations in an integrated setting;
- ♦ development and implementation of strategies to meet the needs of diverse populations of students in an integrated setting; and
- ♦ supplemental support services for unique student needs in integrated schools.

Under State Board of Education Rule 3535 (Desegregation Rule), an integration plan is required in two instances.
Racially identified school within a district.

⇒ When the percentage of protected students in a school exceeds the percent of protected students in the district and grade levels served by the school by 20 percentage points or more. In this case, the integration plan must specify how the district will increase opportunities for interracial contact between students in the building with other students in the same district.

Racially identified school district.

⇒ When the percentage of protected students in a district exceeds the percent of protected students in any contiguous district by 20 percentage points or more. In this case, the integration plan must specify how the district will increase opportunities for interracial contact between students in the district and, students in the contiguous districts.

Protected students means students are identified in the general racial categories of African/Black Americans, Asia/Pacific Americans, Chicano/Latino Americans, American Indian/Alaskan Native, and multiracial students self-identify or are identified as having origins in more than one of the categories or as having origins in one of the categories and in the category of Caucasian.

Historical Perspective

The Duluth, Minneapolis, and St. Paul school districts currently operate under authority of Rule 3535 and have had approved integration plans in place since the 1970s. In FY 2000, 19 more districts operated under authority of Rule 3535. Effective FY 2002, districts that were not required to implement a integration plan under the State Board of Education Rule are eligible for integration revenue if they voluntarily participate in a multidistrict integration collaborative.

School District Participation

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Minneapolis, St. Paul, Duluth	3	3	3	3	3
Racially isolated districts (excluding Minneapolis and St. Paul)	11	13	17	19	22
Districts with greater than 15% protected class but not isolated or with racially identified schools	9	10	11	12	13
Districts with less than 15% protected class who are required to implement an integration plan per rule or are a member of an interdistrict integration collaborative	30	36	49	51	55
Total	53	62	80	91	93
Pupil Units (adjusted)	412,493	399,689	465,955	*459,553	*499,568

*Estimated

It is anticipated that growing concentrations of students of color in both urban core districts and in southwestern Minnesota will continue. The desegregation rule requires greater collaboration among more districts in addressing integration issues.

Key Measures

- ⇒ Students and parents in racially identified school districts and school sites have a variety of school choice options that provide opportunities for increased interracial interaction and improved educational opportunities.
- ⇒ School districts and school sites participating in the integration program create educational programs and services that address specific educational needs of protected students in the context of an integrated learning environment and that contribute towards increased student achievement and success.
- ⇒ School districts and school sites participating in the integration program create educational programs and services that increase cultural and racial understanding.
- ⇒ Magnet programs and schools attract students through the creation of schools and programs with high interest and learning opportunities that promote cultural/racial understanding and provide greater racial balance.

Activity Funding

This program is funded with a combination of state aid and a local property tax levy. The percent of revenue from state aid has ranged from 54% in FY 1999 to 78% for several of the years covered, with the balance coming from local taxpayers. Currently, state aid is 70% of revenue. Unlike most levies, for cities of the first class and for FY 2001 the entire amount levied is recognized as revenue in the fiscal year in which the levy is certified. Effective FY 2002 for other than cities of the first class, the revenue is recognized in the fiscal year following the levy.

Each eligible district must submit a proposed budget for approval by the Minnesota Department of Education (MDE) detailing the costs of implementing the integration plan. At the end of the school year the district reports the actual expenditures related to implementation of the plan. For FY 2000 and later years, the maximum integration revenue for eligible districts other than Minneapolis, St. Paul, and Duluth (and for increases over the FY 2000 funding level for these three districts) is the lesser of the cost of implementing the district's plan or the statute-defined rate times the adjusted pupil units. Current statutory rates are provided below.

Minneapolis

- $445 plus an additional levy amount of $35 per adjusted pupil unit

St. Paul

- $445

Duluth

- $206

Other eligible districts

- $92/$129 per adjusted pupil unit for districts, other than Minneapolis, St. Paul, or Duluth, that must implement a plan under State Rule 3535.0100 to 3535.0180. Districts with more than 15% protected student enrollment are eligible for $129 per adjusted pupil unit. Other districts, including noncontiguous districts and voluntary districts are eligible for $92 per adjusted pupil units. Districts receive the lesser of the actual cost of implementation of the approved plan $129 per adjusted pupil unit.

Effective FY 2001, districts other than cities of the first class may generate alternative attendance integration aid by providing a budget for approval and reporting related expenditures. The state aid is equal to the lesser of the cost of the plan or the state aid portion of the revenue amount generated by residents of Minneapolis, St. Paul, or Duluth.

The following table summarizes the trends in integration revenue since FY 2000.

Total Integration Revenue By District

Dollars in Thousands

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
Duluth	$ 2,974	$ 2,918	$ 2,841	$ 2,722	$ 2,593	$ 2,444	$ 2,422
Minneapolis	29,873	30,390	30,259	23,906	22,645	24,465	20,236
St. Paul	23,265	23,517	23,282	23,136	21,533	20,983	21,156
Other Districts	238	11,303	24,147	27,393	30,946	29,063	36,823
STATE TOTALS	$56,350	$68,128	$80,529	$77,157	$77,717	$76,955	$80,637

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Choice Programs and Services, (651) 582-8586, http://education.state.mn.us/mde/Academic_Excellence/School_Choice/index.html.

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
Activity: Choice Programs
Integration Revenue

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
	1 Appropriation Excluding Buyback	56,073				
	2 Aid Payment Buyback	3,331				
	3 Total Current Appropriation	59,404	58,405	58,405	58,405	116,810
	a. End of Session Estimate			(650)	(1,542)	(2,192)
	b. November Forecast Adjustment		(460)	4,186	4,791	8,977
	c. Transfer per M.S. 127A.41	(503)				
	4 **Governor's Recommended Appropriation**	**58,901**	**57,945**	**61,941**	**61,654**	**123,595**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
	5 Statutory Formula Aid	56,006	58,105	62,367	61,575	123,942
	6 Statutory Excess/(Shortfall)	503	511			0
	7 Appropriated Entitlement	56,509	58,616	62,367	61,575	123,942
	8 Adjustments					
	a. Transfer per M.S. 127A.41	(503)				
	b. Appropriation Reduction		(511)			
	9 **State Aid Entitlement Current Law**	56,006	58,105	62,367	61,575	123,942
plus						
LEVY	**Levy**					
	10 Local Levy Current Law	25,145	25,908	27,674	27,280	54,954
equals						
REVENUE	11 Current Law Revenue (State Aid & Levy)	81,151	84,013	90,041	88,855	178,896
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	8,545	5,650	5,811	6,237	12,047
	Current Year (90%)	50,859	52,295	56,130	55,418	111,548
	Transfer per M.S. 127A.41	(503)				
	Total State Aid - General Fund	**58,901**	**57,945**	**61,941**	**61,654**	**123,595**

Activity Description

Citation: M.S. 124D.871

The purpose of this state grant program is to provide funding for school districts and charter schools for specific magnet school projects that promote the development of programs and services for students at magnet schools that further the purpose of desegregation/integration.

Activity at a Glance

- ♦ 14 projects funded in FY 2006 – FY 2007 (eight in Twin Cities, six in greater Minnesota).
- ♦ Communities and school districts statewide wishing to provide integrated learning opportunities to students are able to apply for this competitive grant.

Population Served

Districts, students, and parents in participating programs or projects are the primary population served.

Minnesota's minority population is projected to increase 52% between the years 2000 and 2015. Minnesota's public schools invest in integration programs and activities to meet the needs of their increasingly diverse students but also to prepare both majority and minority students to succeed in a global marketplace.

Services Provided

Magnet schools and program grants are competitively available statewide for the development of integrated learning environments. Following is a list of costs eligible for the funding.

- ♦ salaries for teachers who provide instruction or services to students in a magnet school or magnet program
- ♦ salaries for education paraprofessionals who assist teachers in providing instruction or services to students in a magnet school or magnet program
- ♦ equipment, equipment maintenance contracts, materials, supplies, and other property needed to operate a magnet school or magnet program
- ♦ minor remodeling needed to operate a magnet school or magnet program
- ♦ transportation for all field trips that are part of a magnet school or magnet program curriculum
- ♦ program planning and staff curriculum development for a magnet school or magnet program
- ♦ disseminating information on magnet schools and magnet programs
- ♦ indirect costs calculated according to the state statutory formula governing indirect costs

Key Measures

Since 1994, performance indicators have been: 1) to improve student achievement by using multiple strategies, and; 2) to develop and operate schools and programs that offer welcoming and encouraging learning environments for students from diverse populations. The magnet school grants provided the start-up funds necessary to launch programs that can now be funded with integration revenue.

Activity Funding

Magnet schools and program grants are awarded for planning, developing, and operating magnet school programs that provide integrated learning environments. Public schools, charter schools, and joint powers boards are eligible recipients.

Funding History

Dollars in Thousands

District	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
WMEP Interdistrict Downtown	$ 525.0	$ 150.0	$ 185.0						
WMEP FAIR School	88.0	425.0					100.0		
WMEP Professional Development Center	99.0	60.0							
Tri-District School	525.0	100.0							
Project Common Ground	220.0	225.0							
5 District Project		150.0							

	Dollars in Thousands								
District	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Crosswinds East Metro		412.0							
Anoka Hennepin Magnet School Study		130.0							
Twin Cities Academy		48.0							
Minneapolis Established Learning Center		50.0							
Wayzata Public Schools			322.0						
Albert Lea Public Schools			15.0						
St Louis Park			90.0	102.0				41.6	
Rochester			315.0						
WMEP Coordination	44.0								
WMEP SW School									
Willmar Area Project	60.0			202.0	150.0				
East Metro District 6067			823.0						
Chisholm				46.0					
Waseca					100.0				
WMEP Education Program					100.0				
Twin Cities International Elementary					8.4	16.0	13.0	12.6	10.0
Osseo					73.6				
NW Suburban Desegregation					27.2				
Madelia									
Ely					31.6	90.0			
East Metro					144.1				
Anoka Hennepin Magnet School					99.5	85.4	70.0		
West St. Paul ISD 197						70.0	47.0	100.0	100.0
Bemidi-Central								80.0	90.0
Duluth-Lincoln Park							94.0	50.0	
Duluth-Lowell								90.0	
Robbinsdale						63.0	70.0	60.0	
Minneapolis-Edison & Northup						97.0	239.0	215.2	167.0
High School for the Recording Arts						30.0			
White Bear Lake						27.0			
Bemidji-J.W. Smith									60.0
Duluth-Woodland MS									60.0
South Washington County-Spanish Immersion									90.0
Richfield-Spanish Immersion Magnet									78.0
Duluth-Nettleton									90.00
St Paul						100.0	117.0	100.0	
Totals	**$1,561.0**	**$1,750.0**	**$1,750.0**	**$ 350.0**	**$ 734.4**	**$ 578.4**	**$ 750.0**	**$ 749.4**	**$ 745.0**

Contact

Additional information is available from the Minnesota Department of Education, Division of Choice Programs and Services, (651) 582-8586, http://education.state.mn.us/mde/Academic_Excellence/School_Choice/index.html.

DEPT OF EDUCATION
Program: ED. EXC. CHOICE PROGRAMS
Activity: MAGNET SCHOOL GRANTS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	750	750	750	750	1,500
Subtotal - Forecast Base	750	750	750	750	1,500
Total	**750**	**750**	**750**	**750**	**1,500**
Expenditures by Fund					
Direct Appropriations					
General	750	750	750	750	1,500
Total	**750**	**750**	**750**	**750**	**1,500**
Expenditures by Category					
Local Assistance	750	750	750	750	1,500
Total	**750**	**750**	**750**	**750**	**1,500**

Activity Description

Citation: 124D.88, Subd. 4

The purpose of this aid program is to provide additional funds for magnet schools for their first two years of operation to address expenses associated with start-up activities.

Activity at a Glance

- ♦ Two magnet schools have received this grant since FY 2001
- ♦ The funds help magnet schools with start-up costs for two years

Population Served

Magnet schools in their first two years of operation are eligible to participate in this program. During the first two years of a metropolitan magnet school's operation, the school is eligible for aid to pay for start-up costs and additional operating costs.

Services Provided

In conjunction with other programs focused on preparing integrated educational environments, this program helps achieve these goals:

- ♦ to increase the number of students enrolled in schools that offer an integrated education environment;
- ♦ to promote opportunities to close achievement gaps; and
- ♦ to increase experience and exposure to racial, ethnic, and cultural diversity for students, staff, and communities.

Metropolitan magnet schools have strategies to:

- ♦ close achievement gaps between learners from economically disadvantaged families and their peers;
- ♦ create a sense of belonging for students and families in diverse school settings;
- ♦ create multicultural exchanges for teachers and students;
- ♦ create prototype schools that model interdistrict cooperation and collaboration;
- ♦ create curricula expertise and delivery system improvements;
- ♦ provide professional development related to understanding diversity;
- ♦ create a community of learners whose achievements are enhanced by diversity; and
- ♦ provide programming themes such as environmental sciences or the arts to attract students.

Key Measures

Two schools received start-up funding in FY 2001-03

- ⇒ **Fine Arts Interdisciplinary Resource (FAIR) Magnet School** is for students in grades four thru eight. FAIR school is one of two schools created by the West Metro Education Program (WMEP) to provide intercultural learning opportunities for students from Minneapolis and surrounding suburban school districts. The learning opportunities at FAIR school focus on three major areas: intercultural learning, fine arts performance, and academic excellence.
- ⇒ **Crosswinds Arts and Science Magnet School** is a program of the East Metro Integration District. The school supports a year round 45/15 calendar. The Crosswinds academic program integrates arts and science into all subject areas and emphasizes hands-on, group work to help students understand the connections between what they are learning and the real world.

The two integration collaborative districts that have received magnet school start-up grants show a diverse population. The Crosswinds Arts and Science Magnet School has a racial mix of 58% white and 42% minority/protected students. The FAIR Magnet School has a racial mix of 70% white and 30% minority/protected students. The percentage of protected students in the two magnet school is less than Minneapolis or St. Paul that have protected students in excess of 71%. However, the schools have a greater percentage of protected students than most of the other member districts of the two integration collaboratives, indicating a successful mix of students served.

Activity Funding

Metropolitan magnet school start-up cost grant formula is based on $500 times the magnet school's pupil units served for that year. In the last seven years, two schools have qualified for aid in the first two years of operation.

	Dollars in Thousands						
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004*	FY 2005*	FY 2006*
WMEP FAIR School	N/A	$250	$324	-0-	-0-	-0-	-0-
East Metro Crosswinds Middle	N/A	-0-	$129	$212	-0-	-0-	-0-

*No schools qualified in FY 2004-06.

In addition to the start-up funding, M.S. 124D.88 provides authority for a metropolitan magnet school capital facility grant program for the purpose of promoting integrated education for students in prekindergarten through grade 12, for the seven-county metropolitan area. The grant money must be used only to design, acquire, construct, expand, remodel, improve, furnish, or equip the building or site of a magnet school facility. Application processes and procedures are state in statute. No school districts or collaboratives have applied for this grant program in recent years.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8811, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
Activity: Choice Programs
Magnet School Startup Grants

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Current Appropriation	0	0	0	177	177
	a. November Forecast Adjustment				(177)	(177)
2	**Governor's Recommended Appropriation**	**0**	**0**	**0**	**0**	**0**
	District Revenue Summary (Entitlement Basis)					
AID	**State Aid**					
3	Statutory Formula Aid	0	0	0	0	0
4	Statutory Excess/(Shortfall)		0			0
5	Appropriated Entitlement	0	0	0	0	0
6	Adjustments					
7	**State Aid Entitlement Current Law**	0	0	0	0	0
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	0	0	0	0	0
	Current Year (90%)	0	0	0	0	0
	Total State Aid - General Fund	**0**	**0**	**0**	**0**	**0**

Activity Description

Citation: M.S. 124D.87

The purpose of this state aid program is to promote interdistrict desegregation and integration programs among school districts by providing state aid to cover unreimbursed student transportation costs. This program helps achieve these goals:

- to provide transportation services so that more children and families are able to participate in schools and/or programs that offer an integrated educational environment;
- to provide access to schools and programs that help close achievement gaps between learners from economically disadvantaged families and their peers;
- to create a welcoming and encouraging school environments for children and families of color; and
- to increase experience and exposure to racial, ethnic, and cultural diversity for students, staff, and communities.

Activity at a Glance

- In FY 2005, over 4,000 students were transported to and from interdistrict desegregation or integration schools and the Choice Is Yours (CIY) program at a cost of $6.6 million.
- Other students were transported to a program or event at a cost of $271,640 in FY 2005.

Population Served

This program serves public school students attending interdistrict desegregation or integration schools or programs and low-income Minneapolis students attending suburban districts under the CIY program.

Services Provided

Transportation is provided between the student's home or school and the interdistrict program or school. School districts have entered into joint powers agreements to develop desegregation/integration programs and/or schools. Existing programs include the Metropolitan Learning Alliance School (6065), the East Metro Integration District (6067), West Metropolitan Education Program District (WMEP) (6069), and the North West Suburban Integration School District (6078). Other programs exist to promote desegregation/integration, including Project Common Ground and the Five-District Integration Project in the metropolitan area and numerous other programs in greater Minnesota.

Key Measures

Both the number of districts and the number of students participating has increased over time as shown in the table below. A large portion of the increase is attributable to the collaborative Choice Is Yours program. Students transported under this program numbered 500 in FY 2003 and are expected to increase to 2,500 in FY 2006.

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Number of Districts	17	19	23	23	28	33
Number of Students Transported	1,232	1,527	2,206	3,322	3,725	4,036

Activity Funding

The state aid equals the difference between the transportation costs and the portion of general education revenue attributable to transportation generated by the participating students.

From FY 1996 through FY 2001, the state aids were first directed to districts providing transportation for interdistrict integration programs. Excess funds were available to fund costs of providing transportation of open-enrolled students whose enrollment contributed to integration. Beginning in FY 2002, funding is available on an equal basis for both interdistrict magnet programs and open enrolled students contributing to integration.

Effective with FY 2002 expenditures, the formula for this program is changed from a current funding basis formula to a reimbursement basis formula. Districts receive the reimbursement for actual costs. Districts qualifying for aid in the prior year are required to recognize the revenue in the year earned.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8480.

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
Activity: Choice Programs
Interdistrict Desegregation Transportation — Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Current Appropriation	6,032	10,134	10,134	10,134	20,268
a. End of Session Estimate			750	2,259	3,009
b. November Forecast Adjustment		(2,504)	(1,908)	(1,622)	(3,530)
2 **Governor's Recommended Appropriation**	**6,032**	**7,630**	**8,976**	**10,771**	**19,747**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
3 Statutory Formula Aid	6,032	7,630	8,976	10,771	19,747
4 Statutory Excess/(Shortfall)		2,504			0
5 Appropriated Entitlement	6,032	10,134	8,976	10,771	19,747
6 Adjustments					
c. Appropriation Reduction		(2,504)			
7 **State Aid Entitlement Current Law**	6,032	7,630	8,976	10,771	19,747
Appropriations Basis for State Aid					
Current Year	6,032	7,630	8,976	10,771	19,747
Total State Aid - General Fund	**6,032**	**7,630**	**8,976**	**10,771**	**19,747**

Budget Activities

⇒ Success for the Future
⇒ Indian Scholarships
⇒ Indian Teacher Preparation Grants
⇒ Tribal Contract Schools
⇒ Early Childhood Programs at Tribal Schools

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	6,711	6,627	6,627	6,627	13,254
Technical Adjustments					
End-of-session Estimate			100	203	303
November Forecast Adjustment		(301)	(251)	(187)	(438)
Subtotal - Forecast Base	6,711	6,326	6,476	6,643	13,119
Governor's Recommendations					
Inflate Categoricals 2% and 2%		0	25	55	80
Total	**6,711**	**6,326**	**6,501**	**6,698**	**13,199**
Expenditures by Fund					
Direct Appropriations					
General	6,488	6,326	6,501	6,698	13,199
Total	**6,488**	**6,326**	**6,501**	**6,698**	**13,199**
Expenditures by Category					
Payments To Individuals	1,867	1,875	1,875	1,875	3,750
Local Assistance	4,621	4,451	4,626	4,823	9,449
Total	**6,488**	**6,326**	**6,501**	**6,698**	**13,199**
Expenditures by Activity					
Success For The Future	2,239	2,137	2,137	2,137	4,274
Indian Scholarships	1,867	1,875	1,875	1,875	3,750
Indian Teacher Prep Grants	190	190	190	190	380
Tribal Contract Schools	2,124	2,056	2,231	2,428	4,659
Early Childhood Prgs At Tribal	68	68	68	68	136
Total	**6,488**	**6,326**	**6,501**	**6,698**	**13,199**

Activity Description

Citation: 124D.81

Activity at a Glance

- 31 grants funded for six years with annual renewal of funds
- 8,950 American Indian students served

Success for the future is a state grant program that combines and expands the best features of three discontinued grant programs. This grant program provides funding to grantees that develop comprehensive and collaborative plans to support academic achievement, decrease the dropout rate and improve the school climate in a culturally appropriate manner for American Indian students.

Population Served

⇒ Twenty-eight public school districts and three tribal schools receive success for the future grant funds.
⇒ American Indian student population served: rrban - 4,834; rural/reservation 4,711.

Services Provided

Success for the future collaborative programs provide the following program services to increase student achievement and lower the dropout rates:

- targeted retention programs,
- academic and counseling services,
- advocacy and liaison services,
- innovative curriculum based on technology, and
- best practices in teaching for American Indian students.

Key Measures

Decrease the dropout rate and increase student graduation rates for American Indian students.

⇒ School districts that are funded by success for the future are able to provide programs that reduce dropout rates and increase graduation rates for American Indian students. Districts that participate in the program experience a 2% lower dropout rate and higher graduation rates for American Indian students than in districts not served. The Minnesota Department of Education (MDE) is currently developing a five year evaluation of the program. Data should be available January 2007.

Activity Funding

The grants are awarded for a six-year period with a biennial renewal process.

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Number of Grants Funded	30	30	30	31	31
Number of Applicants	46	46	46	46	46
Percent of Applicants Funded	65%	65%	65%	67%	67%
Number of Participating Indian	9,454	7,778	10,527	8,950	8,950
Number of Indian Students in School/Districts Statewide	17,145	17,479	17,667	17,574	17,397
Percent Served	55.1%	44.5%	59.6%	50.9%	51.4%

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes. Numbers of students served has declined because programs have chosen to work with a smaller group of students so they can better focus on the activities.

Contact

Additional information is available from the MDE, Indian Education Division, (651) 582-8831, http://education.state.mn.us/mde/Academic_Excellence/Indian_Education/index.html.

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
Activity: Indian Programs
Success for the Future

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Appropriation Excluding Buyback	2,118				
2	Aid Payment Buyback	122				
3	Total Current Appropriation	2,240	2,137	2,137	2,137	4,274
	a. Cancellation	(1)				
4	**Governor's Recommended Appropriation**	**2,239**	**2,137**	**2,137**	**2,137**	**4,274**
	District Revenue Summary (Entitlement Basis)					
AID	**State Aid**					
5	Statutory Formula Aid	2,136	2,137	2,137	2,137	4,274
6	Statutory Excess/(Shortfall)	1				0
7	Appropriated Entitlement	2,137	2,137	2,137	2,137	4,274
8	Adjustments					
	a. Cancellation	(1)				
9	**State Aid Entitlement Current Law**	2,136	2,137	2,137	2,137	4,274
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	316	213	213	213	426
	Cancellation	(1)				
	Current Year (90%)	1,924	1,924	1,924	1,924	3,848
	Total State Aid - General Fund	**2,239**	**2,137**	**2,137**	**2,137**	**4,274**

Activity Description

Citation: M.S. 124D.84

The state funded Minnesota Indian scholarship program (MISP) promotes partnerships between state government and tribal government to provide need-based, financial assistance to American Indian students who would otherwise not have the opportunity to attend a post-secondary institution.

Population Served

American Indians residing in and attending Minnesota higher education institutions and who meet the following scholarship eligibility criteria can apply. The student must

- be accepted by a higher education institution,
- be eligible for federal financial aid, and
- meet the definition of American Indian.

Activity at a Glance

- Scholarships provided to eligible American Indian students based on needs determined by the federal financial needs assessment process.
- An average of 800 students are funded each year.
- Average student award is approximately $4,000 per year.
- An average of 150 students graduate per year from certificate and technical programs, two-year, four-year, and graduate degree programs.

Services Provided

The MISP works with tribal governments and higher education institutions to provide scholarships for eligible American Indian students. MISP awards are:

- granted to students based on policies and procedures as adopted by the Minnesota Department of Education (MDE);
- based upon the unmet need as shown by the higher education institutions recommended budget with the cost shared by tribal nations; and
- restricted to American Indian students of one-fourth or more American Indian ancestry, residing in Minnesota, and enrolled in an accredited Minnesota post-secondary institution.

Historical Perspective

This program was enacted in 1955 to encourage American Indians to attend post-secondary institutions. At that time, fewer than 10 American Indian students attended post-secondary institutions in Minnesota. In 2005, the MISP funded 731 American Indians enrolled in post-secondary institutions.

Key Measures

Increase educational opportunities for American Indian students.

Students Funded	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
Undergraduate Students	895	773	761	811	696	710
Graduate Students	40	27	33	31	37	40

Activity Funding

⇒ Since 1990, the MISP has provided scholarship assistance to approximately 800 eligible students per year.

⇒ Increased cost of attendance and decreased Pell grant eligibility prompted an average grant increase to $4,000 per year.

⇒ The Office of Indian Education and MDE are networking to provide more expedited and cost effective service for all involved institutions and agencies.

Contact

Additional information is available from the MDE, Indian Education Division, (651) 582-8831, http://education.state.mn.us/mde/Academic_Excellence/Indian_Education/index.html.

DEPT OF EDUCATION
Program: ED. EXC. INDIAN PROGRAMS
Activity: INDIAN SCHOLARSHIPS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	1,875	1,875	1,875	1,875	3,750
Subtotal - Forecast Base	1,875	1,875	1,875	1,875	3,750
Total	**1,875**	**1,875**	**1,875**	**1,875**	**3,750**
Expenditures by Fund					
Direct Appropriations					
General	1,867	1,875	1,875	1,875	3,750
Total	**1,867**	**1,875**	**1,875**	**1,875**	**3,750**
Expenditures by Category					
Payments To Individuals	1,867	1,875	1,875	1,875	3,750
Total	**1,867**	**1,875**	**1,875**	**1,875**	**3,750**

Activity Description

Citation: M.S. 122A.63

The state funded Indian Teacher Preparation Grant program assists American Indian people to become teachers and provides additional education for American Indian teachers. This program provides a source of certified American Indian teachers to specific school districts with significant concentrations of American Indian students.

Activity at a Glance

These grants assist American Indian students to become teachers and assist American Indian teachers to gain additional education or certification.

- Grants are awarded to Augsburg College in collaboration with Minneapolis and St. Paul Public Schools, Bemidji State University in collaboration with Red Lake Public School, Moorhead Public Schools, and the University of Minnesota-Duluth in collaboration with Duluth Public Schools.
- The grants support approximately 24 students per year.

Population Served

Eligible American Indian students attending one of the four colleges or universities eligible to receive grants can apply for assistance through this program.

An American Indian person who meets one of the following criteria is eligible to participate in the program:

- a student who intends to become a teacher and is enrolled in one of the post-secondary institutions receiving grants;
- a teacher aide who intends to become a teacher and who is employed by a district receiving a joint grant; or
- a licensed employee of a district receiving a joint grant who is enrolled in a master of education degree program.

Services Provided

This program provides grants and loans to American Indian students who have the potential to complete a teacher-training program and have demonstrated a financial need. The student receives funding in the form of grants and loans. Loans are forgiven through service at the participating school district.

Historical Perspective

This program began in 1979 as a result of a collaborative effort between the state, tribal governments, public school districts, and post-secondary institutions.

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Number of Eligible Institutions	4	4	4	4	4	4
Number of New Participants Receiving Funding	25	21	25	25	23	24
Number of Graduates	6	4	7	8	3	2

Individuals participating in the program range from teachers working on additional licensure programs to undergraduate students ranging from sophomore second-semester students through seniors. Typical education students require four and half to five years to complete post-secondary programs and receive licensure. In addition, because of financial and other issues, it is not uncommon for many students to take longer to complete their post-secondary education.

Key Measures

In conjunction with other programs focused on preparing a multicultural teacher workforce, this program helps achieve these goals:

- to diversify Minnesota's teaching staff to better reflect the children and families in our public schools;
- to increase cultural awareness among teaching staff and administration;
- to create a welcoming and understanding school environments for minority children and families; and

- to increase experience and exposure to a diversity of teachers for all of Minnesota's students.

⇒ There have been 50 graduates of the program since its inception.
⇒ A total of 80 American Indians have participated or are participating in the program to date.

Activity Funding

Grant awards are made by the agency based on applications from project sites specified in the legislation. Payments are made either to the school district or the post-secondary institution, as determined by agreement.

Grant Summary:
Funding to each of these partnerships is constant through FY 2006.

Indian Teacher Preparation Grants

	Dollars in Thousands FY 2006
Bemidji State University and Red Lake School District sites	$ 40
Moorhead State University and White Earth Nation sites	40
U of M-Duluth and Duluth School District sites	70
Augsburg College and Minneapolis and St. Paul School Districts' sites	40
TOTAL	$190

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Indian Education Division, (651) 582-8831, http://education.state.mn.us/mde/Academic_Excellence/Indian_Education/index.html.

DEPT OF EDUCATION
Program: ED. EXC. INDIAN PROGRAMS
Activity: INDIAN TEACHER PREP GRANTS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	190	190	190	190	380
Subtotal - Forecast Base	190	190	190	190	380
Total	**190**	**190**	**190**	**190**	**380**
Expenditures by Fund					
Direct Appropriations					
General	190	190	190	190	380
Total	**190**	**190**	**190**	**190**	**380**
Expenditures by Category					
Local Assistance	190	190	190	190	380
Total	**190**	**190**	**190**	**190**	**380**

Activity Description

Citation: M.S. 124D.83

This state aid program provides funding to promote equal education opportunity for students enrolled in tribal contract schools (as compared to public schools) by providing state funds to schools based on the difference between the amount of aid provided by the federal government and the state per pupil aid.

Activity at a Glance

FY 2005
- ♦ 912 American Indian students attend the four contract/grant schools in Minnesota.

Population Served

Annually, each American Indian-controlled tribal contract or grant school authorized by the United States Code Title 25, Section 450F, that is located on a reservation within the state is eligible to receive tribal contract aid provided that the school

- ♦ plans, conducts, and administers an education program that complies with the requirements of either chapter 124 and chapters 120, 121, 122, 123, 124A, 124C, 125, 126, 129, and 268A or Code of Federal Regulations Title 25, Sections 31.0 to 45.80; and
- ♦ complies with all other state statutes governing independent school districts or their equivalent in the Code of Federal Regulations, Title 25.

Eligibility is limited to the four tribal schools in the state.

- ♦ Bug-O-Nay-Ge-Shig School, Leech Lake
- ♦ Circle of Life School, White Earth
- ♦ Nay Ah Shing School, Mille Lacs
- ♦ Ojibwe School, Fond du Lac

Services Provided

The funds are placed in the schools' operating budget to provide general education services and are not specifically set aside to meet any legislated goals.

The tribal schools report student data on Minnesota Automated Reporting Student System (MARSS) and have adopted graduation standards and state testing according to their comprehensive education plans. They also test students to be in compliance with No Child Left Behind, Title I and Bureau of Indian Affairs regulations.

Key Measures

The appropriation is for the schools' general fund for educational services. In October 2004, yearly report cards for each school were collected and baseline data compiled as to graduation standards, retention rate, and test scores. The Minnesota Department of Education (MDE) is currently working with the U.S. Department of Interior, Bureau of Indian Affairs, and the four tribal governments regarding assessment and data distribution.

Activity Funding

State aid is calculated by:

- ♦ multiplying the formula allowance under M.S. 126C.10, Subd. 2 minus $170 times the actual pupil units in average daily membership and the number of pupils for the current school year;
- ♦ adding compensatory revenue based on compensation revenue pupil units times the formula allowance minus $300;
- ♦ subtracting the amount of money allotted to the school by the federal government through the Indian School Equalization Program of the Bureau of Indian Affairs;
- ♦ dividing the result in clause (3) by the sum of the actual pupil units in average daily membership plus the tribal contract compensation revenue pupil units; then,
- ♦ multiplying the sum of the actual pupil units in average daily membership plus the tribal contract compensation revenue pupil units by the lesser of $1,500 or the result in clause (4).

Funding Per School

	Dollars in Thousands					
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
Bug-O-Nay-Ge-Shig	$636.8	$702.9	$712.3	$721.9	$727.8	$727.8
Circle of Life	215.6	306.3	307.1	280.9	282.3	282.3
Nay Ah Shing	630.3	315.3	584.7	425.9	495.1	495.1
Fond du Lac	-0-	-0-	-0-	-0-	-0-	-0-
Total	$1,482.7	$1,324.5	$1,604.1	$1,428.7	$1,505.2	$1,505.2

Federal aid to the tribal schools is based on school attendance during the fall count week, therefore, the schools do not receive federal funding for students transferring to the tribal school after that time. Although the schools receive state aid for students transferring midyear based on average daily membership, the amount does not make up for federal funding lost.

Fond du Lac has not participated in recent years because of a service agreement with the Cloquet School District that is annually negotiated. It is possible in future years that Fond du Lac would choose to participate in this program.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Indian Education Division, (651) 582-8831, http://education.state.mn.us/mde/Academic_Excellence/Indian_Education/index.html.

DEPT OF EDUCATION

Program: EDUCATION EXCELLENCE

Activity: Indian Programs
Tribal Contract Schools

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Appropriation Excluding Buyback	2,200				
2 Aid Payment Buyback	138				
3 Total Current Appropriation	2,338	2,357	2,357	2,357	4,714
a. End of Session Estimate			100	203	303
b. November Forecast Adjustment		(301)	(251)	(187)	(438)
c. Cancellation	(214)				
4 **Forecast Base**	**2,124**	**2,056**	**2,206**	**2,373**	**4,579**
5 Governor's Recommendation					
a. 2% inflation factor			25	55	80
6 **Governor's Recommended Appropriation**	**2,124**	**2,056**	**2,231**	**2,428**	**4,659**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
7 Statutory Formula Aid	1,997	2,038	2,225	2,390	4,615
8 Statutory Excess/(Shortfall)	214	335			0
9 Appropriated Entitlement	2,211	2,373	2,225	2,390	4,615
10 Adjustments					
a. Cancellation	(214)				
b. Appropriation Reduction		(335)			
11 **State Aid Entitlement Current Law**	1,997	2,038	2,225	2,390	4,615
12 *Governor's Recommendation*					
a. 2% inflation factor			27	58	85
13 **Governor's Aid Recommendation**	**1,997**	**2,038**	**2,252**	**2,448**	**4,700**
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	348	221	203	224	427
Current Year (90%)	1,797	1,835	2,028	2,204	4,232
Cancellation	(21)				
Total State Aid - General Fund	**2,124**	**2,056**	**2,231**	**2,428**	**4,659**

Activity Description

Citation: M.S. 124D.83, Subd. 4

This state aid program provides funding to four eligible tribal schools to enhance the ability of American Indian parents to provide for their children's optimal learning and development through education and support that emphasizes cultural values and learning from birth to kindergarten age.

Population Served

Parents and children in the communities served by the Bug-O-Nay-Ge-Shig School in Leech Lake, Circle of Life School in White Earth, Fond du Lac Ojibwa School in Cloquet, and Nay Ah Shing School in Mille Lacs participate in this program.

Activity at a Glance

These programs provide support to four tribal early childhood family education (ECFE) programs to promote parental involvement using culturally based curriculum to support families and achieve program goals.

- 2,200 students served
- Program sites: Bug-O-Nay-Ge-Shig School in Leech Lake, Circle of Life in White Earth, Fond du Lac Ojibwa in Cloquet, and Nay Ah Shing in Mille Lacs

The program provides an opportunity for tribal contract schools to establish and maintain early childhood family development programming that emphasizes cultural values and learning.

Services Provided

The programs use culturally appropriate materials and strategies to deliver the basic ECFE program, with an added emphasis on preserving American Indian culture.

The programs require the direct presence and substantial involvement of the children's parents and may include any or all of the following education services:

- programs to educate parents about the physical and mental development of the children;
- programs to enhance parents' skills in providing for their children's learning and development;
- learning experiences for children and parents;
- activities designed to detect children's physical, mental, emotional, or behavioral problems that may cause learning problems;
- activities and materials designed to encourage self-esteem, skills, and behaviors that prevent sexual and other interpersonal violence;
- educational materials which may be borrowed for home use;
- home visits or center-based activities; and
- other programs or activities to improve the health, development, and school-readiness of children.

Key Measures

Increase educational opportunities for American Indian children and their families.

The Indian Education office will provide one training per school using the "Positive Indian Parenting" curriculum and will collect student and family data on the sites implementation of the curriculum. The Minnesota Department of Education (MDE) is currently working with the U.S. Department of Interior, Bureau of Indian Affairs, and the four tribal governments regarding assessment and data distribution.

Activity Funding

The processes for funding were revised in 2001 to more accurately represent the pre-kindergarten child count at the participating tribal schools.

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Fond du Lac	$21,760	$21,760	$9,584	$9,584	$9,584	$9,584	$9,584
Circle of Life	19,424	19,924	18,233	18,233	18,233	18,233	18,233
Bug-O-Nay-Ge-Shig	32,164	32,164	26,271	26,271	26,271	26,271	26,271
Nay Ah Shing	6,256	6,256	13,909	13,909	13,909	13,909	13,909
TOTAL	$79,604	$80,104	$67,997	$67,997	$67,997	$67,997	$67,997

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Indian Education Division, (651) 582-8831, http://education.state.mn.us/mde/Academic_Excellence/Indian_Education/index.html.

DEPT OF EDUCATION
Program: ED. EXC. INDIAN PROGRAMS
Activity: EARLY CHILDHOOD PRGS AT TRIBAL

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	68	68	68	68	136
Subtotal - Forecast Base	68	68	68	68	136
Total	**68**	**68**	**68**	**68**	**136**
Expenditures by Fund					
Direct Appropriations					
General	68	68	68	68	136
Total	**68**	**68**	**68**	**68**	**136**
Expenditures by Category					
Local Assistance	68	68	68	68	136
Total	**68**	**68**	**68**	**68**	**136**

Budget Activities

⇒ Statewide Testing

⇒ Best Practices

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	11,460	11,410	11,410	11,410	22,820
Technical Adjustments					
Current Law Base Change			(1,200)	(1,200)	(2,400)
Subtotal - Forecast Base	11,460	11,410	10,210	10,210	20,420
Governor's Recommendations					
3R High Schools		0	19,147	55,927	75,074
Successful Schools Program		0	75,000	75,000	150,000
Math & Science Teacher Academies		0	2,000	4,000	6,000
Statewide Assessment Funding		0	2,883	6,214	9,097
Computer Based Formative Assessment		0	2,340	3,510	5,850
Total	**11,460**	**11,410**	**111,580**	**154,861**	**266,441**
Expenditures by Fund					
Direct Appropriations					
General	8,210	14,592	111,580	154,861	266,441
Total	**8,210**	**14,592**	**111,580**	**154,861**	**266,441**
Expenditures by Category					
Other Operating Expenses	7,492	13,659	14,599	19,100	33,699
Local Assistance	718	933	96,981	135,761	232,742
Total	**8,210**	**14,592**	**111,580**	**154,861**	**266,441**
Expenditures by Activity					
Statewide Testing	7,528	12,932	9,000	9,000	18,000
Best Practices	682	1,660	1,210	1,210	2,420
Statewide Assessment	0	0	2,883	6,214	9,097
Computer Formative Asssessment	0	0	2,340	3,510	5,850
Successful Schools	0	0	75,000	75,000	150,000
21st Century High Schools	0	0	19,147	55,927	75,074
Math & Science Academies	0	0	2,000	4,000	6,000
Total	**8,210**	**14,592**	**111,580**	**154,861**	**266,441**

Activity Description

Citation: M.S.120B.30, M.S. 124D.59
Federal Citations: ESEA 1965, Title VI, Part A, Subpart I, Section 6111, P.L. 107-110 and Section 6112, P.L. 107-220

These programs support improvements in teaching and learning with statewide testing in reading and mathematics in grades three thru eight, grade 10 (reading); and grade 11 (mathematics); science in grades five, eight, and high school; limited English proficiency (LEP) in grades K-12; and special education in grades three thru eight and high school.

Activity at a Glance

- ♦ Provides 61 different tests for various grade levels and content areas – MCA-II, GRAD component of MCA-II, BST, MN Writes!, TEAE, MTELL, MN SOLOM, TEALS, ALT.
- ♦ Serves approximately 64,000 students per grade, grades K-12.
- ♦ Serves approximately 58,000 LEP students, grades K-12.
- ♦ Develops an LEP-specialized math test (MTELL).
- ♦ Develops a special education evaluation (MAAC).
- ♦ Encourages nonpublic and private schools may choose to participate.

Population Served

These programs serve all citizens of Minnesota and other interested parties by providing test results of students in grades three thru eight, 10, and 11 in reading and mathematics, as well as specialized assessments for LEP students in grades K-12, and special education students in grades three thru eight, 10, and 11. All students attending public schools in Minnesota must participate in this program. Private schools may choose to participate.

Services Provided

Statewide testing provides data and information across all schools in order to inform parents, teachers, and the public on the achievement of students against the Minnesota Academic Standards, or other standards for special populations, as measured by the following.

- ⇒ **Minnesota Comprehensive Assessments-Series II (MCA)**, designed to measure students achievement in reading and mathematics of the Minnesota Academic Standards.
- ⇒ **Graduation Required Assessment for Diploma Component of the MCA-II (GRAD),** designated to serve as the retest opportunity for students who do not pass on their first attempt of the high school MCA-II.
- ⇒ **Basic Skills Test (BST),** graduation tests in reading, mathematics, and writing which are now being retired in place of the more rigorous MCA-II in high school, but continue to be offered to students who began under that assessment.
- ⇒ **Minnesota Writes! (MN Writes!),** a developmental assessment given in grade six to provide elementary and middle level teachers with information about their students' writing skills.
- ⇒ **Test of Emerging Academic English (TEAE),** designed to provide information about how well students with limited English proficiency are learning academic English as described in the state's English language learner (ELL) standards.
- ⇒ **Mathematics Test for English Language Learners (MTELL),** a sheltered-English mathematics test for English language learners to make valid inferences about the math skills of this special population.
- ⇒ **Minnesota Student Oral Language Observation Matrix (MN SOLOM),** a listening and speaking evaluation that classroom teachers complete for EFF students in K-12.
- ⇒ **Test of Emerging Academic English: Listening and Speaking (TEAELS),** a computer-delivered listening and speaking test scheduled to replace the MN SOLOM.
- ⇒ **Minnesota Alternative Assessment (ALT),** an evaluation of students who are most severely cognitively challenged in terms for skills based on the Minnesota Academic Standards.

All these tests, with the exception of the writing test in grade six (MN Writes!), are required assessments under No Child Left Behind (NCLB) or Minnesota statute.

To comply with the Standards for Educational and Psychological Testing and to fulfill federal and state requirements, statewide testing also conducts the following activities with additional assessment vendors.

- **Quality Control Review,** an analysis of test results by an independent, third-party audit vendor to confirm that scores and results have been correctly assigned;
- **Standard Setting,** an industry standard practice used for tests like the MCA-II to determine the passing scores for students; and
- **Alignment Studies,** an NCLB-required, independent review of the state's assessments to ensure that the tests are measuring the content and skills of the standards.

Historical Perspective

In FY 1997, the legislature enacted the Statewide Testing Law that required comprehensive assessments correlated with the Graduation Rule's High Standards in third, fifth, and eighth grades, and an unspecified high school grade. The third and fifth grade MCA tests were first given in all public schools in the spring of 1998. The 10th grade MCA reading test and 11th grade MCA mathematics test were first given in all public schools in the spring of 2004. Districts administer the tests during a three-week window each spring.

Beginning with the 2005-06 school year, all students are tested in grades three thru eight and high school in reading and mathematics. Students who entered grade eight in 2005 or after must pass the MCA-II in reading or mathematics in high school to satisfy their state-level graduation assessment. Students in grade eight prior to 2005 satisfy this requirement using the BST. Other specialized assessments fulfill other federal requirements and supplement the assessment system for special populations.

Key Measures

⇒ The results of MCA-II are used in the statewide accountability program to provide information about the progress of all students, including LEP students. Test results, together with other quantitative and qualitative indicators, are used to identify schools in need of improvement and schools that are distinguished in their use of best curricular and instructional practices.

⇒ From the first year that each test was given (i.e., 2002 for grades three and five; 2004 for grades seven, 10, and 11) until 2005, students demonstrated proficiency in greater numbers. In mathematics, the state documented an 8.26% increase on average across grades. In reading, the state had a 6.5% average increase across grades.

⇒ Additional information regarding test data is available on the Minnesota Department of Education (MDE) web site. Individual district data is available through the school report cards on the MDE web site.

⇒ State assessments provide teachers and school administrators with information about the academic status of all students. Information is available on the department's website for all state assessments given on a regular basis to students in Minnesota. The below shows the percentage of students exhibiting proficiency in reading and math based on Minnesota comprehensive assessments. The shaded areas represent years in which no tests were administered.

Percentage of Students
Achieving Proficiency on the Minnesota Comprehensive Assessments

Mathematics

	2002	2003	2004	2005
Grade 3	65.1%	71.5%	70.5%	77.5%
Grade 5	70.2%	74.9%	74.3%	80.1%
Grade 7			66.6%	75.8%
Grade 11			70.0%	71.9%

Reading

	2002	2003	2004	2005
Grade 3	66.1%	72.4%	73.3%	78.4%
Grade 5	74.8%	76.8%	76.1%	80.7%
Grade 7			69.8%	74.2%
Grade 10			77.9%	81.2%

Activity Funding

The funding supports contract vendors to supply test development, administration, test scoring, performance level indicators, quality control review, and alignment studies. To meet all the current requirements of the state's testing statutes and federal regulations under NCLB, there are 61 different tests or evaluations, testing approximately 828,303 students. Both state and federal funds are being used to fulfill these requirements.

Appropriations from state and federal funds for the past five years.

	Dollars in Thousands				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Minnesota	-0-	-0-	$ 8,989	$ 9,154	$ 7,616
NCLB	$6,734	$6,910	6,928	7,038	7,038
TOTAL	$7,734	$6,910	$15,917	$16,192	$14,654

Contact

Additional information is available from the MDE, Assessment and Testing, (651) 582-1611, http://education.state.mn.us/mde/Accountability_Programs/Assessment_and_Testing/index.html.

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	10,200	10,200	10,200	10,200	20,400
Technical Adjustments					
Current Law Base Change			(1,200)	(1,200)	(2,400)
Subtotal - Forecast Base	10,200	10,200	9,000	9,000	18,000
Total	**10,200**	**10,200**	**9,000**	**9,000**	**18,000**
Expenditures by Fund					
Direct Appropriations					
General	7,528	12,932	9,000	9,000	18,000
Total	**7,528**	**12,932**	**9,000**	**9,000**	**18,000**
Expenditures by Category					
Other Operating Expenses	7,492	12,932	9,000	9,000	18,000
Local Assistance	36	0	0	0	0
Total	**7,528**	**12,932**	**9,000**	**9,000**	**18,000**

Activity Description

Citation: Laws 2005 First Special Session, Chapter 5, Article 2, Section 84, Subd. 21

This state funded grant program provides funding to organizations to promote research-based proven practices in the education community with the goal of improving teacher, administrator, and student proficiency and success.

Activity at a Glance

- ♦ 11 grants were awarded to schools, districts, and educational organizations in FY 2005 through a competitive grant process.
- ♦ Beginning in FY 2006, six grant recipients were specified in session law.

Population Served

This program serves teachers, school leaders, students, and communities through grantee programming.

Services Provided

Examples of the services provided by FY 2007 grantees include the following:

- ⇒ Development of mentoring programs that stimulate greater involvement of underrepresented segments of citizens in science through competitions, awards, scholarships, and youth services.
- ⇒ Maintenance and development of enrichment and college preparatory programs to assist at-risk students to pass the basic standards tests, graduate from high school, and pursue postsecondary opportunities.
- ⇒ Maintenance and expansion of the Minnesota Resource Center's Comprehensive Training Program for education professionals helping children master basic reading and math skills.
- ⇒ Development of support for teaching, learning, and student achievement in the study of humanities by providing professional development seminars, workshops, conferences, technical support, and content resources for instruction.

Key Measures

Each grantee provides annual reports to the Minnesota Department of Education (MDE) including grant expenditures and results of best practices programming based on grantee goals.

An example is a grant to New Visions School for funding of the Minnesota Learning Resource Center that has, as its major goal, helping underachieving students significantly increase reading and academic performance. The grantee has disseminated a curriculum named the Stimulating Maturity through Accelerated Reading Training (SMART)/Boost-UP that integrates brain stimulation activities into existing curriculum. Public schools that participate in the program receive teacher training, follow-up, on-site mentoring in the implementation of the program. In FY 2006, 78 Minnesota teachers were trained and 1,906 schools were served by the Minnesota Resouce Learning Center.

Activity Funding

Prior to FY 2006, grant awards were made on a competitive basis. Beginning in FY 2006, the legislature provided grants to specific organizations listed below.

	FY 2006	FY 2007
Minnesota Humanities Commission (M.S. 138.911)	$ 400,000	$ 400,000
Minnesota Historical Society	150,000	150,000
A Chance to Grow/New Visions	160,000	160,000
Principals' Leadership Institutes (M.S. 122A.74)	400,000	400,000
Schools Mentoring Schools (one-time) (M.S. 122A.628)	50,000	-0-
Quantum Opportunities Program	100,000	100,000
Total	$1,260,000	$1,210,000

The amounts in the narrative may differ when compared to the fiscal summary due to timing of state fiscal year-end close and carry forward authority for the Schools Mentoring Schools Program.

Contact

Additional information is available from the Minnesota Department of Education, Division of Academic Standards and High School Improvement, (651) 582-8751.

DEPT OF EDUCATION
Program: ED. EXC. INNOV/ACCOUNTABILITY
Activity: BEST PRACTICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,260	1,210	1,210	1,210	2,420
Subtotal - Forecast Base	1,260	1,210	1,210	1,210	2,420
Total	**1,260**	**1,210**	**1,210**	**1,210**	**2,420**
Expenditures by Fund					
Direct Appropriations					
General	682	1,660	1,210	1,210	2,420
Total	**682**	**1,660**	**1,210**	**1,210**	**2,420**
Expenditures by Category					
Other Operating Expenses	0	727	376	376	752
Local Assistance	682	933	834	834	1,668
Total	**682**	**1,660**	**1,210**	**1,210**	**2,420**

Budget Activities

⇒ First Grade Preparedness
⇒ Advanced Placement/International Baccalaureate
⇒ Collaborative Urban Educator
⇒ Youthworks
⇒ Student Organizations
⇒ Get Ready, Get Credit – CLEP
⇒ Get Ready, Get Credit – EPAS
⇒ Site Based Governance Grants
⇒ Student Choice/Tax Incentives (information only)
⇒ No Child Left Behind Programs
⇒ Miscellaneous Federal Programs

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	15,807	16,382	16,632	16,382	33,014
Technical Adjustments					
One-time Appropriations			(250)	0	(250)
Subtotal - Forecast Base	15,807	16,382	16,382	16,382	32,764
Governor's Recommendations					
Expand AP/IB Program		0	7,300	8,111	15,411
Collaborative Urban Educator		0	773	773	1,546
Mandarin Chinese Expansion		0	250	250	500
Minnesota Reading Corps		0	1,000	1,000	2,000
Minnesota First Five Teacher Induction		0	2,220	2,220	4,440
EPAS Expansion		0	464	464	928
Total	**15,807**	**16,382**	**28,389**	**29,200**	**57,589**
Expenditures by Fund					
Direct Appropriations					
General	14,026	18,167	28,389	29,200	57,589
Statutory Appropriations					
Federal	184,217	203,294	203,721	201,274	404,995
Total	**198,243**	**221,461**	**232,110**	**230,474**	**462,584**
Expenditures by Category					
Total Compensation	13	19	19	19	38
Other Operating Expenses	921	935	935	935	1,870
Payments To Individuals	1,488	2,345	1,660	1,650	3,310
Local Assistance	195,821	218,162	229,496	227,870	457,366
Total	**198,243**	**221,461**	**232,110**	**230,474**	**462,584**
Expenditures by Activity					
First Grade Preparedness	7,250	7,250	7,250	7,250	14,500
Advanced Placement/Ib	3,074	5,926	4,500	4,500	9,000
Collaborative Urban Educator	403	653	1,301	1,301	2,602
Youthworks	900	900	900	900	1,800
Student Organizations	710	744	725	725	1,450
Get Ready, Get Credits-Clep	825	1,650	1,650	1,650	3,300
Get Ready, Get Credits-Epas	829	829	829	829	1,658
Site Based Governance Grants	35	215	0	0	0
Nclb Programs	174,388	193,649	196,048	195,408	391,456
Miscellaneous Federal Programs	9,829	9,645	7,673	5,866	13,539
Ap/Ib Expansion	0	0	7,300	8,111	15,411
Mandarin Chinese Expansion	0	0	250	250	500
Epas Expansion	0	0	464	464	928
Serve Minnesota	0	0	1,000	1,000	2,000
New Teacher Mentorship	0	0	2,220	2,220	4,440
Total	**198,243**	**221,461**	**232,110**	**230,474**	**462,584**
Full-Time Equivalents (FTE)	**1.8**	**2.4**	**2.4**	**2.4**	

Activity Description

Citation: M.S. 124D.081

This state aid program ensures that children in the state's highest poverty schools have the opportunity before first grade to develop the skills and abilities necessary to learn to read and succeed in school.

Activity at a Glance

- 66 sites funded in FY 2006
- Over 3,731 kindergarten students and 630 pre-kindergarten children served in FY 2006

Population Served

Four and five year old students attending eligible schools participate in this program.

Services Provided

A school site must offer a full day, every day kindergarten program to participating children who are five years of age or older, a program for participating children who are four years old, or a combination of both. The program may offer, as an option to families, home visits as appropriate. The school board of a qualifying school site is required to approve a plan to provide extended day services to serve as many children as possible.

Historical Perspective

This program was created by the 1996 legislature and school year 1996-97 was the first year of operation. In the first year of operation, $3 million was distributed to 36 sites statewide. For the 2005-06 school year, $7.25 million was distributed to 66 sites.

Historical Number of Sites Funded by First Grade Preparedness (FGP) Program

	FY 2001 $7.1 million	FY 2002 $7.1 million	FY 2003 $7.2 million	FY 2004 $7.2 million	FY 2005 $7.2 Million	FY 2006 $7.2 Million
St. Paul	12	13	13	15	14	13
Minneapolis	17	16	14	16	18	17
Suburbs	13	13	11	13	13	12
Greater Minnesota	29	29	28	29	25	27
TOTAL	71	71	66	73	70	66

Key Measures

- ⇒ Approximately two-thirds of the kindergarten children participating in this program received proficient ratings on 29 of the 41 indicators on a formal assessment instrument. This finding suggests that FGP children are demonstrating skills, behaviors, and knowledge in areas of social development, language and literacy, and mathematical thinking that will support their transition to first grade.
- ⇒ Approximately 75% of the kindergarten children received higher ratings on all 41 indicators from the fall to the spring assessment. Most of the children rated not proficient in the fall demonstrated improvement by spring.
- ⇒ 90% of the children for whom first grade teacher assessments were obtained were assessed as doing well or making adequate adjustment to first grade.
- ⇒ 96% of the parents responding to the survey felt their child was prepared for their next level in school.
- ⇒ Approximately 75% of the parents indicated their child had changed in ways important to school success.

Spring 2000 was the first time that students who participated in FGP all-day everyday kindergarten took the third grade Minnesota Comprehensive Assessments (MCAs). Of the 18 metro and greater Minnesota schools that participated in FGP in 1996-97, 12 schools showed significant growth from spring 1999 to spring 2000 in third grade reading scores. Nine schools showed growth from spring 2000 to spring 2001. All showed significant gains over the baseline scores of spring 1999. Three of the schools had enrollments of fewer than 10 students and those scores were not reported. Student mobility in the St. Paul and Minneapolis areas is so high that it is not possible to attribute any gains in these schools solely to FGP programs.

Activity Funding

This program is funded entirely with state aid. For the purposes of distribution, the state is divided into four areas; Minneapolis, St. Paul, suburban metro, and greater Minnesota. Each area receives 25% of the allocation. Schools in each area are ranked from highest to lowest based on the percent of students eligible for free or reduced price lunch. Funds are distributed in rank order in each area based on the number of five year-olds attending kindergarten from the previous October 1 times 0.53 times the general education formula allowance. Once a school site is included in the program, it remains eligible to continue in the program in later years, unless the site's poverty level falls below the state average for elementary schools. Funds may be used for start-up costs for new sites as well as for teacher salaries, fringe benefits, staff development, and parent involvement.

This revenue must supplement and not replace compensatory revenue that the districts use for the same or similar purposes. The revenue may only be used for FGP programs at qualifying sites.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Early Learning Services at (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

	Current		Governor's Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	7,250	7,250	7,250	7,250	14,500
Subtotal - Forecast Base	7,250	7,250	7,250	7,250	14,500
Total	**7,250**	**7,250**	**7,250**	**7,250**	**14,500**
Expenditures by Fund					
Direct Appropriations					
General	7,250	7,250	7,250	7,250	14,500
Total	**7,250**	**7,250**	**7,250**	**7,250**	**14,500**
Expenditures by Category					
Local Assistance	7,250	7,250	7,250	7,250	14,500
Total	**7,250**	**7,250**	**7,250**	**7,250**	**14,500**

Activity Description

Citation: M.S. 120B.13.

This state program provides financial incentives for schools to begin or expand their Advanced Placement (AP) and International Baccalaureate (IB) programs and to promote rigorous, challenging courses of study as part of the regular offerings for students in secondary schools by providing funding for teacher training and student exam fees.

Activity at a Glance

FY 2005
- 270 AP schools, including 43 nonpublic schools participated
- 11 IB schools participated
- 18,902 AP students took 29,480 exams
- 1,304 IB students took 3,251 exams
- 1,267 low-income students took 1,883 exams
- 318 AP teachers attended in-depth training
- 67 IB teachers attended in-depth training

Population Served

Public and nonpublic schools and students participating in the AP and IB programs are served by these programs. In FY 2005, 227 public schools and 43 nonpublic schools participated in the Advanced Placement programs and 11 schools provided the International Baccalaureate programs.

Services Provided

These programs provide an opportunity for high school students to be better prepared for college and to earn college credit and/or advanced standing, thus saving students and their parent's time and money during post-secondary education. These programs provide increased academic rigor, offer sound curricular design, accountability, comprehensive external assessment, feedback to students and teachers, and the opportunity for high school students to compete academically on a global level.

Most of Minnesota's public and private colleges and universities have credit awarding policies for AP and IB course credits for exams taken by students. Colleges and universities of the Minnesota State Colleges and Universities system must award, and the University of Minnesota and private postsecondary institutions are encouraged to award, college credit to high school students who receive a score of three or higher on an advanced placement examination or four or higher on the international baccalaureate program examination.

Schools have benefited from an AP or IB program in that it revitalizes teachers and departments and indicates to the public that the school values intellectual achievement and academic excellence.

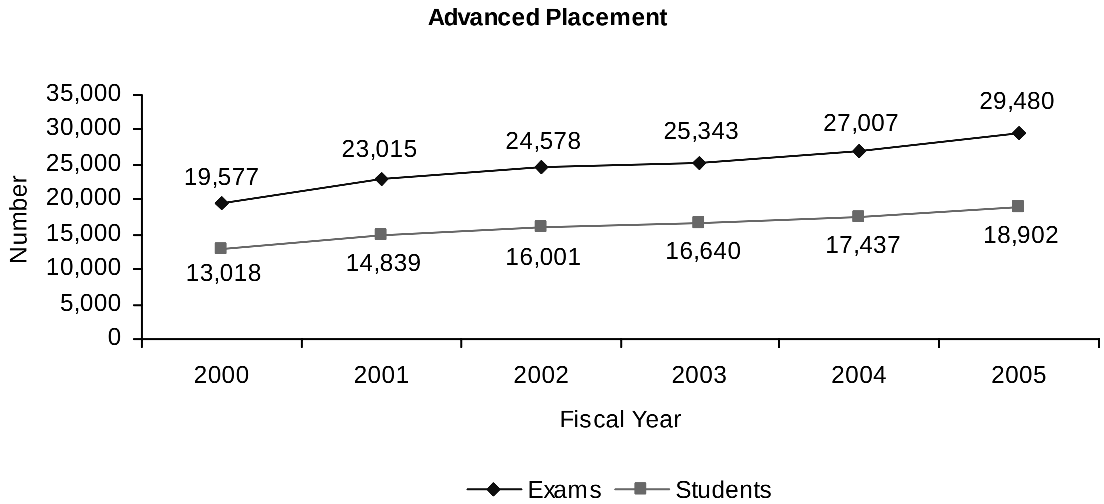
The AP and IB programs provide financial incentives to support the following two program components:

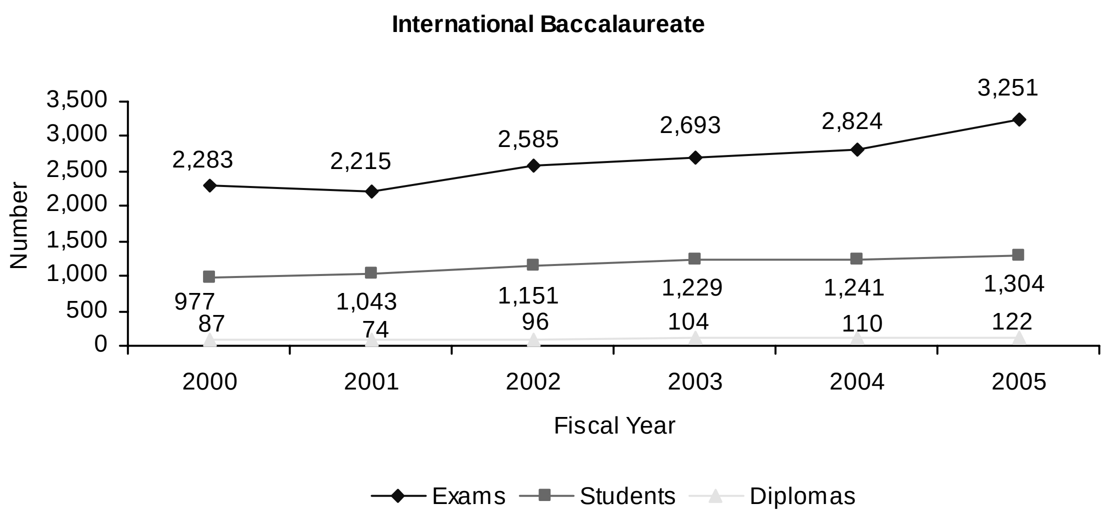
- Teacher Training and Support
  - ⇒ Scholarships are available for public and nonpublic schoolteachers to train teachers to initiate or improve AP and/or IB courses.
  - ⇒ The state appropriation may be used to pay a portion of the costs associated for the required AP and IB training of teachers in districts providing these programs.

- Student Examination Fees
  - ⇒ Approximately 75% of student exam fee subsidies are paid for public and nonpublic students taking AP and/or IB exams. Students or schools are responsible for the remaining exam costs. All exam fees are paid for students from low-income families.
  - ⇒ The AP program receives 75% of the appropriation each year and the IB program receives 25% of the appropriation. The department, in consultation with the AP and IB advisory boards, determines the amounts of the expenditures each year for examination fees and training and support for each program.

Key Measures

The number of AP and IB students testing and the number of exams taken will increase each year.





The number of minority students participating in these programs and taking exams will increase each year.

Advanced Placement
Based on FY 2005 data
⇒ Students of color represent 14% of all Minnesota students tested in AP in FY 2005.
⇒ Low income students represent 5% of students testing and take 5% of the exams.

International Baccalaureate
Based on FY 2005 data
⇒ Students of color represent 20% of all Minnesota students tested in IB.
⇒ Low income students represent 19% of students testing and take 15% of the exams.

Teachers providing AP and IB programs are adequately trained.

Advanced Placement
Based on FY 2005 data
- ⇒ A total of 318 teachers participated in week-long summer training institutes: 164 at Carleton College, 130 at Augsburg, and 24 out-of-state.
- ⇒ 411 teachers participated in follow-up training.

International Baccalaureate
Based on FY 2005 data
- ⇒ 67 teachers participate in week-long summer training institutes in various places throughout the United States and Canada.
- ⇒ 48 teachers participated in follow-up training.

Activity Funding

	Dollars in Thousands					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Teacher Training	$ 229.0	$ 388.0	$ 244.0	$ 225.0	$ 187.2	$ 253.7
Student Exam Subsidies	1,225.0	1,914.0	905.0	1,626.0	356.4	407.1
Total	$1,461.0	$2,302.0	$1,149.0	$1,851.0	$ 543.6	$ 714.4

Contact
Additional information is available from the MDE, Academic Standards and High School Improvement, (651) 582-8848.

DEPT OF EDUCATION
Program: ED. EXC. SP. STUDENT/TEACHER
Activity: ADVANCED PLACEMENT/IB

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	4,500	4,500	4,500	4,500	9,000
Subtotal - Forecast Base	4,500	4,500	4,500	4,500	9,000
Total	**4,500**	**4,500**	**4,500**	**4,500**	**9,000**
Expenditures by Fund					
Direct Appropriations					
General	3,074	5,926	4,500	4,500	9,000
Total	**3,074**	**5,926**	**4,500**	**4,500**	**9,000**
Expenditures by Category					
Local Assistance	3,074	5,926	4,500	4,500	9,000
Total	**3,074**	**5,926**	**4,500**	**4,500**	**9,000**

Activity Description

Citation: First Special Session Laws 2005, Chapter 5, Article 2, Section 84, Subd. 15

The collaborative urban educator program supports educator training and recruitment programs. This program addresses the need to recruit and train educators prepared to meet the educational needs of the urban school and a diverse student population. The collaborative urban educator program funds three programs: the Southeast Asian Teacher program at Concordia University, St. Paul; the collaborative urban educator program at the University of St. Thomas; and the Center for Excellence in Urban Teaching at Hamline University. Grant recipients collaborate and provide services to both urban and non-urban school districts.

Activity at a Glance

	FY 2006	FY 2007
♦ Concordia University	$210,000	$210,000
♦ St. Thomas University	$159,000	$159,000
♦ Hamline University	$159,000	$159,000

Population Served

All students benefit from the recruitment and training of school district teachers and staff, enabling school districts to meet the educational needs of a diverse student population.

Services Provided

The Center for Excellence in Urban Teaching at Hamline University provides tailored professional development to school districts including: Effectively Engaging Urban Learners, Strategies to Increase Teacher Effectiveness: Teaching Diverse Urban Learners; Cultural Conversations, and Barriers to Instruction. In FY 2006, 50 emerging teachers of color participated through the urban scholars tutoring program in after school reading tutoring to low-income students in metro area schools. The adventures in urban teaching seminar lecture series had 126 participants in 2006 and approximately 1,600 since 1997. Also in FY 2006, the certificate in urban teaching program had 26 teachers enrolled. Since 1977, 825 teachers have taken one or more classes with 40 teachers receiving certificates. In the onsite professional development program, over 10,000 participants from more than 45 districts, schools, and community organizations have received training since the program's inception.

The Collaborative Urban Educator Project at the University of St. Thomas prepares experienced, broadly educated persons from underrepresented populations or persons with cultural or experiential backgrounds in urban settings for the challenges of special education teaching in urban and first tier suburban areas. Currently, 23 students are enrolled in the program. Since 1992, over 300 teachers have completed licensure programs through this program. Collaborative urban educators (CUE) program alumni are currently teaching in 112 schools in Minnesota. In-service programs have impacted more than 460 teachers and administrators. More than 145 CUE alumni have completed master's degrees, education specialists, and doctoral programs.

The Southeast Asia Teacher (SEAT) Licensure Program at Concordia University, St. Paul, is a bachelor's degree completion program for individuals currently employed in Minnesota school districts as paraprofessional, education assistants, and teaching assistants who are seeking teacher licensure. Since 1998, 160 students have entered the program, 81 graduated, 42 are teaching in Minnesota schools, and 38 students have licensure pending. 92% of SEAT program graduates are either teaching or in the process of completing their licensure requirements, 80% of the students entering the program have graduated or are engaged in completing their degree, and of the SEAT graduates currently teaching, 94% are teaching in Minnesota schools.

Key Measures

⇒ The collaborative urban educator program provides professional development to school district staff enhancing skills and abilities to meet the educational needs of urban learners and a diverse student population.

⇒ The collaborative urban educator program recruits and prepares underrepresented populations, persons with cultural or experiential backgrounds in urban settings and individuals currently employed in school districts as paraprofessionals or education assistants for Minnesota teacher licensure.

Activity Funding
Grants are provided to the post-secondary institutions as detailed in “Activity at a Glance” above.

Contact
Additional information is available from the MDE, Division of Choice and Services (651) 582-8616.

DEPT OF EDUCATION
Program: ED. EXC. SP. STUDENT/TEACHER
Activity: COLLABORATIVE URBAN EDUCATOR

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	528	528	528	528	1,056
Subtotal - Forecast Base	528	528	528	528	1,056
Governor's Recommendations					
Collaborative Urban Educator		0	773	773	1,546
Total	**528**	**528**	**1,301**	**1,301**	**2,602**
Expenditures by Fund					
Direct Appropriations					
General	403	653	1,301	1,301	2,602
Total	**403**	**653**	**1,301**	**1,301**	**2,602**
Expenditures by Category					
Local Assistance	403	653	1,301	1,301	2,602
Total	**403**	**653**	**1,301**	**1,301**	**2,602**

Activity Description

Citation: M.S. 124D.36 to M.S. 124D.45
Federal Citation: National and Community Service Trust Act 1993

Youthworks funding provides the required local match for federal AmeriCorps dollars. ServeMinnesota is the statutorily designated recipient of funding for the AmeriCorps program, often referred to as the domestic Peace Corps. AmeriCorps involves people in one to two years of sustained service to meet community needs and make Minnesota better.

Activity at a Glance

- 15 AmeriCorps programs are serving rural and urban communities and will mobilize more than 650 Youthworks-AmeriCorps members.

Population Served

This program serves students in schools and nonprofit organizations throughout Minnesota.

Services Provided

Youthworks members strengthen Minnesota communities by providing direct service in four priority areas: education, the environment, meeting unmet human needs, and public safety. This state program complements the federal AmeriCorps program and provides funding for youth to provide communities with a wide variety of services. The services provided by students can range from mentoring and tutoring, service-learning activities, mediation services to decrease violence, park safety, construction and rehabilitation of homes, environmental projects, and other community service projects.

Youthworks host agencies are educational institutions and local, state, and national nonprofit organizations. The Youthworks activity is part of a coordinated effort of federal and state activities related to the implementation of a unified state plan for national and community service.

Historical Perspective

ServeMinnesota began in 1994 as the Minnesota Commission on National and Community Service. In 2002, the Minnesota legislature approved the organization becoming a 501(c)3 nonprofit so that the private sector could also participate as a partner in increasing service opportunities for Minnesotans. A governor-appointed board of directors leads ServeMinnesota. ServeMinnesota, through its Youthworks-AmeriCorps programs, mobilizes Minnesotans to solve the state's biggest problems through service and volunteerism.

Key Measures

In 2006, 10 Youthworks-AmeriCorps programs served 39 Minnesota counties. Members provided services addressing community needs such as teaching children to read, building affordable housing, supporting seniors and people with disabilities to live independently, and conserving the environment. Activities included:

Volunteer Mobilization	Educational Achievement	Tutoring
Minnesota Teacher Corps	Mentoring	After School
Service-Learning	AmeriCorps Promise Fellows	Affordable Housing
Family Stability	Environment	Disaster Response
Workforce Development		

In FY 2005, 565 full-time AmeriCorps members provided 1.2 million hours of service at an estimated value of $24 million. For each dollar of state investment in this program more than $26 was returned in services to communities throughout the state. Federal funds cover 85% of the costs associated with each AmeriCorps member and cover 100% of the federal AmeriCorps scholarships earned by each AmeriCorps member.

Activity Funding

State funds are used by local Minnesota programs to meet the local match required to access federal funds. Members earn federal education awards upon completing service. Federal scholarships help alumni to attend college, receive vocational training, or repay student loans. For many alumni, an education award provides access to education that had previously been unattainable and provides a significant investment in Minnesota's workforce.

Youthworks-AmeriCorps members receive modest compensation while serving.

For full-time service (1,700 hours/year)

- modest living allowance ($10,900)
- health care
- childcare if qualified
- training and experience
- post-service education award of $4,725 which may be used toward higher education and vocational training costs or to repay college loans

For part-time service (900 hours/year)

- modest living allowance ($5,450)
- training and experience
- post-service education award of $2,501 which may be used toward higher education and vocational training costs or to repay college loans

Contact

Additional information is available from ServeMinnesota, (612) 333-7740.

DEPT OF EDUCATION
Program: ED. EXC. SP. STUDENT/TEACHER
Activity: YOUTHWORKS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	900	900	900	900	1,800
Subtotal - Forecast Base	900	900	900	900	1,800
Total	**900**	**900**	**900**	**900**	**1,800**
Expenditures by Fund					
Direct Appropriations					
General	900	900	900	900	1,800
Total	**900**	**900**	**900**	**900**	**1,800**
Expenditures by Category					
Local Assistance	900	900	900	900	1,800
Total	**900**	**900**	**900**	**900**	**1,800**

Activity Description

Citation: M.S.124D.34 and M.S. 124D.355

The Minnesota Foundation for Student Organizations promotes career and technical education student organizations and applied leadership opportunities in Minnesota public schools and post-secondary institutions through public-private partnerships. Student organizations funded through the foundation integrate classroom, workplace, and community experiences into curriculum areas and educational experiences. The foundation was established by the legislature in 1996 and is directed by a 23 member foundation board formed in January 1998.

Activity at a Glance

Career and technical education student organization supported by the Minnesota Foundation for Student Organizations include:

- ♦ Business Professionals of America (BPA)
- ♦ DECA – an Association of Marketing Students
- ♦ Delta Epsilon Chi – an Association of Marketing Students
- ♦ FFA – Agricultural Education
- ♦ Family, Career, and Community Leaders of America (FCCLA)
- ♦ Home Economics Related Occupations (HERO)
- ♦ Health Occupations Students of America (HOSA)
- ♦ Postsecondary Agricultural Students (PAS)
- ♦ SkillsUSA – VICA (Trade and Industrial Education)

Population Served

The foundation funds both secondary and post-secondary career and technical student organizations that are operated as co-curricular activities in conjunction with state-approved career and technical education programs.

Services Provided

The Minnesota Foundation for Student Organizations (MFSO) promotes and supports career and technical student organizations as they work to provide student opportunities for leadership, personal development, community service and career preparation. The MFSO serves as the body for coordinating joint activities and outreach among its member student organizations. The foundation holds the organizations to the following performance indicators.

- ⇒ Provide a strong base to develop leadership, teamwork, citizenship, and interpersonal skills.
- ⇒ Implement rigorous standards for skills and applied learning experiences.
- ⇒ Conduct collaborative projects with community, labor, business and industry, parents, government, and educational institutions.
- ⇒ Provide a structure, motivation, and support for students to take primary responsibility for their own success.
- ⇒ Provide opportunities for students to prepare for leadership roles in business, community, and family.
- ⇒ Provide opportunities for diverse learners to accomplish common goals.
- ⇒ Promote a balance between work and family, personal, group and career skills.

Key Measures

Total Participating in Career Technical Student Organizations

	2003	2004	2005	2006
BPA High School	1,651	1,421	1,350	1,387
BPA Post-Secondary	236	240	251	244
DECA High School	2,083	2,106	2,202	2,654
DECA Post-Secondary	1,221	1,229	1,367	1,197
FFA High School	5,240	6,104	6,606	6,553
PAS Post-Secondary	203	156	186	184
FCCLA High School	1,578	1,322	1,383	1,383
HOSA High School	643	702	755	755
HERO	447	451	449	421
SKILLS-VICA High School	1,026	615	614	625
SKILLS-VICA Post-Secondary	1,148	1,521	1,659	1,425
Total Participation	15,476	15,867	16,822	16,828

Activity Funding

$625,000 is appropriated annually for the operation of the foundation and for distribution to the member organizations. At least 80% is distributed to member organizations on a formula basis.

The board is charged with finding outside sources of support to supplement state funding.

Contact

Additional information is available from the Minnesota Foundation for Student Organizations, (651) 582-8322.

DEPT OF EDUCATION
Program: ED. EXC. SP. STUDENT/TEACHER
Activity: STUDENT ORGANIZATIONS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	725	725	725	725	1,450
Subtotal - Forecast Base	725	725	725	725	1,450
Total	**725**	**725**	**725**	**725**	**1,450**
Expenditures by Fund					
Direct Appropriations					
General	710	744	725	725	1,450
Total	**710**	**744**	**725**	**725**	**1,450**
Expenditures by Category					
Total Compensation	13	19	19	19	38
Other Operating Expenses	92	106	106	106	212
Local Assistance	605	619	600	600	1,200
Total	**710**	**744**	**725**	**725**	**1,450**
Full-Time Equivalents (FTE)	**0.2**	**0.2**	**0.2**	**0.2**	

Activity at a Glance

- Funds testing fees for high school students seeking post-secondary credit.

Activity Description
Citation: M.S. 120B.131

College level examination program (CLEP) is one component of the state aid program, *Get Ready, Get Credit,* which is aimed at preparing high school students for post-secondary education options. CLEP provides opportunities for high school students to receive college credit for successful completion of CLEP exams. This program, offered by the College Board, provides students with the opportunity to demonstrate college-level achievement through a program of examinations of undergraduate college courses. CLEP is dedicated to helping students accelerate their college degree and advance to more challenging courses more quickly. CLEP improves affordability for underserved groups who find it increasingly challenging to meet rising college costs.

Population Served

Public and nonpublic high school students participating in CLEP are served by this program. CLEP allows students to earn college credit in subject areas where there are no Advanced Placement (AP) exams or courses offered. CLEP is also beneficial to students who cannot participate in other college-level programs due to cost or geographic barriers.

Services Provided

FY 2006 was the first year for state funding for this program. The Minnesota Department of Education (MDE) provided information about CLEP during 13 workshops offered throughout Minnesota this past spring. The information described the process for students to participate in the program and the opportunity for high school students to receive college credit from a Minnesota post-secondary institution. Subject areas in which students may earn credit include the following.

- composition and literature
- mathematics
- science
- history and social sciences
- foreign languages
- business

CLEP exams test mastery of college-level materials acquired in a variety of ways, such as through general academic instruction, significant independent study, or extracurricular work. Students demonstrate their mastery by earning a particular score on the CLEP test for that subject area. Students who participate in CLEP must present appropriate forms, fees, and identification to one of 14 Minnesota college testing centers or in states adjacent to Minnesota. The 90 minute exam is computer-based, scored immediately, and results are sent to the College Board for a transcript.

Approximately 2,900 colleges and universities across the country grant credit or advanced standing for successful completion of CLEP exams. All Minnesota State Colleges and Universities (MnSCU) institutions will grant undergraduate credit for students who achieve the required satisfactory scores on CLEP exams.

The state will cover the cost of up to six exam fees for students up to a capped level. Students or districts must pay the cost of the administration fee to the college testing center. Districts may cover the exam fees or allow the fee to be paid by the parents or guardian of the student for more than six exams or in the event the state appropriation does not cover the exam. Priority is given to provide payment of exam fees for low income students.

Key Measures

Students will have increased opportunities to obtain college and university credit while attending high school.

⇒ MDE's goal is student reimbursement for 5,000 CLEP tests in FY 2007 and 7,500 in FY 2008.

Contact

Additional information is available from the Minnesota Department of Education, Division of Academic Standards and High School Improvement, (651) 582-8751.

DEPT OF EDUCATION
Program: ED. EXC. SP. STUDENT/TEACHER
Activity: GET READY, GET CREDITS-CLEP

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	825	1,650	1,650	1,650	3,300
Subtotal - Forecast Base	825	1,650	1,650	1,650	3,300
Total	**825**	**1,650**	**1,650**	**1,650**	**3,300**
Expenditures by Fund					
Direct Appropriations					
General	825	1,650	1,650	1,650	3,300
Total	**825**	**1,650**	**1,650**	**1,650**	**3,300**
Expenditures by Category					
Payments To Individuals	825	1,650	1,650	1,650	3,300
Total	**825**	**1,650**	**1,650**	**1,650**	**3,300**

Activity Description

Citation: M.S. 120B.128

This state aid program, *Get Ready, Get Credit – EPAS* is aimed at preparing high school students for post-secondary education options through the Educational Planning and Assessment System (EPAS) program.

Activity at a Glance

In FY 2006:
- ♦ 36,676 – 8th graders participated in Explore assessment.
- ♦ 52,972 – 10th graders participated in Plan assessment.

Population Served

School districts and charter schools voluntarily participate in the EPAS program funded by the state. The Assessment and Comprehensive Testing (ACT) EPAS system provides a longitudinal, systematic approach to educational and career planning, assessment, instructional support, and evaluation. The system focuses on higher-order thinking skills students develop in grades K-12 that are important for success both during and after high school. The EPAS achievement assessment includes English, reading, mathematics, science, and components on planning.

Services Provided

FY 2006 was the first year for state funding for this program. MDE, in conjunction with districts and schools, will provide ACT Explore assessment for students in grade eight and the ACT Plan assessment for students in grade 10 to assess individual student academic strengths and weaknesses, academic achievement and progress, higher order thinking skills, and college readiness. The state funds the cost of these two assessments for Minnesota students.

These assessments are linked to the ACT assessment for college admission and will allow students, teachers, schools, and parents to determine college readiness earlier than the junior or senior year in high school. In addition, the ACT assessments will allow for linkage to the state accountability system (Minnesota Comprehensive Assessments-II) and will help determine preparedness at an even earlier grade.

Historical Perspective

This program was first available with statewide funding in 2005-06. During this year, 89,648 students participated in these assessments. This number was higher than anticipated. The Minnesota Department of Education (MDE) expects participation to increase during the 2006-07 school year because the late legislative session did not allow all interested schools to participate. Also, MDE expects increased awareness after the first year of this program.

Key Measures

Increase student access and participation in EPAS assessment opportunities.

⇒ Student participation will increase in succeeding years.

Activity Funding

Legislation charges the department with making the Explore and Plan assessments available to Minnesota school districts. The funding for this activity pays ACT for the fees of school districts participating in these assessments. The state receives a group rate from ACT to have students participate in bulk. The fees are for the ordering, production, administration, and reporting of the Explore and Plan assessments.

Contact

Additional information is available from the MDE, Assessment and Testing, (651) 582-8841, http://education.state.mn.us/mde/Accountability_Programs/Assessment_and_Testing/Assessments/EPAS/index.html.

DEPT OF EDUCATION

Program: ED. EXC. SP. STUDENT/TEACHER

Activity: GET READY, GET CREDITS-EPAS

Budget Activity Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	829	829	829	829	1,658
Subtotal - Forecast Base	829	829	829	829	1,658
Total	**829**	**829**	**829**	**829**	**1,658**
Expenditures by Fund					
Direct Appropriations					
General	829	829	829	829	1,658
Total	**829**	**829**	**829**	**829**	**1,658**
Expenditures by Category					
Other Operating Expenses	829	829	829	829	1,658
Total	**829**	**829**	**829**	**829**	**1,658**

Activity Description

Citation: Laws 2005 First Special Session, Chapter 5, Article 2, Section.84, Subd.20; M.S. 123B.04

Activity at a Glance

FY 2006
- ♦ Russell - Tyler - Ruthton Middle School (ISD 418) received a $50,000 grant

This one-time appropriation provides planning and implementation for grants to up to five school sites and school boards that have reached preliminary board approval or entered into school site decision-making agreements under M.S. 123B.04.

Population Served

Program participation in the grant program is limited to five school districts.

Services Provided

Funding is provided to school sites and the governing school district board to support a school site decision-making team that governs, manages, and controls the school, based on agreement as to the level of powers, duties, responsibilities, and authority to be delegated by the school board to the school site team.

The agreement may include:
- ♦ an achievement contract;
- ♦ a mechanism to allow principals, site leadership team, or other persons having general control and supervision of the school, to make decisions regarding how financial and personnel resources are best allocated at the site and from whom goods or services are purchased;
- ♦ a mechanism to implement parental involvement programs and to provide for effective parental communication and feedback on this involvement at the site level;
- ♦ a provision that would allow the team to determine who is hired into licensed and nonlicensed positions;
- ♦ a provision that would allow teachers to choose the principal or other person having general control;
- ♦ an amount of revenue allocated to the site; and
- ♦ any other powers and duties determined appropriate by the board.

The composition of the site based decision-making team may include the principal, teachers, employees, or students, or parents of students at the school.

Approved agreements must be filed with the commissioner. If a school board denies a request or the school site and school board fail to reach an agreement to enter into a school site management agreement, the school board shall provide a copy of the request and the reasons for its denial to the commissioner.

Activity Funding

To participate in the site based decision-making program under M.S. 123B.04, upon the request of 60% of the licensed employees of a site or a school site decision-making team, the school board must enter into discussions to reach an agreement concerning the governance, management, or control of the school. A school site decision-making team may include the school principal, teachers in the school or their designee, other employees in the school, representatives of pupils in the school, or other members in the community.

In FY 2006, Russell Independent School District (ISD) 418 participated in this program. The Russell-Tyler-Ruthton Middle School was awarded a $50,000 grant.

Contact

Additional information is available from the Minnesota Department of Education, Division of Academic Standards and High School Improvement, (651) 582-8751.

DEPT OF EDUCATION
Program: ED. EXC. SP. STUDENT/TEACHER
Activity: SITE BASED GOVERNANCE GRANTS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	250	0	250	0	250
Technical Adjustments					
One-time Appropriations			(250)	0	(250)
Subtotal - Forecast Base	250	0	0	0	0
Total	**250**	**0**	**0**	**0**	**0**
Expenditures by Fund					
Direct Appropriations					
General	35	215	0	0	0
Total	**35**	**215**	**0**	**0**	**0**
Expenditures by Category					
Local Assistance	35	215	0	0	0
Total	**35**	**215**	**0**	**0**	**0**

Activity Description

Information Only

The purpose of these state programs is to provide learners with access to a wide range of educational opportunities by allowing them to choose a school or educational program either in or outside of their resident district. Learners and their families must play an active role in determining educational goals, the student's needs and interests, and the school's ability to provide an appropriate educational experience.

Population Served

All students in Minnesota are eligible for one or more of these options.

Activity at a Glance

In FY 2006
- ♦ Over 225,000 students participated in various choice programs
- ♦ Families claiming
  - ⇒ Education Tax Credits 58,593
  - ⇒ Average Amount (2004) $256
- ♦ Families claiming
  - ⇒ Education Tax Deductions 231,484
  - ⇒ Average Amount (2004) $1,197

Services Provided

Minnesota's choice programs include the following:

Online Learning (OLL) (M.S. 124D.095) allows public school students to access OLL courses offered by a state-approved OLL program in another district, charter school, or joint powers district. This program replaced the prior distance learning law in FY 2004.

⇒ Students can take up to 12 semester OLL courses, or the equivalent, each year while remaining enrolled in their original public school.
⇒ The enrolling school must award academic credit for the completed OLL course(s).
⇒ Limited state funding follows the student to the OLL program.

	FY 2004	FY 2005	Est. FY 2006
Number of Approved Programs	15	22	25
Students Accessing OLL Courses	67	160	315
Number of OLL Courses Completed	197	327	911

Open Enrollment (M.S. 124D.03) allows all public school-eligible pupils to apply to attend a school outside their resident district**.**

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
Open Enrolled Students	24,161	26,227	28,077	30,102	33,235	36,334	39,289	40,000

Students who open enroll to more than one school district are counted only once.

Charter Schools (M.S. 124D.10) are public schools designed to meet one or more of the following purposes:
- ♦ improve individual learning;
- ♦ increase learning opportunities;
- ♦ use different and innovative teaching methods;
- ♦ measure learning results using innovative forms of measurement;
- ♦ establish new forms of accountability for schools; or
- ♦ create new professional opportunities for teachers, including the opportunity to be responsible for a learning program at the school site.

Charter schools are exempt from some state statutes and rules governing school districts.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
Enrolled Students (ADM)	4,901	7,756	9,383	10,190	12,122	13,948	17,121	20,524
Number of Charter Schools	38	53	64	68	78	88	102	125

Average daily membership (ADM) through FY 2002 represents uncapped ADM. For FY 2003 ADM capped at 1.5 ADM. For FY 2004 and FY 2005 ADM capped at 1.0 ADM. For FY 2006, it is the charter school's estimates of their ADM capped at 1.0.

Learning Year Programs (M.S. 124D.128) extend the educational program from the traditional nine-month calendar to a 12-month calendar. Students can accelerate their educational program allowing them to either graduate early or to make up courses. A learning year program may begin after the close of the regular school year in June. The program may be for students in one or more grade levels K-12. A continual learning plan must be developed for each student. For FY 2004, the calculation of students in this program changed. FY 2006 data is estimated and will change as more information is reflected by Minnesota Department of Education (MDE) from school districts.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
Pupil Units	3,762	7,023	6,830	7,550	7,916	10,683	11,408	11,790
Sites	19	27	22	18	21	16	14	15

The pupil units include those generated by state-approved alternative attendance programs (SAAPs). The site count does not include SAAP's, refer below.

Post-Secondary Enrollment Options (M.S. 124D.09) allows high school juniors and seniors (both public and nonpublic, including home-schooled) to take courses at eligible Minnesota post-secondary institutions. Students must meet the post-secondary institution's admissions requirements.

⇒ The program provides students with a greater variety of class offerings and an opportunity to pursue more challenging course work.
⇒ The tuition, fees, and required textbooks are provided at no cost to students.
⇒ The student earns secondary credit when courses are completed and earns post-secondary credit if they continue at a post-secondary institution that accepts those credit transfers after high school graduation.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
Students Participating	7,115	7,147	7,098	7,211	7,546	7,169	7,458	7,483

State Approved Alternative Programs (M.S. 123A.05, 123A.06, 123A.08, 126C.05, Subd. 15, 124D.128, 124D.68, 124D.69) There are three categories of state approved alternative program's: area learning centers (ALC), alternative learning programs (ALP), and contracted alternatives. ALCs offer a wider array of options/services (K-12), including the requirement to have a daytime school within a school or separate site program for middle level students. In contrast, ALPs can designate what grades they want to serve. Contracted alternatives are nonpublic, nonsectarian schools that have contracted with the serving school district to provide educational services (M.S. 124D.68, Subd. 3).

State approved alternative programs are designed for students who need a different approach or are experiencing difficulty in the traditional school. Instruction is designed to meet the student's individual learning style needs and includes applied academics, school-to-work, computerized instruction, and service learning.

Overview of state approved alternative programs.

⇒ Depending on the district, students kindergarten through age 21 can access alternative programming on a part/full-time basis.

⇒ ALCs must offer programming for the entire year (for ALPs this is an option) with the availability of extended day/year programming. This is referred to as learning year.

⇒ Whereas ALCs, by statute, have to give students the option of receiving their diploma from their district of residence or the district in which the center is located (M.S.123A.06, Subd. 4), an ALP can choose to solely award the diploma from the district where it is located.

⇒ A school district may establish an ALC by itself or in cooperation with other districts, other agencies, foundations, partnerships, etc. Except for a district located in a city of the first class, an ALC must serve the geographic region of at least two districts.

⇒ Independent study is a delivery option for students age 16 and older. This option allows students to complete up to 75% of their coursework off site.

⇒ Aid and revenue are based on the total number of hours of educational programming for pupils in average daily membership for each fiscal year, up to a maximum of 1.2 ADM per student.

⇒ Financially, there is no distinction between an ALP and ALC.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006
State Approved Alternative Programs	148	152	155	157	159	159	159	159
Students Served	101,666	119,973	136,792	146,369	146,285	137,626	145,911	146,000
Sites	340	359	396	436	475	482	477	502

Tax Credits (M.S. 290.0674) were enacted by the 1997 legislature and first took effect for 1998.

⇒ Families with school-age children and incomes at or below $37,500 per year may qualify for a tax credit of up to $1,000 per child ($2,000 per family) to reimburse them for certain educational expenses, including tutoring, academic summer camps, enrichment programs, textbooks and instructional materials, home computer hardware, educational software, and some expenses associated with individual schools.

⇒ Parents of any child educated publicly, privately, or at home may qualify for education tax credits.

Tax Year	Tax Credits Amount Claimed (000's)	Number of Claimants	Average Amount
1998	$14,348	38,766	$370
1999	$21,373	57,962	$369
2000	$21,329	55,941	$381
2001	$19,247	56,414	$343
2002	$15,851	60,411	$262
2003	$15,888	61,259	$259
2004	$14,990	58,593	$256

Source: Minnesota Department of Revenue, Tax Research Division, July 2006

Additional information is available from the Minnesota Department of Revenue web site: http://www.taxes.state.mn.us.

Tax Deductions (M.S. 290.01, subd. 19b) were first enacted in 1955 and were modified by the 1997 legislature. They are available to all families, regardless of income and regardless of whether they itemize on their tax returns. This deduction can be used for certain educational expenses, including tutoring, academic summer camps, enrichment programs, textbooks and instructional materials, home computer hardware, educational software, and some expenses associated with individual schools.

⇒ In 1997, deductions for each dependent child in kindergarten through sixth grade were increased from a maximum deduction of $650 to $1,625; deductions for each dependent child in grades seven to 12 increased from a maximum of $1,000 to $2,500.

Tax Year	Tax Deductions Amount Claimed (000's)	Number of Claimants	Average Amount
1998	$165,677	150,588	$1,100
1999	$203,476	188,752	$1,078
2000	$236,815	209,224	$1,132
2001	$242,841	210,458	$1,154
2002	$261,298	224,251	$1,165
2003	$268,002	224,169	$1,196
2004	$277,038	231,484	$1,197

Source: Minnesota Department of Revenue, Tax Research Division, July 2006

Additional information is available form the Minnesota Department of Revenue Web site: http://www.taxes.state.mn.us.

Contact

Additional information is available from the Minnesota Department of Education, School Choice Programs and Services, (651) 582-8586.

Activity Description

The No Child Left Behind Act of 2001 (NCLB) provides funding for various federal programs in Minnesota that are designed to improve student achievement in America's public schools. With the passage of No Child Left Behind, Congress reauthorized the Elementary and Secondary Education Act (ESEA), the principal federal law affecting education from kindergarten through high school. The purpose of NCLB is to increase accountability for results; emphasis on doing what works based on scientific research; expand parental options; and expand local control and flexibility.

Activity at a Glance

- NCLB is a national commitment to ensure that all children receive a high quality education so that no child is left behind.
- Between 2002 and 2004, Minnesota students narrowed the achievement gaps in math and reading between minority/poor students and white students by 3-5%.

The following programs are funded by NCLB in Minnesota. Funding information is displayed on a federal fiscal year basis. Program descriptions exclude discontinued federal programs and programs that are directly awarded and paid by the federal government to eligible Minnesota school districts and organizations.

Title I Grants to LEAs (Local Education Agencies) (CFDA 84.010)
Elementary and Secondary Education Act of 1965, as amended, Title 1, Part A.
Title I of the Improving America's Schools Act is the largest of the federal compensatory education programs. Almost every district in the state qualifies for Title I funds and Title I services are in approximately 90% of the state's elementary schools. More than 110,185 public and nonpublic students participate in Title I programs annually. There are several parts to Title I: Basic Grants, Concentration Grants, Targeted Assistance, Education Finance Incentive Grants, Accountability Grants, Grants for Neglected or Delinquent Institutions, NCLB grants, and Capital Expenses.

Minnesota's share of the national appropriation is based on the number of low-income children counted during the 2000 census. The Minnesota Department of Education (MDE) adjusts these entitlements to provide the required set-asides for administration, school support teams, low-performing schools, and charter schools.

Specific objectives of the Title I basic grants to local education agencies (LEAs) are
- to align Title I evaluation measures with the state student achievement and system performance measures;
- to identify and serve students who are most at-risk of not meeting our state content and performance standards;
- to increase success in the regular classroom through coordination of supplemental services with classroom instruction and curriculum;
- to provide for the involvement of parents in the education of their children;
- to provide intensive and sustained staff development; and
- to coordinate with state and federal programs to maximize the services available for at-risk students and to increase the number of students receiving services.

Migrant Education (CFDA 84.011)
Elementary and Secondary Education Act of 1965, Title I, Part C, as amended. 20 U.S.C. 6391 et seq.
The specific purposes of the migrant education program are:
- to ensure that migratory children are provided with appropriate educational services (including support services) that address their special needs in a coordinated and efficient manner;
- to ensure that migratory children have the opportunity to meet the same state content and performance standards that all children are expected to meet;
- to prepare migratory children to make a successful transition to post-secondary education or employment by supporting high-quality educational programs to help them overcome educational disruption, cultural and language barriers, social isolation, various health-related problems, and other factors; and
- to ensure that migratory children benefit from state and local systemic reform.

Neglected and Delinquent (CFDA 84.013)
Elementary and Secondary Education Act of 1965, Title I, Part D, as amended. 20 U.S.C. 6431 et seq.
The specific purposes of the neglected and delinquent programs include:

- to provide supplementary instruction to students, ages five-21, who are neglected and have been placed in a locally operated residential institution for such students;
- to improve educational services to neglected or delinquent children and youth so that such children and youth have the opportunity to meet the same challenging state content and performance standards that all children will be expected to meet;
- to provide the targeted population the services needed to make a successful transition from institutionalization to further schooling and employment; and
- to prevent at risk youth from dropping out and to provide dropouts and youth returning from institutions with a support system to ensure continued education.

Safe and Drug-Free Schools and Communities State Grants (CFDA 84.186)
Elementary and Secondary Education Act, 2001, Title IV, Part A, Subpart 1, as amended 20 U.S.C. 7111-7118
Safe and drug-free schools provide resources to school districts and charter schools through a formula allocation to assist and support programs to prevent violence in and around schools and to provide the illegal use of alcohol, tobacco, and other drugs. Specifically the law focuses on:

- supporting researched-based drug abuse and violence prevention and education programs that involve parents and are coordinated with related community efforts and resource programs;
- providing resources to schools to establish, operate, and improve programs of violence and drug abuse prevention, early intervention, rehabilitation referral, and education for elementary and secondary students; and
- providing resources to community-based organizations for programs of violence and drug abuse prevention and education, early intervention, and rehabilitation referral for school dropouts and other high-risk youth.

Even Start Family Literacy Programs (CFDA 84.213)
Elementary and Secondary Education Act of 1965, Title I, Part B, Subpart 3, as amended. 20 U.S.C. 6362.
Even start is the early childhood and family literacy initiative of the Title I program. The state's allocation for even start is determined by the amount of the basic and concentration funds the state receives. Funds are distributed to districts on a competitive basis; grants are awarded for four years. Currently there are 14 even start programs in Minnesota. In FY 2005, 577 children and 437 adults participated.

Specific objectives of the even start family literacy programs are:

- to improve the academic achievement by integrating early childhood education and adult education for parents into a unified program;
- to create a new range of services through cooperative projects that build on existing community resources; and
- to assist children and adults from low-income families in breaking the cycle of illiteracy and poverty.

21st Century Community Learning Centers (CFDA 84.287)
Elementary and Secondary Education Act of 1965, as amended,Title IV Part B.
The program funds after school programs to help K-12 students attending low performing schools or schools with concentrations of families in poverty improve their academic achievement. Programs provide academic and cultural enrichment activities, tutoring, art, music, recreation, and other programs that are designed to reinforce academic instruction. Funds are distributed through an open competition.

Innovative Education Program Strategies (CFDA 84.298)
Elementary and Secondary Education Act of 1965, Title V, as amended, 20 U.S.C. 7301-7373.
This program provides funding to assist state and local education agencies in the reform of elementary and secondary education.

Education Technology State Grants (Enhancing Education Through Technology) (CFDA 84.318)
Elementary and Secondary Education Act of 1965, as amended, Title II, Part D, Subparts I and 2, as amended.
Prrovides funding on a formula basis to states to:

- improve student academic achievement through the use of technology in schools,
- assist all students in becoming technologically literate by the end of eighth grade, and
- encourage the effective integration of technology with teacher training and curriculum development to establish research-based instructional methods.

Comprehensive School Reform (CFDA 84.332)
Elementary and Secondary Education Act of 1965, Title I, Part E, Section 1502 as amended.
The program funds grants for financial incentive to schools that need to substantially improve student achievement, particularly Title I schools, to implement comprehensive school reform programs that are based on reliable research and effective practices, and include an emphasis on basic academics and parental involvement. These programs are intended to stimulate school-wide change covering virtually all aspects of school operations, rather than piecemeal, fragmented approach to reform. To be considered comprehensive, a program must integrate, in a coherent manner, nine specific components listed in the legislation. Through supporting comprehensive school reform, the program aims to enable all children in the schools served, particularly low-achieving children, to meet challenging state content and student performance standards. Funding for this program was not included for FY 2006.

Reading First (Title 1, Part B) (CFDA 84.357)
Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart 1.
The reading first program replaced reading excellence in FY 2002. The reading first program is a federal education program aimed at improving K-3 reading instruction through the use of effective, research-based strategies, and methods. This program allows the state to make competitive sub-grants to school districts meeting specific eligibility criteria identified in the authorizing legislation. Grantees will use program funds to: 1) provide preschool-age children with high-quality oral language and literature-rich environments; 2) provide professional development that is based on scientifically based reading research knowledge of early language and reading development; 3) identify and provide activities and instructional materials that are based on scientifically based reading research; 4) acquire, provide training for, and implement screening reading assessments or other appropriate measures based on scientifically based reading research; and 5) integrate instructional materials, activities, tools, and measures into the programs offered.

Rural and Low-Income Schools Grant (CFDA 84.358)
Elementary and Secondary Education Act of 1965, Title VI, Part B, as amended.
This new program is designed to help rural districts that may lack the personnel and resources to compete effectively for federal competitive grants. It is also designed to assist rural districts that often receive federal grant allocations in amounts that are too small to be effective in meeting their intended purposes. This program serves a very small number of rural districts with high concentrations of poverty that are not eligible for small, rural school achievement grants from the U.S. Department of Education.

English Language Acquisition Grants for Limited English Proficient Students (CFDA 84.365)
Elementary and Secondary Education Act as amended, Title III, Part A, Sections 3101-3129.
This new program consolidates the 13 bilingual and immigrant education programs into a formula grant program and significantly increases flexibility and accountability. Minnesota previously received funds under the Title VII Emergency Immigrant program, while districts applied directly to the U.S. Department of Education for grants under other programs. This program maintains the current focus on assisting school districts in teaching English to limited English proficient students and in helping these students meet the same challenging state standards required of all other students. Some of the funds may be reserved to serve districts significantly impacted by the needs of immigrant students.

Math and Science Partnership (CFDA 84.366)
Elementary and Secondary Education Act of 1965, as amended, Title II, Part B.
The purpose of this program is to improve the academic achievement of students in mathematics and science through projects that support partnerships of organizations representing preschool through higher education. These projects promote strong teaching methods based on scientifically based research and technology into the curriculum.

Improving Teacher Quality (CFDA 84.367)
Higher Education Act of 1965, Title III, Part A, P.L. 105-244.
This program provides funding to improve student achievement by improving the quality of current and future teaching force by improving the preparation of prospective teachers and enhancing professional development activities; hold institutions of high education accountable for preparing teachers who have the necessary teaching skills and are highly competent in the academic content areas in which the teacher plan to teach, such as mathematics, science, English, foreign language, history, economics, arts, civics government, and geography; including training effective uses of technology in the classroom; and recruit highly qualified individuals, including individuals from other occupations, into the teacher force.

Improving Academic Achievement Accountability, Grants for State Assessments (CFDA 84.369)
Elementary and Secondary Education Act of 1965, as amended, Title VI, Part A, Subpart I, Public Law 107-110.
This program supports:
- the development of the additional state assessments and standards required by Section 1111(b) of the federal ESEA, as amended; or
- the administration of the assessments required by Section 1111(b) or to carry out other activities related to ensuring that the state's schools and local education agencies are held accountable for results.

No Child Left Behind Act of 2001
Federal Awards by Federal Fiscal Year
Source: U.S. Department of Education

Funds in this table include both grant funds and administrative funds awarded for expenditure over a 27 month period. Actual state expenditures will differ from the amounts awarded due to the timing of the distribution of grants and state and federal fiscal year reporting requirements.

		Dollars in Thousands				
CFDA	Title of Program	FFY 2002	FFY 2003	FFY 2004	FFY 2005	estimate FFY 2006
84.010	Title One	$112,964.6	$117,728.4	$105,427.8	$108,585.3	$108,432.7
84.011	State Agency Program-Migrant	2,397.8	2,375.7	2,376.2	2,363.1	2,338.9
84.013	State Agency Program-Neglected and Delinquent	184.1	198.7	171.6	154.9	159.9
84.186	Safe and Drug Free Schools and Communities Grants	5,924.9	5,924.9	5,924.9	5,903.1	4,649.2
84.213	Even Start	2,417.8	2,109.7	1,691.0	1,648.2	731.0
84.287	21st Century Community Learning Centers	3,323.4	5,909.9	9,220.5	7,375.5	7,813.3
84.298	State Grants for Innovative Programs	6,612.6	6,569.6	4,888.8	3,221.3	1,607.4
84.318	Educational Technology State Grants	6,594.3	6,055.4	5,017.5	3,900.5	2,161.9
84.332	Comprehensive School Reform (Title I)	2,671.1	2,664.2	2,397.5	1,728.8	-0-
84.357	Reading First State Grants	10,000.6	9,566.7	8,279.3	8,948.2	8,850.9

		Dollars in Thousands				
CFDA	Title of Program	FFY 2002	FFY 2003	FFY 2004	FFY 2005	estimate FFY 2006
84.358	Rural and Low-Income Schools Program	175.6	121.6	-0-	106.4	105.4
84.365	Language Acquisition State Grants	4,505.8	5,289.5	6,108.7	6,595.3	7,030.0
84.366	Mathematics and Science Partnerships	-0-	931.3	1,168.0	1,492.3	1,492.9
84.367	Improving Teacher Quality State Grants	38,404.0	38,871.0	37,901.6	37,960.9	37,552.9
84.369	State Assessments*	6,734.0	6,909.8	6,927.7	7,037.7	7,037.8
Discontinued Programs - These NCLB federal funds are shown under Discontinued Programs.						
84.340	Funds for the Improvement of Education-Comprehensive School Reform	1,305.0	1,296.6	1,239.1	-0-	-0-
84.184	State Grants for Community Service for Expelled or Suspended Students	617.9	613.7	-0-	-0-	-0-
Federal direct aid – these funds are directly awarded and paid by the federal government to eligible Minnesota school districts and organizations. These NCLB funds do not flow through MDE.						
84.358	Small Rural Schools Achievement Program	2,647.4	2,537.9	2,782.9	2,775.8	2,738.3
	Impact Aid (Basic, Disabilities, Construction)	11,528.5	11,980.6	13,637.9	13,729.3	14,498.3
84.060	Indian Education-Grants to Local Education Entities	3,561.9	3,458.7	3,281.3	3,244.3	3,249.9
Total NCLB Act of 2001		**$222,571.3**	**$231,113.9**	**$218,442.3**	**$216,770.9**	**$210,450.7**

*These funds are included in the Statewide Testing narrative. These funds are not included in the State Fiscal Expenditure page for this narrative.

Contact

Additional information is available from the MDE, No Child Left Behind Programs, (651) 582-8784, http://education.state.mn.us/mde/Accountability_Programs/No_Child_Left_Behind_Programs/index.html.

DEPT OF EDUCATION
Program: ED. EXC. SP. STUDENT/TEACHER
Activity: NCLB PROGRAMS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Federal	174,388	193,649	196,048	195,408	391,456
Total	**174,388**	**193,649**	**196,048**	**195,408**	**391,456**
Expenditures by Category					
Local Assistance	174,388	193,649	196,048	195,408	391,456
Total	**174,388**	**193,649**	**196,048**	**195,408**	**391,456**

Activity Description

This budget activity summarizes major federal programs that fund activities throughout Minnesota.

Career and Technical Education – Basic Grants to States (CFDA 84.048)
Carl D. Perkins Career and Technical Education Improvement Act of 2006

The purpose of this grant program is to develop more fully the academic, career, and technical skills of secondary and post-secondary students who elect to enroll in vocational and technical programs.

This program is subject to administrative matching and non-supplanting requirements.

Activity at a Glance

Major federal programs in the activity are:

- Career and Technical Education Basic Grants – Carl Perkins
- Byrd Honors Scholarship Program
- Homeless Children
- Foreign Language Assistance
- Teacher Quality Enhancement Grants
- Voluntary School Choice
- Cooperative Agreements to Support Comprehensive School Health Programs
- Learn and Serve America

Byrd Honors Scholarship Program (CFDA 84.185)
Higher Education Act of 1965, Title IV, Part A, Subpart 6 as amended, 20 U.S.C. 107d-31-1070d-41.
The purpose of the Byrd Honors Scholarship Program is to provide scholarships for study at institutions of higher education to outstanding high school graduates who show promise of continued excellence, in an effort to recognize and promote student excellence and achievement.

Homeless Children (CFDA 84.185)
McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.
This program provides funding to ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each state education agency for the coordination of education of homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to school districts.

Foreign Language Assistance (CFDA 84.293)
Elementary and Secondary Education Act of 1965, as amended, Title V, Part D, subpart 9. 20 U.S.C. 7259 - 7259(b).
To support innovative model programs of foreign language study in public elementary and secondary schools. Projects must be designed to support innovative model programs of foreign language study in elementary and secondary schools. Projects must show the promise of being continued beyond the grant period. Not less than three-fourths of the appropriation must be used for elementary level projects. This program is subject to non-supplanting requirements and must use a restricted indirect cost rate which is referenced under 34 CFR 76.564-76.569.

Teacher Quality Enhancement Grants (CFDA 84.336)
Higher Education Act of 1965, Title II, Part A, Public Law 105-244
To improve student achievement; improve the quality of the current and future teaching force by improving the preparation of prospective teachers and enhancing professional development activities; hold institutions of higher education accountable for preparing teachers who have the necessary teaching skills and are highly competent in the academic content areas in which the teachers plan to teach, such as mathematics, science, English, foreign language, history, economics, art, civics, government, and geography, including training in the effective uses of technology in the classroom; and recruit highly qualified individuals, including individuals from other occupations, into the teaching force.

Teacher Incentive Fund Grants (CFDA 84.374)
Elementary and Secondary Education Act, as amended, Title V, Part D, Subpart 1, PL 107-110.
MDE has applied for a federal Teacher Incentive Fund grant that will fund grants to schools to support programs that develop and implement performance-based teacher and principal compensation systems in high-need schools. The Federal Office of Elementary and Secondary Education will award grants in January, 2007. While receipt of the grant is not certain, an estimated amount of $14 million is included in the MDE budget at this time.

Voluntary School Choice (CFDA 84.361)
Elementary and Secondary Education Act, as amended, Title V, Part B, Subpart 3, 20 U.S.C. 7225-7225g.
This grant program supports efforts to establish or expand programs of public school choice for parents and their children. Minnesota was awarded the grant beginning in FY 2002 to expand the Choice is Yours program. The Choice is Yours program, developed by the 2000 settlement of the National Association for the Advancement of Colored People (NAACP) versus state of Minnesota, allows Minneapolis students who qualify for free or reduced price lunch priority access and transportation to Minneapolis magnet schools and identified suburban schools. The grant enhances the Choice is Yours program by expanding outreach, transportation, and academic support.

Cooperative Agreements to Support Comprehensive School Health Programs (CFDA 93.938)
Public Health Service Act, Section 301(a) and 311 (b) (c), as amended; 42 U.S.C. 241 (a), as amended; 42 U.S.C. 243 (b). To support the development and implementation of effective health education for human immunodeficiency virus (HIV) and other important health problems for school-age populations (elementary through college-age youth, parents, and relevant school, health, and education personnel). Cooperative Agreement funds may be used to support personnel, their training and travel, and to purchase supplies and services for planning, organizing and conducting activities directly related to the objectives of this program. This program helps integrating HIV education within a more coordinated school health program; disseminating information about accessibility, availability, and quality of educational strategies, materials, and curricula to local education agencies and schools; and providing technical assistance to local school districts and schools in implementing HIV education. Special efforts are made to reach minority youth, youth in high-risk situations, and youth with special education needs.

Learn and Serve America (CFDA 94.004)
National and Community Service Act of 1990, as amended.
The goal of Minnesota's Service Learning program is to strengthen service learning efforts and promote the healthy development of youth and our communities. The focus is to increase the civic and literacy skills of youths particularly from disadvantaged situations by engaging them in state and local service learning programs, on project review and steering committees, and as presenters at conferences. Organizations utilize adult volunteers and work with teachers to increase their ability to use service learning as an instructional tool through curriculum building and teacher and administrator training. Partnerships with other education and community-based organizations leverage funding for greater efficiency and will facilitate resource sharing. Service learning will be further integrated into the Minnesota academic standards during future revision cycles and will be included as part of the state's high school reform efforts so that even more students have the opportunity to be engaged and involved with service learning.

Miscellaneous Federal Programs
FFY = Federal Fiscal Year Allocation

CFDA	Name	FFY2002	FFY2003	FFY2004	FFY2005	FFY2006
84.048	Vocational Education Basic Grants- Carl Perkins	$6,609.9	$6,532.7	$6,545.5	$6,640.6	$6,144.5
84.185	Byrd Honors Scholarships	$721.5	$718.5	$694.5	$690.0	$688.5
84.196	Homeless Children	$545.9	$521.4	$549.0	$512.1	$518.7
84.293	Foreign Language Assistance	-0-	-0-	-0-	$280.0	-0-
84.336A	Teacher Quality Enhancement Grants	-0-	$2,622.6	$2,715.0	$2,844.6	-0-
84.361	Voluntary School Choice	$3,000.0	$2,298.4	$2,240.6	$2,240.6	-0-
93.938	Comprehensive School Health Program	-0-	-0-	$275.9	$254.2	$314.2
94.004	Learn and Serve America	$293.5	$294.2	$287.3	$281.6	$238.0
TOTAL		$11,170.8	$12,987.8	$13,307.8	$13,743.7	$7,903.9

Federal funds awarded may be distributed over a 27-month period. Actual state expenditures will differ from the amounts awarded due to the timing of the distribution of grants and state and federal fiscal year reporting requirements.

Amounts in the narrative may differ when compared to the fiscal summary due to timing of state fiscal year-end closing and forecast changes.

Contact

Additional information is available on the Catalog of Federal Domestic Assistance's web site at: http://12.46.245.173/pls/portal30/!CATALOG.AGY_PROGRAM_LIST_RPT.show.

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Federal	9,829	9,645	7,673	5,866	13,539
Total	**9,829**	**9,645**	**7,673**	**5,866**	**13,539**
Expenditures by Category					
Payments To Individuals	663	695	10	0	10
Local Assistance	9,166	8,950	7,663	5,866	13,529
Total	**9,829**	**9,645**	**7,673**	**5,866**	**13,539**
Full-Time Equivalents (FTE)	**1.6**	**2.2**	**2.2**	**2.2**	

Budget Activities

- ⇒ Regular Special Education
- ⇒ Special Education Excess Costs
- ⇒ Children with Disabilities
- ⇒ Travel for Home-Based Services
- ⇒ Transition Disabled Students
- ⇒ Court Placed Special Education Revenue
- ⇒ Out of State Tuition
- ⇒ Other Federal Special Education Programs

DEPT OF EDUCATION

Program: SPECIAL EDUCATION

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	677,259	643,359	643,359	643,359	1,286,718
Technical Adjustments					
End-of-session Estimate			377	592	969
November Forecast Adjustment		1,357	1,512	1,492	3,004
Subtotal - Forecast Base	677,259	644,716	645,248	645,443	1,290,691
Governor's Recommendations					
Special Education Funding Changes		0	11,514	25,229	36,743
Total	**677,259**	**644,716**	**656,762**	**670,672**	**1,327,434**
Expenditures by Fund					
Direct Appropriations					
General	678,142	644,716	656,762	670,672	1,327,434
Statutory Appropriations					
Federal	169,354	173,195	173,924	173,924	347,848
Total	**847,496**	**817,911**	**830,686**	**844,596**	**1,675,282**
Expenditures by Category					
Local Assistance	847,496	817,911	830,686	844,596	1,675,282
Total	**847,496**	**817,911**	**830,686**	**844,596**	**1,675,282**
Expenditures by Activity					
Regular Special Education	728,735	701,644	714,329	728,044	1,442,373
Excess Costs-Sped	106,453	104,333	104,700	104,700	209,400
Children With Disabilities	1,529	1,409	1,536	1,727	3,263
Travel For Home-Based Services	225	222	237	248	485
Transition Disabled Students	9,312	8,806	8,796	8,787	17,583
Court Placed Sped Revenue	48	70	72	74	146
Out Of State Tuition	406	250	250	250	500
Other Federal Sped Programs	788	1,177	766	766	1,532
Total	**847,496**	**817,911**	**830,686**	**844,596**	**1,675,282**

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
1a Sp Ed–Regular – Inflate 2% & 2%	$ 9,535	$20,320	$21,439	$21,495
1b Sp Ed– Exs Cost– Inflate 2% & 2%	1,394	3,517	4,236	4,245
1c Transition Disabled–Inflate 2% & 2%	158	337	356	357
2a Eliminate Separate Target for Transition Disabled	(8,074)	(9,124)	(9,159)	(9,183)
2b Add Transition-Disabled Target to Sp Ed –Regular Target	8,074	9,124	9,159	9,183
4a Eliminate Separate Categorical for Part C Expansion	(427)	(1,055)	(1,562)	(2,011)
4b Add Part C Expansion to Sp Ed Regular Target		293	723	1,134
4c Add Part C Expansion to Sp Ed Excess Cost Target	427	762	839	877
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$11,087	$24,174	$26,031	$26,097

Recommendation

The Governor recommends changes to increase, simplify, and improve the equity of special education funding.

Specifically the Governor recommends the following changes:

1. Increase the statewide funding targets for special education aid, transition-disabled aid, and special education excess cost aid by 2% for FY 2008 and an additional 2% for FY 2009.
2. Beginning in FY 2008, combine the statewide funding targets for special education-regular and transition-disabled aid, and include transition-disabled expenditures in the calculation of excess cost aid.
3. Beginning in FY 2008, calculate special education-regular and transition-disabled aid using current year data instead of second prior year data.
4. Beginning in FY 2008, eliminate the separate appropriation for expansion of special education and related services for children from birth through age two related to IDEA Part C and include this funding in the special education-regular and excess cost programs.

Background

1. **Increase special education funding by 2% in FY 2008 and an additional 2% in FY 2009.**
   Under current law, there is no inflationary increase in special education funding. As program costs increase, the cross subsidy of unreimbursed special education costs with general education funds increases significantly each year. Increasing the statewide funding targets for special education programs by the same percentage as the general education formula allowance will reduce the growth of special education cross subsidies, and will ensure that districts with varying special education needs are treated equitably.

2. **Provide uniform, consistent funding for special education and transition-disabled programs.**
   Transition-disabled programs are part of the state's overall program of special education and related services for children with a disability. The funding mechanism for transition-disabled programs largely parallels the special education-regular formula, providing base revenue including 68% of salaries for essential personnel providing direct instructional services to students, 52% of contract costs, and 47% of special equipment and supplies. However, the effective rate of reimbursement varies between the two programs because 1) transition disabled expenditures do not generate excess cost aid, and 2) the caps have had a more significant impact on special education-regular funding due to a higher rate of growth in special education expenditures. Combining the statewide funding targets for the special education-regular and transition-disabled programs, and including transition-disabled program costs in the calculation of excess cost aid beginning in FY 2008 will ensure uniform, consistent funding for the two programs.

3. **Calculate special education-regular and transition-disabled aid using current year data instead of second prior year data.**
   Special education and transition-disabled programs have been funded using second prior year data since the mid-1990s. Funding based on second prior year data was initiated in an effort to contain the growth of special education costs. While there is no evidence that base year funding has been successful in containing costs, it is clear that this approach has increased the complexity of special education funding and created inequities among districts. Converting back to current year funding will simplify special education funding and better align funding with current costs.

4. **Beginning in FY 2008, eliminate the separate appropriation for expansion of special education and related services for children from birth through age two related to IDEA Part C and include this funding in the special education-regular and excess cost programs.**

   The federal Office of Special Education Programs (OSEP) informed Minnesota after a site visit in 2004 that Minnesota's eligibility criteria for serving children from birth through age two were out of compliance with federal law because it must allow eligibility for a child with only one area of developmental delay, and a child with a high probability of delay does not need further evidence to receive Part C services. Minnesota rules must be revised to include these children as eligible for services to allow the state to continue receiving federal Part C funding. The 2006 legislature appropriated funding for these children as a separate categorical without a formula for distribution. Under current law, these children are considered "children with a disability" and are eligible for general education and special education revenue. Therefore, the November 2006 forecast included the estimated pupil units attributable to children newly eligible for Part C services in the calculation of general education revenue, and included the funding for special education and related services for these children in the separate categorical. The amounts forecasted for the separate categorical were based on the amounts that would have been generated for special education and related services under the special education-regular and excess cost formulas if the expanded Part C services had been included in these formulas. To simplify the funding calculations for FY 2008 and later, the separate categorical appropriation will be eliminated, and the statewide caps and appropriations for special education-regular and special education excess cost aid will be increased by the November 2006 forecast amounts for the Part C categorical aid. This will have no net fiscal impact on the state budget.

Relationship to Base Budget

The proposed increase in state appropriations is 1.7% of the total special education regular, transition-disabled, excess cost, and Part C base budget for FY 2008 and 3.8% of the base budget for FY 2009.

Key Measures

Special education cross subsidies from general education revenue will be reduced by $12.9 million for FY 2008 and $26.0 million for FY 2009, compared with current law.

Statutory Changes: Amend M.S. 124D.454 for changes in the transition-disabled formula, M.S. 125A.76 for changes in the special education-regular formula, and M.S. 125A.79 for changes in the special education excess cost formula.

Activity Description

Citation: M.S. 125A.02; 125A.03; 125A.53; 125A.75; 125A.76; 125A.78; 125A.79
Federal Citation: P.L. 108-446 IDEA

Special education-regular is a state aid program that provides specially designed instruction and related services for children and youth with disabilities ages birth - 21. Districts also receive additional federal Individual Disability Education Act (IDEA) funds to be used in the delivery of special education services.

Activity at a Glance

Special Education services, revenue, and expenditures for FY 2005:

- ♦ 118,530 students ages birth - 21 receiving services.
- ♦ 23,383 full-time equivalent professional and paraprofessional staff employed.
- ♦ $552 million paid to districts.
- ♦ $156 million federal funds allocated to school districts.

Population Served

As shown in the following table, in FY 2005, Minnesota provided special education services to 118,530 children and youth, ages birth through 21. The following table shows the number of special education students by age and disability, as of 12-01-2004.

FY 2005 Unduplicated Child Count by Disability and Age Group as of 12-01-2004

Disability	Preschool Ages B-4	K-12 Ages 5-18	Ages 19-21	Total
1. Speech Language Impaired	2,854	18,948	35	21,837
2. Developmental Cognitive Disability-Mild-Moderate	29	6,652	588	7,269
3. Developmental Cognitive Disability-Severe-Profound	8	2,062	320	2,390
4. Physically Impaired	65	1,597	59	1,721
5. Deaf and Hard of Hearing	206	1,967	54	2,227
6. Blind and Visually Impaired	61	373	10	444
7. Specific Learning Disabilities	5	34,681	486	35,172
8. Emotional and Behavioral Disorders	37	16,483	368	16,888
9. Autism Spectrum Disorder	618	6,483	206	7,307
10. Deaf Blind	5	49	6	60
11. Other Health Disabilities	36	11,340	174	11,550
12. Traumatic Brain Injury	13	413	24	450
13. Developmentally Delayed (Early Childhood Special Education)	6,529	4,286	0	10,815
14. Severely Multiply Impaired	8	368	24	400
Total	10,474	105,702	2,354	118,530

Students become eligible for special education services by meeting specific state eligibility requirements under one or more of 14 disability categories.

Students must meet two general criteria to be eligible for special education services: 1) be found eligible through a multi-disciplinary assessment; and 2) be in need of specially designed instruction and related services. The eligibility criteria for each disability are defined in the State Education Rules 3525.1325 through 3525.1352.

The following table shows the number of special education students by education setting as of 12-01-2004:

Unduplicated Child Count by Setting
as of 12-1- 2004 (Birth - 21)

Setting Ages 3-21	**Total**
Regular Class	66,582
Resource Room two times or more per day	29,786
Separate Class	10,423
Public Separate Day School	6,128
Private Separate Day School	264
Public Residential School	823
Private Residential School	1,177
Hospital or Homebound	308
Subtotal Ages three-21	**115,491**
Settings Ages Birth - two	
Early Childhood Setting or Home-based	261
Part-time EC Setting Home or Itinerant	120
Early Childhood Sp. Ed. Classroom	2,616
Public Separate Day School	0
Private Separate Day School	0
Public Residential	38
Private Residential	4
Subtotal Ages Birth - two	**3,039**
TOTAL	**118,530**

Services Provided

Special education instruction and services are governed by state statutes (M.S. 125A.02; M.S. 125A.03; M.S. 125A.75); state education rules (chapter 3525); federal law [P.L. 108-446, Individuals with Disabilities Education Act (IDEA)]; and federal rules (34 CFR 300).

The combination of these laws and rules require the provision of a free appropriate public education (FAPE) for all eligible children and youth with disabilities. FAPE is defined as instruction and services that are:

- based on categorical eligibility and need as identified in a multi-disciplinary assessment;
- written into an Individualized Education Plan (IEP), Individualized Family Service Plan (IFSP), or Individualized Interagency Intervention Plan (IIIP); and
- provided in the least restrictive environment appropriate to the student's needs and at no cost to parents.

Special education is specially designed instruction that helps students with disabilities achieve results in the general curriculum and make progress toward graduation per individualized goals. The IEP team including parents determine the most appropriate means of delivering the necessary instruction and services to the students.

⇒ 289 smaller school districts have formed 38 special education cooperatives to deliver special education programs more cost effectively and efficiently.

⇒ In addition, districts can purchase services from service cooperatives, intermediate school districts, and cooperate with formal collaborative organizations such as children's mental health collaboratives, family service collaboratives, interagency early intervention committees, and community interagency transition committees.

The Division of Special Education Policy and the Division of Compliance and Assistance are working with school districts and cooperatives to implement self-assessment procedures known as Continuous Improvement Monitoring Process - Self-Review (CIMP-SR). This process is for children with disabilities birth through 21 and their families and has three major goals:

- to improve educational results for children and youth with disabilities through the provision of specialized instruction and related services;
- to improve educational benefit for children and youth with disabilities through the development and implementation of interagency delivery systems; and
- to assure free and appropriate public education and early intervention services through state and local implementation of required procedures for finding, evaluating, placing, instructing, and supporting children and youth with disabilities.

Key Measures

Significantly increase the performance of students with IEPs on state assessment tests.

- Student performance as measured by the Minnesota Basic Skills Test

	Percent Passing		
All Students with Disabilities	2001	2003	2005
Basic Skills Test 8th Grade – Reading	37%	42%	49%
Basic Skills Test 8th Grade – Mathematics	30%	30%	33%
Basic Skills Test 10th Grade – Writing*	59%	63%	64%

- Student performance as measured by the Minnesota Comprehensive Assessment (MCAs)

	Percentage Scoring at Level 2b or Above		Percentage Scoring at Level 3 or higher
	2001	2003	2005
Grade 3 MCA Reading	34%	41%	47%
Grade 3 MCA Mathematics	38%	45%	53%
Grade 5 MCA Reading	38%	44%	47%
Grade 5 MCA Mathematics	35%	46%	52%
Grade 5 MCA Writing	38%	44%	48%

- Minnesota compared with the nation on key federal indicators

	2005 Minnesota	Nationally
Percentage Served Birth Through Age two	1.50%	2.10%
Percentage Served in Regular Classrooms, Ages six-21	60.32%	46.00%
Percentage Served in Segregated Classes, Ages six-21	9.58%	20.00%

- Special education compared with general education on key federal indicators

	2005 Spec. Ed.	2005 Gen. Ed.
Special Education Dropout Rate	4.60%	3.17%
Overall Graduation Rate for Special Education Students	81.95%	88.83%

Activity Funding

Special education programs are funded with state special education aids and federal IDEA funds.

District Special Education Expenditures
State and Federal

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Average Cost Per Student	$8,482	$8,997	$9,405	$9,693	$10,204
Child Count Birth-21	112,903	114,017	115,904	117,716	118,530
Total Expenditures (Dollars in Thousands)					
Salaries	$ 652,873	$ 697,390	$ 731,125	$ 754,858	$ 790,784
Fringe Benefits*	179,540	191,782	201,059	207,586	217,466
Contracted Services	35,207	34,499	33,521	33,934	33,294
Individualized Instructional Supplies and Equipment	8,720	7,397	8,541	6,971	6,875
Federal Funds Used for Instruction (Birth-21)	81,253	94,784	115,805	137,666	161,036
SUBTOTAL for Direct & Related Services	$ 957,593	$1,025,852	$1,090,051	$1,141,015	$1,209,455
Transportation**	86,483	94,655	101,030	108,922	119,043
TOTAL Expenditures	$1,044,076	$1,120,507	$1,191,081	$1,249,937	$1,328,498
Annual % Change	5.00%	7.32%	6.30%	4.94%	6.29%

*Estimated based on ratio of salaries for staff from UFARS
**Includes transportation to and from school, between schools and board and lodging UFARS Finance code 723.

Includes birth through 21 (Part C birth through age two). Additional information on Part C pupils is located in the Infants and Toddlers-Part C budget narrative.

Federal Flow Through Awards to School Districts (Dollars in Thousands)					
Federal Flow Through Entitlement Section 611	$69,021	$91,769	$111,133	$ 129,594	$150,291
Preschool Incentive Entitlement Section 619	5,738	5,738	5,738	5,670	5,696
Preschool Incentive CSPD Entitlement Section 619	171	173	177	185	194

State Special Education Aid:
Special education aid is based on expenditures in the second prior year (base year). State special education aid for FY 2005 is based on expenditures in FY 2003.

The special education base revenue equals the sum of the following amounts computed using base year data:

- *Salary* - 68% of the salary of each essential staff providing direct instructional and related services to students;
- *Supplies and Equipment* - 47% of the cost of supplies and equipment not to exceed an average of $47 per student with a disability;
- *Contracted Services* - 52% of the amount of a contract for instruction and services that are supplemental to a district's education program for students with disabilities. 52% of the difference between the amount of the contract and the general education revenue of the district for that pupil for the fraction of the school day the student receives services that are provided in place of services of the district's program; and
- *Transportation* - 100% of the cost of special transportation services.

The special education adjusted base revenue equals the base revenue times the ratio of the current year average daily membership (ADM) to the base year ADM. If the special education base revenue for a district equals zero, the special education revenue equals the amount computed above using current year data. A school district's special education revenue equals the state total special education revenue, minus new district revenue, times the ratio of the district's adjusted special education base revenue to the state total adjusted special education base revenue.

The state total special education revenue for FY 2005 was set in state law at $529.2 million and for FY 2006 and beyond equals the state total special education revenue for the preceding fiscal year times the program growth factor times the greater of one, or the ratio of the state total ADM for the current fiscal year to the state total ADM for the preceding fiscal year. The program growth factor was 1.08 for FY 2002, 1.046 for FY 2003, and 1.0 for FY 2004 and later.

Special education revenue as a percent of adjusted base revenue has declined since FY 2004 due to continued increases in special education expenditures, without a corresponding increase in the state total special education revenue. For FY 2004, special education revenue was 91.9% of adjusted base revenue; that percentage decreased to 87.5% in FY 2005, and is projected to be 84.1% in FY 2006, 79.4% in FY 2007, 75.9% in FY 2008, and 72.3% in FY 2009.

For FY 1999 and earlier, state special education revenue was funded with a combination of state aid and property tax levies. Beginning in FY 2000, the state formula is funded entirely with state aid.

Federal IDEA (Individuals with Disabilities Education Act) Funds:
IDEA Part B funds are allocated using a formula that includes a base amount, with the remainder of the funds distributed using poverty and enrollment figures of all students reported on MARSS (Minnesota Automated Reporting System).

The base amount is determined by the 12-1-1998 count of students with disabilities for Section 611 (ages three - 21) and the 12-1-1996 count of students with disabilities for Section 619 (ages three – five). If a district has a resident student/s attending a new or significantly expanded (by more than 10%) charter school, the base amount is redistributed among the school district and the affected charter school/s using December 1 child count of students with disabilities for the year when the school opens or significantly expands.

The federal law requires that the state and local school districts maintain effort from one year to the next. Total state aid and individual district state-local expenditures may not be decreased from the current year to the subsequent year, except under specific circumstances. Districts cannot supplant state and local expenditures for special education with federal funds. Federal funds are intended to expand and improve education services to individuals with disabilities.

Because of the maintenance of effort requirements of IDEA, districts have generally paid for related services staff, supplies, equipment, and tuition agreements with federal funds. Federal funds can be used to pay for a wider range of eligible special education costs than state special education aids. The two aid packages are compatible and provide a complete package for local school districts.

For FY 2005, the Minnesota Department of Education (MDE) flowed 89.8% of the federal funds to local education agencies. The department retains 1.9% of the funds for administration costs and approximately 8.3% for statewide set aside programs to implement Minnesota's State Improvement Plan and for technical assistance, training, and monitoring.

Special education revenue, together with the general education revenue earned by students with disabilities for the time they are enrolled in special education programs, does not reimburse all of the expenses that districts incur for special education programs. Information on special education cross-subsidies is available at http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/Special_Education/Cross_Subsidy_Report/index.html.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Special Education Policy, (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Special_Education/index.html.

DEPT OF EDUCATION
Program: Special Programs
Activity: Special Education

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Appropriation Excluding Buyback	529,344				
2	Aid Payment Buyback	30,141				
3	Total Current Appropriation	559,485	528,106	528,106	528,106	1,056,212
	a. End of Session Estimate			(138)	(138)	(276)
	b. November Forecast Adjustment		1,520	1,689	1,689	3,378
	c. Transfer per M.S. 127A.41	684				
4	**Forecast Base**	**560,169**	**529,626**	**529,657**	**529,657**	**1,059,314**
5	Governor's Recommendation					
	a. Increase caps 2% & 2%			9,535	20,320	29,855
	b. Combine cap with Transition-Disabled			8,074	9,124	17,198
	c. Roll in separate Part C funding			0	293	293
6	**Governor's Recommended Appropriation**	**530,028**	**529,626**	**547,266**	**559,394**	**1,106,660**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
7	Statutory Formula Aid	530,025	529,657	529,657	529,657	1,059,314
8	Statutory Excess/(Shortfall)	(684)	(1,689)			0
9	Appropriated Entitlement	529,341	527,968	529,657	529,657	1,059,314
10	Adjustments					
	a. Excess Funds Transferred In/(Out)	684				
	b. Supplemental Appropriation		1,689			
11	**State Aid Entitlement Current Law**	530,025	529,657	529,657	529,657	1,059,314
12	*Governor's Recommendation*					
	a. Increase caps 2% & 2%			10,594	21,400	31,994
	b. Combine cap with Transition-Disabled			8,971	9,141	18,112
	c. Roll in separate Part C funding			0	325	325
13	**Governor's Aid Recommendation**	**530,025**	**529,657**	**549,222**	**560,523**	**1,109,745**
14	**Other Revenue**					
	a. Federal	168,678	172,018	173,158	173,158	346,316
15	**Total All Sources Current Law**	698,703	701,675	702,815	702,815	1,405,630
16	**Governor's Total Revenue Recommendation**	**698,703**	**701,675**	**722,380**	**733,681**	**1,456,061**
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	83,078	52,934	52,965	54,921	107,886
	Current Year (90%)	476,407	476,692	494,301	504,473	998,774
	Transfer per M.S. 124A.41	684				
	Total State Aid - General Fund	**560,169**	**529,626**	**547,266**	**559,394**	**1,106,660**

Activity Description

Citation: M.S. 125A.79

This state aid program provides school districts with assistance for unreimbursed costs of special education and related services. These costs have traditionally been subsidized by the General Fund.

Population Served

All public schools in Minnesota whose unreimbursed special education costs exceed the funding threshold as defined by the aid formula receive state aid.

Activity at a Glance

Excess cost aid provides a "safety net" for districts that experience high costs for special education services which are not reimbursed by regular special education aid.

- ♦ $91.7 million in entitlements to Minnesota districts in FY 2005.
- ♦ 307 districts received excess cost aid in FY 2005.

Services Provided

Special education excess cost aid promotes adequacy and equity in the general education program. Specifically, this activity helps students with a disability access free and appropriate public education without requiring school districts to subsidize special education costs excessively from general operating funds.

In small school districts, the unreimbursed costs of serving a few high cost students can have a severe impact on the district's General Fund. High concentrations of special education students can create similar problems in larger school districts. The special education excess cost aid provides a safety net to mitigate the impact of unreimbursed special education costs on school district General Fund.

Historical Perspective

- ⇒ Since FY 1996, the total state special education revenue has been set in law or has been the result of a formula. The growth in initial special education excess cost revenue between FY 1996 and FY 2005 is largely attributable to faster growth in special education expenditures than in state total special education revenue during this period.
- ⇒ Beginning in FY 1999, transportation funding for students with a disability was rolled into the special education formula and the excess cost of transporting these students was included in the excess cost formula.
- ⇒ Beginning in FY 2000, the revenue was increased from 70% to 75% of excess costs and the threshold to qualify for revenue was reduced from 5.7% to 4.4% of general education revenue. The threshold was reduced to 4.36% beginning in FY 2001.
- ⇒ Beginning in FY 2002, the state total excess cost aid has been set in law.

Key Measures

Key indicators and measures for special education programs are available in the Special Education - Regular budget narrative.

Activity Funding

For FY 2002 and later years, a district's special education excess cost aid equals the greater of

- ♦ 75% of the difference between the district's unreimbursed special education cost and 4.36% of the district's general revenue; or
- ♦ 70% of the difference between the increase in the district's unreimbursed special education cost between the base and the current year and 1.6% of the district's general revenue.

The state total excess cost aid equals $91.8 million in FY 2005, $103.6 million in FY 2006, and $104.7 million in FY 2007. Beginning in FY 2008, the state total excess cost aid equals the greater of one or the product of the state total excess cost aid in the previous year, times the program growth factor, times the greater of one or the ratio of the state total average daily membership (ADM) in the current year to the state total ADM in the previous year.

The program growth factors established by the legislature equal 1.044 for FY 2002, 1.02 for FY 2003, and 1.00 for FY 2004 and later. A district's initial excess cost aid is computed using the current formula. A district's actual excess cost aid equals its initial entitlement times the ratio of the state target for excess cost aid to the state total initial excess cost aid. Actual excess cost aid on a percent of initial excess cost aid has declined since FY 2004 due to continual increases in special education expenditures without a corresponding increase in the state total special education – regular or excess cost aid, from 82.6% in FY 2004 to 63.7% in FY 2005, and is projected to be 60.5% in FY 2006, 52.1% in FY 2007, 44.1% in FY 2008, and 38.9% in FY 2009. A substantial portion of this reduction is attributable to a decline in the share of special education expenditures funded through the special education – regular program, which spill over into the excess cost formula.

Excess cost aid targets a portion of special education funding increases to districts with the greatest excess cost as a percentage of total general revenue. By considering the overall impact of unreimbursed special education costs on a district's general fund budget, this program is more effective in addressing excess costs than narrower programs such as the court placement and tuition revenue programs.

The table below shows the state total amount of excess cost revenue for FY 1995 through FY 2005 and the numbers of districts participating in the program each year:

Special Education Excess Cost Revenue
Dollars in Millions

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006	Est. FY 2007
Total Revenue	$71.8	$88.1	$90.8	$92.1	$92.1	$91.8	$103.6	$104.70
Number of Districts	272	299	283	273	319	307	307	307

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Division of Program Finance, (651) 582-8810, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/Special_Education/Excess_Cost_Projection_Models/index.html.

DEPT OF EDUCATION
Program: Special Programs
Activity: Special Education – Excess Costs

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Appropriation Excluding Buyback	102,083				
2 Aid Payment Buyback	4,370				
3 Total Current Appropriation	106,453	104,333	104,333	104,333	208,666
a. End of Session Estimate			367	367	734
b. November Forecast Adjustment					0
c. February Forecast Adjustment					0
4 **Forecast Base**	**4,370**	**104,333**	**104,700**	**104,700**	**209,400**
5 Governor's Recommendation					
a. Increase caps 2% & 2%			1,394	3,517	4,911
c. Roll in separate Part C funding			427	762	1,189
6 **Governor's Recommended Appropriation**	**106,453**	**104,333**	**106,521**	**108,979**	**215,500**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
7 Statutory Formula Aid	103,600	104,700	104,700	104,700	209,400
8 Statutory Excess/(Shortfall)					0
9 Appropriated Entitlement	103,600	104,700	104,700	104,700	209,400
10 Adjustments					
11 **State Aid Entitlement Current Law**	103,600	104,700	104,700	104,700	209,400
12 Governor's Recommendation					
a. Increase caps 2% & 2%			2,094	4,230	6,324
b. Roll in separate Part C funding			641	823	1,464
13 **Governor's Aid Recommendation**	**103,600**	**104,700**	**107,435**	**109,753**	**217,188**
Appropriations Basis for State Aid					
Prior Year	37,455	34,602	34,969	35,883	70,852
Current Year	68,998	69,731	71,552	73,096	144,648
Total State Aid - General Fund	**106,453**	**104,333**	**106,521**	**108,979**	**215,500**

Activity Description

Citation: M.S. 125A.75, Subd. 3

This state aid program provides funding for individuals who are placed under care in a state institution, a licensed residential facility, or foster facility for whom no district of residence can be determined.

Activity at a Glance

FY 2005
- ♦ 97 students without disabilities were placed
- ♦ 292 students with disabilities were placed
- ♦ $1,467,929.67 was reimbursed to school districts in FY 2006

Population Served

Districts that serve individuals described above receive full payment for net education costs for students with and without disabilities who are served.

Services Provided

This activity ensures that individuals who are placed in a residential facility and for whom no district of residence can be determined receive a free and appropriate education. Pupils are eligible if no district of residence can be determined because:

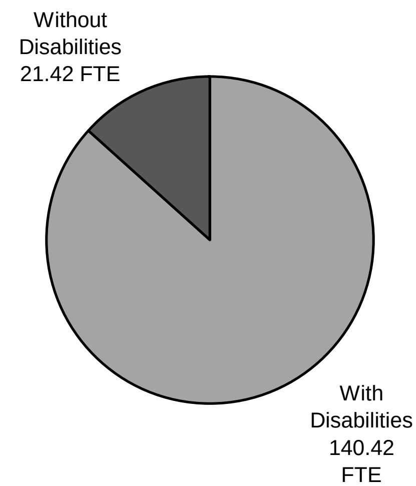
- ♦ parental rights have been terminated by court order;
- ♦ parents or guardian is not living within the state;
- ♦ no other district of residence can be established; or
- ♦ the parent or guardian having legal custody of the child is an inmate of a Minnesota correctional facility or is a resident of a halfway house under the supervision of the commissioner of Corrections.

Special education programs and services are specially designed to benefit individuals with disabilities whose educational needs range from academic or behavior support to self-care skills, independent living skills, or preparation of employment in the community. Students without disabilities are also eligible for this aid if they are eligible as noted above. This aid is for the costs of education and not for the costs associated with the care and treatment of the students.

Students eligible for this aid must be placed where the regular education program at the facility is approved according to section M.S. 125A.515.

Number of Full-Time Equivalent (FTE) Students Placed

FY 2005



Historical Perspective

This program began in the 1970s to include education costs for students with disabilities. The law was amended in 1999 to include all students, those with and without disabilities, as eligible for aid if they meet the criteria stated above.

Activity Funding

The aid equals 100% of the net costs of educating these individuals, including transportation costs, a proportionate amount of capital expenditures, and debt service, minus the sum of basic general education revenue, special education aid, transportation aid, and any other aid earned on behalf of the child.

The students without disabilities have an average placement of 39 days while the students with a disability have an average placement of 84 days. In FY 2005, the average cost for a full-time equivalent student without a disability was $13,638.26 while it was $15,138.32 for a student with a disability.

The aid is paid as a reimbursement in the year following the year the services are provided.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8840, http://education.state.mn.us/html/intro_support_special_ed.htm.

DEPT OF EDUCATION
Program: Special Programs
Activity: Children with Disabilities

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Current Appropriation	1,527	1,624	1,624	1,624	3,248
	a. End of Session Estimate			141	346	487
	b. Transfer per M.S. 127A.41	2				
	c. November Forecast Adjustment		(215)	(229)	(243)	(472)
2	**Governor's Recommended Appropriation**	**1,529**	**1,409**	**1,536**	**1,727**	**3,263**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
3	Statutory Formula Aid	1,529	1,409	1,536	1,727	3,263
4	Statutory Excess/(Shortfall)	(2)	215			0
5	Appropriated Entitlement	1,527	1,624	1,536	1,727	3,263
6	Adjustments					
	b. Transfer per M.S. 127A.41	2				
	c. Appropriation Reduction		(215)			
7	**State Aid Entitlement Current Law**	1,529	1,409	1,536	1,727	3,263
Appropriations Basis for State Aid						
	Transfer per M.S. 127A.41	2				
	Current Year	1,527	1,409	1,536	1,727	3,263
	Total State Aid - General Fund	**1,529**	**1,409**	**1,536**	**1,727**	**3,263**

Activity Description

Citation: M.S. 125A.75, Subd. 1; P.L. 108-466, Part C

This state aid activity provides funding to assist school districts with travel costs for early childhood special education (ECSE) staff in delivering services to children and their families in home and community early childhood education program settings.

Activity at a Glance

Home-based travel for early childhood special education staff provide services in the home or community-based programs.

- ♦ 10,474 ECSE children served in FY 2005
- ♦ $162,081 paid to districts in FY 2005

Population Served

Services are provided to children birth to five years with disabilities and their families who receive services in their homes or in community early childhood settings.

Services Provided

Travel for home-based services assures that all individuals from birth to five years of age with disabilities, and their families, have access to ECSE intervention services. For very young children, services may consist of parent consultation and training, as well as direct services to the child.

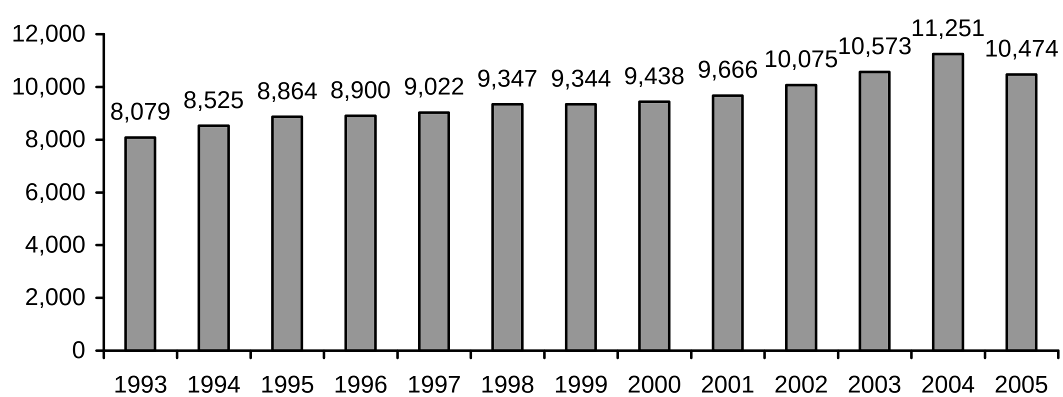
Federal funding under the Individuals with Disabilities Education Act (IDEA), (P.L. 108-466), the Preschool Incentive program (P.L. 108-466, Sec. 619), and the Infants and Toddlers program (P.L. 108-466, Part C) may also be used for this purpose.

Key Measures

⇒ The number of children, from birth to five years of age, identified as having disabilities and receiving special education services increased from 6,901 in FY 1991 to 10,474 in FY 2005. The majority of these services are provided in the child's home or in a center-based site in the community.

Key indicators and measures for special education programs are available in the Special Education - Regular budget narrative.

Number of Preschool Children
(birth through age four)
Receiving Special Education Services



Activity Funding

Under current law, the state must pay each district one-half of the sum actually expended by a district based on mileage for necessary travel of essential personnel providing home-based or community-based services to children with a disability under age five and their families.

The 2006 legislature clarified that home-based travel aid is calculated based on mileage. Districts cannot claim reimbursement for vehicle purchases or leases under this program.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Special Education Policy, (651) 582-8590, http://education.state.mn.us/mde/Learning_Support/Special_Education/index.html.

DEPT OF EDUCATION
Program: Special Programs
Activity: Home Based Travel

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Appropriation Excluding Buyback	187				
2	Aid Payment Buyback	11				
3	Total Current Appropriation	198	195	195	195	390
	a. November forecast		27	34	37	71
	b. End of Session			8	16	24
	c. Transfer per M.S. 124A.41	27				
4	**Governor's Recommended Appropriation**	**225**	**222**	**237**	**248**	**485**
	District Revenue Summary (Entitlement Basis)					
AID	**State Aid**					
5	Statutory Formula Aid	215	226	238	249	487
6	Statutory Excess/(Shortfall)	(27)	(30)			0
7	Appropriated Entitlement	188	196	238	249	487
8	Adjustments					
	a. Excess Funds Transferred In/(Out)	27				
	b. Supplemental Appropriation		30			
9	**State Aid Entitlement Current Law**	215	226	238	249	487
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	28	18	22	23	45
	Transfer per M.S. 127A.41	27				
	Current Year (90%)	170	204	215	225	440
	Total State Aid - General Fund	**225**	**222**	**237**	**248**	**485**

Activity Description

Citation: M.S. 124D.454

The transition program for students with disabilities is a state aid program that provides additional funding for transitional career and technical (vocational) experiences/programs that provide career exploration, healthy work attitudes, specific career and academic knowledge, and job skills for students with disabilities.

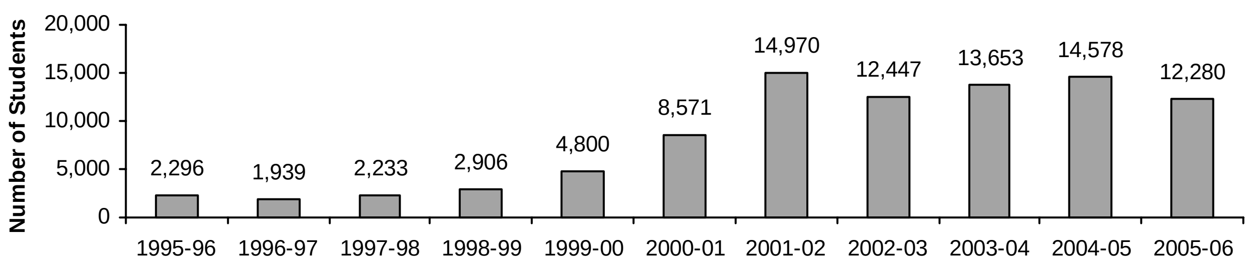
Activity at a Glance

- More than 12,000 high school students participate.
- Addresses part of the required elements under federal transition rules.
- Provides career and technical education opportunities for students whose disabilities merit a separate setting.
- Most students participate in community-based occupational experiences.

Population Served

This program serves students who meet state disability eligibility criteria according to M.S. 125A.02 and who have Individual Education Plans (IEP) that include work-based learning and require extra interventions not provided in regular work-based learning programs.

Disabled Students Participating



The significant change in participation between the 1999-2000 and 2001-2002 school years is primarily due to an updated data collection system was implemented in 2001 through which school districts gave a more accurate accounting of participation in this program.

Services Provided

Examples of special services offered to aid in career and technical student success are assessment of aptitude, abilities, and support needs; interpreters; career assessment; community-based work experience; and technical tutors/paraprofessionals.

This program provides students with disabilities opportunities to:

- explore career choices;
- acquire entry-level academic and technical skills for employment;
- learn problem-solving and communication skills appropriate to the IEP and employment standards;
- gain experience in the use of equipment that will be used in their chosen fields of study; and
- gain work experience in a real-world setting.

A student with a disability may be served in his/her district of residence, by cooperative efforts with other districts, through formally organized intermediate districts or cooperatives, or through contracts with community-based organizations. Many students with disabilities meet transition goals through regular career and technical education programs and do not require additional support through the transition disabled program.

Transition disabled programs:

- are state approved;
- are taught by appropriately licensed staff;

- report progress toward federal core indicators of academic and technical skill attainment, program completion, continuation into post-secondary education or employment, and participation in opportunities not traditional for the student's gender;
- must obtain separate state approval for expenditures on equipment or contracted services and must demonstrate need and effectiveness; and
- capitalize on the wealth of opportunities available through business/industry or other community-based settings.

Historical Perspective

In the past, this program has been known as Secondary Vocational-Disabled, Secondary Vocational for Students With Disabilities, and School to Work for Students with Disabilities, and is now known as Transition Programs for Students With Disabilities.

Key Measures

Significantly increase the transition from education to employment for students with IEPs.

⇒ In 2005, districts reported 16,491 students with disabilities participating in career and technical education programs, 13.1% of total career and technical education participants. Approximately, 75% of these students were in transition disabled programs.

Activity Funding

School districts, intermediate districts, cooperatives, and other educational organizations must have program approval and must use appropriately licensed staff to qualify for program funding. State requirements specify that students with disabilities must be served in state-approved career and technical education programs if students are in employment relationships as part of their school learning experience.

State transition-disabled revenue is based on expenditures in the second prior year (base year). The base revenue resulting from the base year expenditures equals the sum of the following:

- 68% of salaries of essential personnel providing direct instructional services;
- 52% of the difference between an approved contract for services and basic revenue for that student for the fraction of the school day the student receives services;
- 47% of necessary equipment;
- 47% of teacher travel between instruction sites or to/from community-based learning sites;
- 47% of supplies not to exceed an average of $47 per student with a disability;
- 52% of the contract amount for services by an organization, other than a Minnesota school district or cooperative, that are supplemental to the district education program; and
- 52% of the contract for vocational evaluation of a student not yet enrolled in 12th grade.

Per current law, the state total revenue equals the state total transition-disabled revenue for the previous year, times a growth factor, times the ratio of state total average daily membership (ADM) for the current year to the state total ADM for the previous year.

The state aid formula includes district expenditures in the second prior year (base year), adjustment for changes in student enrollment, and a statutory state total revenue.

The adjusted base year revenue equals the base revenue times the ratio of the district's ADM for the current year to the district's ADM in the base year. If the district base year revenue is zero, the current year revenue calculation is based on formula percentages applied to current year expenditures.

A school district's transition-disabled revenue equals the state total transition-disabled revenue, less new district revenue, times the ratio of the school district's adjusted base transition-disabled revenue to the state total adjusted base transition-disabled revenue.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Academic Standards and High School Improvement, Adult and Career Education, (651) 582-8330.

DEPT OF EDUCATION
Program: Special Programs
Activity: Transition for Disabled Students

Budget Activity Summary

	Current FY 2006	Current FY 2007	Governor's Rec. FY 2008	Governor's Rec. FY 2009	Biennium 2008-09
	Dollars in Thousands				
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	8,799				
2 Aid Payment Buyback	501				
3 Total Current Appropriation	9,300	8,781	8,781	8,781	17,562
a. End of Session Estimate		25	(3)	(3)	(6)
b. November Forecast Adjustment			18	9	27
c. Transfer per M.S. 127A.41	12				
4 **Forecast Base**	**9,312**	**8,806**	**8,796**	**8,787**	**17,583**
5 Governor's Recommendation					
a. Increase caps 2% & 2%			158	337	495
b. Combine cap with Special Educ -Regular			(8,074)	(9,124)	(17,198)
6 **Governor's Recommended Appropriation**	**9,312**	**8,806**	**880**	**0**	880
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
7 Statutory Formula Aid	8,812	8,806	8,795	8,786	17,581
8 Statutory Excess/(Shortfall)	(12)	(28)			0
9 Appropriated Entitlement	8,800	8,778	8,795	8,786	17,581
10 Adjustments					
a. Excess Funds Transferred In/(Out)	12				
b. Supplemental Appropriation		28			
11 **State Aid Entitlement Current Law**	8,812	8,806	8,795	8,786	17,581
12 Governor's Recommendation					
a. Increase caps 2% & 2%			176	355	531
b. Combine cap with Special Educ -Regular			(8,971)	(9,141)	(18,112)
13 **Governor's Aid Recommendation**	**8,812**	**8,806**	**0**	**0**	**0**
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	1,380	880	880	0	880
Transfer per M.S. 127A.41	12				
Current Year (90%)	7,920	7,926	0	0	0
Total State Aid - General Fund	**9,312**	**8,806**	**880**	**0**	**880**

Activity Description

Citation: M.S. 125A.79, Subd. 4

This state aid program provides funding for school districts to pay the costs of providing special education programs to non-Minnesota students with disabilities when the providing school district is unable to collect tuition from the responsible state or agency.

Activity at a Glance

FY 2005 cost summary for non-Minnesota residents placed by the courts in Minnesota.

- Funded costs of 12 students (4.2 ADM)
- $46,000 was paid to districts in FY 2006

Population Served

Minnesota school districts receive aid that would otherwise be subsidized by the district General Fund.

Services Provided

Minnesota school districts providing special education services to court placed nonresident students with disabilities are assured that they will receive revenue for services provided if out-of-state agencies fail to pay tuition bills. In addition to the tuition bills, the district submits to the agency the documentation of the efforts to collect the tuition from the student's resident district and state.

Key Measures

In FY 2005, 12 nonresident students (4.2 average daily membership [ADM]) were placed in Minnesota by the courts for services that were not paid by the resident non-Minnesota district or resident state. State aid of $46,000 was paid in the following year, FY 2006, to reimburse districts for the cost of providing services to these non-resident students.

Activity Funding

To be eligible for this revenue, districts must document that they have admittance procedures designed to identify the agency responsible for the education costs and get commitment for payment of tuition from the agency prior to admitting the student into the program.

Beginning in FY 2002, this program was changed to reimburse school districts for prior year eligible costs.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8840.

DEPT OF EDUCATION
Program: Special Programs
Activity: Court Placed Special Education Revenue

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
General Fund					
1 Current Appropriation	46	70	70	70	140
a. End of Session Estimate			2	4	6
b. Transfer per M.S. 127A.41	2				
2 **Governor's Recommended Appropriation**	**48**	**70**	**72**	**74**	**146**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
3 Statutory Formula Aid	48	70	72	74	146
4 Statutory Excess/(Shortfall)	(2)				0
5 Appropriated Entitlement	46	70	72	74	146
6 Adjustments					
a. Transfer per M.S. 127A.41	2				
7 **State Aid Entitlement Current Law**	48	70	72	74	146
Appropriations Basis for State Aid					
Transfer per M.S. 127A.41	2				
Current Year	46	70	72	74	146
Total State Aid - General Fund	**48**	**70**	**72**	**74**	**146**

Activity Description

Citation: M.S. 125A.79, Subd.8

This state aid program provides education funding for Minnesota resident students placed in care and treatment facilities by court action in a state that does not have a reciprocity agreement.

Activity at a Glance

- 160 students (78.63 average daily membership) were placed out-of-state for care and treatment in FY 2005.

Population Served

Districts receive education funding for students placed in care and treatment facilities by court action in a state that does not have a reciprocity agreement.

Services Provided

The resident school district submits the balance of the tuition bills, minus the sum of basic general education revenue, special education base revenue, and any other aid earned on behalf of the child to the Minnesota Department of Education for payment.

Historical Perspective

This provision was enacted in 1999 to pay the costs of providing special education programs to Minnesota students with disabilities who are placed in a care and treatment facility by court action in a state that does not have a reciprocity agreement.

Key Measures

In FY 2005, 160 students were placed out-of-state for care and treatment.

Activity Funding

The aid revenue provided in statute is calculated by subtracting basic general education revenue, special education base revenue, and any other aid earned on behalf of the child from the tuition bill received by the school district. State aid is paid in the following year to reimburse school districts for the unreimbursed costs of providing special education programs to Minnesota students with disabilities who are placed in a care and treatment facility by court action in a state that does not have a reciprocity agreement.

Because data is not readily available prior to the end of the school year, this program was changed to reimburse school districts for eligible prior year costs beginning in FY 2003. FY 2005 program costs are funded in FY 2006.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Division of Program Finance, (651) 582-8840, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/Special_Education/index.html.

DEPT OF EDUCATION
Program: SPECIAL EDUCATION
Activity: OUT OF STATE TUITION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	250	250	250	250	500
Subtotal - Forecast Base	250	250	250	250	500
Total	**250**	**250**	**250**	**250**	**500**
Expenditures by Fund					
Direct Appropriations					
General	406	250	250	250	500
Total	**406**	**250**	**250**	**250**	**500**
Expenditures by Category					
Local Assistance	406	250	250	250	500
Total	**406**	**250**	**250**	**250**	**500**

Activity Description

This budget activity summarizes federal programs for special populations that fund activities throughout Minnesota.

Activity at a Glance

The federal programs in the narrative are:

- Special Education – Deaf/Blind
- Special Education State Improvement

Special Education - Deaf/Blind P.L. 108-446 IDEA.
To initiate and improve statewide educational services for children with deaf-blindness from birth to age 22. Technical assistance and staff development specific to deaf/blindness are provided to schools and families throughout Minnesota.

To provide transition services for Minnesota youth and young adults with deaf-blindness as they progress from secondary special education programs to post-secondary education, employment, and community living.

The specific program objectives are the same as stated under Special Education - Regular narrative. Special education programs are designed to prepare individuals with disabilities whose education needs are basic, ranging from self-care skills, to independent living skills, to preparation for sheltered employment, or employment in the community. Some will be prepared for and benefit from the full array of post-secondary education programs available.

Special Education State Improvement Grant P.L. 108-446 IDEA.
The State Improvement Grant (SIG) is a five-year grant that was received through a competitive process among states. The purpose of the grant is to bring about systemic change in identified statewide need areas in special education. The grant currently focuses on: 1) facilitating access to general education curriculum and achieving results for children and youth with disabilities; 2) fully implementing a coordinated, multidisciplinary interagency service system for children and youth with disabilities birth through 21 statewide; and 3) ensuring the availability of a qualified special education workforce in all regions and communities of Minnesota.

Contact

Additional information is available from the Minnesota Department of Education (651) 582-8397, http://education.state.mn.us/html/intro_support_special_ed.htm.

DEPT OF EDUCATION
Program: SPECIAL EDUCATION
Activity: OTHER FEDERAL SPED PROGRAMS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Federal	788	1,177	766	766	1,532
Total	**788**	**1,177**	**766**	**766**	**1,532**
Expenditures by Category					
Local Assistance	788	1,177	766	766	1,532
Total	**788**	**1,177**	**766**	**766**	**1,532**

Budget Activities

⇒ Health and Safety Revenue
⇒ Debt Service Equalization
⇒ Alternative Facilities Aid
⇒ Telecommunications Access
⇒ Deferred Maintenance
⇒ Miscellaneous Facility Levies

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	52,166	41,799	41,799	41,799	83,598
Technical Adjustments					
End-of-session Estimate			4,866	552	5,418
November Forecast Adjustment		(118)	(5,123)	(4,639)	(9,762)
Subtotal - Forecast Base	52,166	41,681	41,542	37,712	79,254
Governor's Recommendations					
School Technology Funding		0	19,000	19,000	38,000
JOBZ Definitions for Debt Service		0	0	(1)	(1)
Total	**52,166**	**41,681**	**60,542**	**56,711**	**117,253**
Expenditures by Fund					
Direct Appropriations					
General	52,100	41,681	60,542	56,711	117,253
Total	**52,100**	**41,681**	**60,542**	**56,711**	**117,253**
Expenditures by Category					
Local Assistance	52,100	41,681	60,542	56,711	117,253
Total	**52,100**	**41,681**	**60,542**	**56,711**	**117,253**
Expenditures by Activity					
Health & Safety Revenue	770	249	190	179	369
Debt Service Equalization	27,193	18,395	14,913	11,783	26,696
Alternative Facilities Aid	20,387	19,287	19,287	19,287	38,574
Telecommunications Access	3,750	3,750	3,750	3,750	7,500
Deferred Maintenance	0	0	3,402	2,712	6,114
School Technology Funding	0	0	19,000	19,000	38,000
Total	**52,100**	**41,681**	**60,542**	**56,711**	**117,253**

Change Item: School Technology Funding

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$19,000	$19,000	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$19,000	$19,000	$0	$0

Recommendation

The Governor recommends $19 million in FY 2008 and $19 million in FY 2009 to improve school technology capacity and increase use of online technology in providing education curriculum. This funding would be available to school districts on a competitive grant process administered by the Minnesota Department of Education. To be eligible, districts will demonstrate that their funding is to be used to achieve the following goals:

- obtain minimum, statewide standards of technology infrastructure and capacity,
- incorporate technology standards within the district curriculum,
- use data-driven decision-making models in the classroom, school, and district,
- demonstrate innovation in student learning and teacher professional development, and
- encourage development of online courses and encourage districts to use online courses as a classroom resource to provide students a full range of courses.

Background

Minnesota's desire to lead educational reform in the 21st century is hampered by a lack of school district standardization in technology. Any technology initiative proposed at a state level cannot be evenly implemented because districts span a continuum of technology capacity and infrastructure. This means teachers in school districts do not have comparable efficient access to use student data to inform their instruction. Student access to computers cannot be equally guaranteed across all schools in Minnesota, limiting the access to learning opportunities for students and assessment opportunities for teachers. A disparity exists across districts as some can obtain student learning data easily from their computers while others use boxes of paper because they lack the infrastructure to support a data management system.

With this initiative, Minnesota will develop a set of minimum standards for technology infrastructure and capacity. Districts will use this money first to reach those standards. Thus, any statewide technology initiative in schools will have a common set of specifications that are equal among all schools. Once achieved, districts will then use the funds to integrate student technology standards into their curriculum as districts work with the revised Minnesota Academic Standards that are required by statute to be a part of the revision of the Minnesota Academic Standards (M.S. 120B.023 Subd. 2a). Once integrated student technology standards exist within the district curriculum, districts may then use the dollars to promote a data-driven decision-making model for curriculum and instructional decisions. Finally, districts may use the funds for innovation in student learning in the classroom or computer lab as well as professional development in technology, or using technology to engage in professional development (e.g., online, interactive classes to advance teaching and learning strategies).

In addition, a portion of the funds will be used to encourage the development and use of online courses as a means of providing a full range of course offerings. A clearinghouse of courses available from 23 approved providers will be created and provided online for school district users. School districts could purchase online courses for use as part of the district-offered curriculum. Developers of online courses would be rewarded for creating quality products.

Relationship to Base Budget

This initiative will increase the state base budget by $19 million in FY 2008 and $19 million in FY 2009.

Key Measures

⇒ Minnesota clearly identifies technology infrastructure and capacity standards and moves districts toward those standards.
⇒ Students have greater opportunity to learn technology standards that are required by statute to be a part of the revision of the Minnesota Academic Standards (M.S. 120B.023 Subd. 2a).
⇒ Educators are focused on data-driven decision-making that incorporates the use of database information at the teacher's computer.
⇒ Teachers have new methods of instruction available to them and students are able to engage their curriculum in novel ways.
⇒ Online courses from approved providers will be available to school districts to assist them in providing a full range of curriculum.

Statutory Change: Not Applicable

Change Item: JOBZ Definitions for Debt Service

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$(1)	$(1)	$(1)
Revenues				
Other Fund				
Expenditures				
Revenues				
Net Fiscal Impact	$0	$(1)	$(1)	$(1)

Recommendation

The Governor recommends simplifying the calculation of debt equalization aid and debt service fund levies by using one consistent tax base for the calculations. Additionally, the Governor recommends that annual alternative facilities revenues authorized in M.S. 125B.59, subd. 5, paragraph (b) for large health and safety projects be equalized as part of the health and safety formula instead of the debt service equalization formula.

The fiscal impact of these changes is an annual reduction of $1,000 in debt service aid for the period FY 2009-11 and a corresponding annual increase in levy.

Background

JOBZ properties are excluded from ad valorum taxation for all levy categories excluding pre-existing school district operating referendum levies and school district bonded debt levies by M.S. 272.02, subd. 64. Currently school district levies for the debt service fund and annual alternative facility revenue for large health and safety projects qualifying under M.S. 123B.59, subd. 5, paragraph (b) must be calculated using two separate tax bases, one including JOBZ property values and a second excluding JOBZ values. Debt service levies funding bonded debt include JOBZ properties in the tax base. Levy categories within the school district debt service fund that are calculated excluding the JOBZ properties are the energy loan, lease purchase, and additional maximum effort. This proposal will calculate all debt service fund levies using a tax base that included JOBZ properties.

Alternative facilities revenue for qualifying health and safety projects are currently equalized in the debt service equalization aid formula and the levy is calculated based on a property tax base excluding JOBZ property values. This proposal will equalize the revenue within the health and safety formula so that the property tax base would remain the same with no fiscal effect.

These changes are needed as the calculation for debt service levies has become extremely cumbersome and very difficult for school district staff to understand and to explain to taxpayers. In addition, the spread of school district levies to individual properties has become needlessly complex.

The small change in fiscal impact from this proposal will result in significant simplification.

Relationship to Base Budget

The base budget decrease is negligible.

Key Measures

The levy process at the Minnesota Department of Education, school districts, and counties will be simplified.

Statutory Change: M.S. 123B.53; M.S. 123B.57; and M.S. 272.02.

Activity Description

Citation: M.S. 123B.57

The Health and Safety program is a state aid and levy program to address facility and grounds issues that impact safety and health concerns.

Population Served

School districts with levy authority are eligible to participate in this program.

Services Provided

Program revenue may be used to address health and safety issues identified in M.S. 123B.57 in any existing public school building or site. However, the district must own or have contractually agreed to purchase (lease-purchase) any building or facility where program-funded remediations are made. New construction and portable classrooms are not eligible for funding. In addition (with the exception of calamity bonds), revenues cannot be used to make principal and/or interest payments on any other debt instrument.

Activity at a Glance

FY 2005 (Actual)

- ♦ Health and Safety Revenue $71,500,804
- ♦ State Aid $1,315,942
- ♦ Local Levy $70,184,862
- ♦ Number of Districts 323
- ♦ Expenditure by Project Type ($ in millions)
  - ⇒ Indoor Air Quality $11.9
  - ⇒ Physical Hazards $11.1
  - ⇒ Fire Safety $18.4
  - ⇒ Asbestos $12.6
  - ⇒ Environment Management $12.3
  - ⇒ Hazardous Substance $5.2

The program addresses a wide array of areas impacting environments, including the following:

- ♦ asbestos removal or encapsulation;
- ♦ hazardous substance, including provisions for fuel storage repairs, cleanup, or storage tank removal, and lead removal;
- ♦ fire safety, including compliance with state fire marshal orders;
- ♦ environmental health and safety management; and
- ♦ physical hazard control, including indoor air quality.

The program was modified by the 2003 legislature by transferring funding for large projects (over $500,000 per building) from the health and safety program to the alternative facilities/health and safety program. While these projects are still approved within the existing health and safety system, districts now have the ability to issue bonds or make an annual levy to fund large projects over a longer period of time.

Historical Perspective

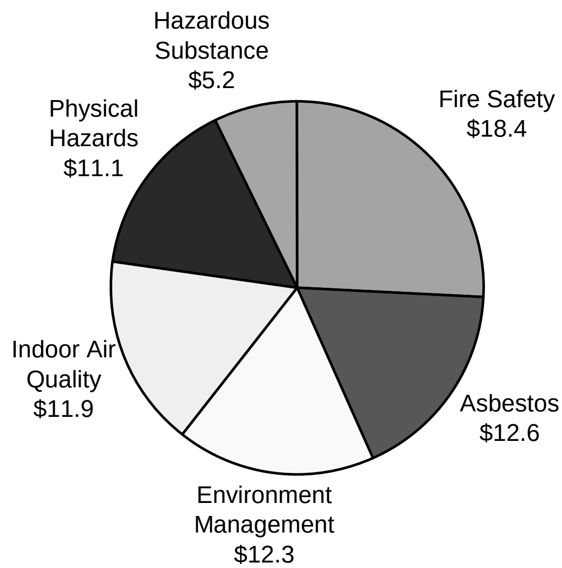
The predecessor to the program began in 1985 as a hazardous substance removal program. The health and safety program, as it is now known, began in FY 1990 when the hazardous substance revenue program was expanded to include fire and life safety. Major changes to the program since that time have included expansion to cover costs related to:

- ♦ environmental management and physical hazards (FY 1994);
- ♦ the Indoor Air Quality in Schools Act (FY 1990);
- ♦ member district's share of the three intermediate (cooperative) district's health and safety costs (FY 2001); and
- ♦ the alternative facility funding mechanism (FY 2003) .

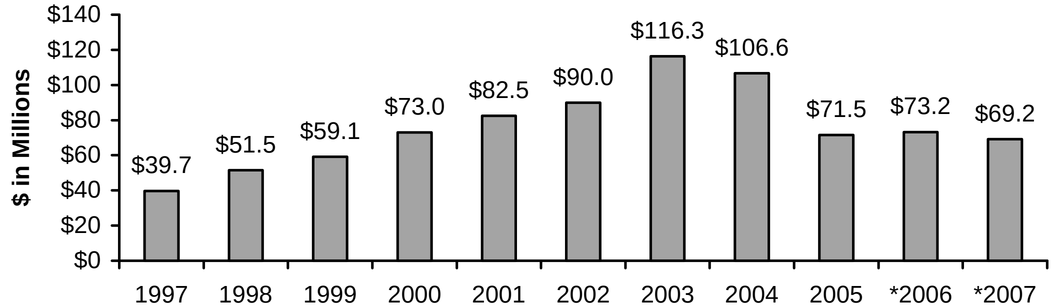
Key Measures

The program has facilitated the removal or remediation of a variety of hazards from school facilities. A breakdown of health and safety expenditures by category is provided on the following page.

Health and Safety Expenditures Categories
FY 2005 Total: $71.5 million



Health and Safety Expenditures by Fiscal Year



Total district expenditures for health and safety exceeded the $100 million mark in FY 2003 and FY 2004. Expenditures declined in FY 2005, primarily due to the transfer of funding for large projects to the alternative facility program/health and safety, rather than within health and safety revenue. For the period FY 2006-09, expenditures are forecast to stabilize at approximately the FY 2005 level.

Activity Funding

The formula for annual health and safety revenue is based on cumulative approved hazardous substance/health and safety expenditures for the period 1985-current, less cumulative revenues for the same period. Districts are eligible to receive 100% of approved project costs through a combination of state aid and local property tax levies. For FY 2003 and later, the state and local shares of health and safety revenue are determined using an equalizing factor of $2,935. The local share equals the product of the revenue times the lesser of one or the ratio of the districts adjusted net tax capacity (ANTC) per adjusted marginal cost pupil unit to $2,935. State aid equals the annual revenue less local levy. Due to increasing property values and stable equalizing factor, the state aid share of revenue has decreased significantly from FY 2002 to present and most school districts support the program entirely through property tax levies. In FY 2005, the state share equaled approximately 1.8% of revenue.

State-Local Share of Health and Safety Revenue

	Dollars in Thousands							
	FY 2002	FY 2003	FY 2004	FY 2005	Est. FY 2006	Est. FY 2007	Est. FY 2008	Est. FY 2009
Total Revenue								
Amount	$80,398	$116,265	$106,581	$71,501	$73,239	$69,200	$70,584	$71,996
# of Districts	327	323	339	333	330	330	330	330
Levy								
Amount	$70,440	$109,045	$101,815	$70,185	$72,558	$68,885	$70,339	$71,787
# of Districts	327	323	339	333	330	330	330	330
State Aid								
Amount	$9,958	$7,221	$4,766	$1,316	$681	$315	$245	$209
# of Districts	230	162	116	75	60	55	50	45

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8319, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: Facilities & Technology
Activity: Health & Safety

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
	1 Appropriation Excluding Buyback	784				
	2 Aid Payment Buyback	39				
	3 Total Current Appropriation	823	352	352	352	704
	a. End of Session Estimate		(103)	(91)	(133)	(224)
	b. November Forecast Adjustment			(71)	(40)	(111)
	c. Cancellation	(53)				
	4 **Governor's Recommended Appropriation**	**770**	**249**	**190**	**179**	**369**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
	5 Statutory Formula Aid	627	201	188	178	366
	6 Statutory Excess/(Shortfall)	53	114			0
	7 Appropriated Entitlement	680	315	188	178	366
	8 Adjustments					
	a. Appropriation Reduction		(114)			
	b. Cancellation	(53)				
	9 **State Aid Entitlement Current Law**	627	201	188	178	366
plus						
LEVY	**Levy**					
	10 Local Levy Current Law	63,156	55,279	57,793	58,963	116,756
equals						
REVENUE	11 Current Law Revenue (State Aid & Levy)	63,783	55,480	57,981	59,141	117,122
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	211	68	20	18	38
	Current Year (90%)	612	181	170	161	331
	Cancellation	(53)				
	Total State Aid - General Fund	**770**	**249**	**190**	**179**	**369**

Activity Description

Citation: 123B.53; 123B.55

Debt service equalization is a state aid and local levy program that helps to ensure that all school districts, regardless of property wealth, can provide adequate educational facilities for their students. The equalization formula facilitates the betterment and/or expansion of school facilities by providing debt service aid to districts with a low to moderate tax base per pupil unit. Some districts with a relatively high tax base per pupil unit can still qualify for debt service aid if they have a relatively high debt burden.

Activity at a Glance

Estimated FY 2007

♦ Districts having debt levies	290
♦ Districts receiving aid	73
♦ Average amount of aid received by a district	$248,288
♦ Percentage of eligible debt service revenue paid by state aid	2.5%

School districts must receive approval from a majority of those voting in a school bond referendum before issuing bonds to construct, acquire, or improve school facilities. Exceptions include alternative facilities bonding and special legislation for Minneapolis and St. Paul.

Population Served

This program serves all public school students and communities in Minnesota. School districts with a relatively high debt service tax rate and low to moderate tax base per pupil unit may receive aid to offset property owner's tax burden.

Services Provided

The debt service program includes several components and is financed through a combination of state aid and local property tax levies. The following table shows the state total revenue and number of districts participating in each component for FY 2007 (taxes payable in 2006)

Debt Service Revenue Components, FY 2007 - ($ in Thousands)

	Funding Category	Total Amount	No. of Districts
	Aid Eligible Revenue Components		
1.	Required Debt Service Levy-Eligible[1]	$ 648,075	281
2.	Maximum Effort Levy Above Required	963	18
3a.	Req. Debt Service for Alt. Facilities [2]	45,751	15
3b.	Alt. Facilities Annual Levy[2]	46,776	11
4a.	Req. Debt Service for Alt. Fac./H&S	15,065	29
4b.	Alt. Fac./H&S Annual Levy	4,735	10
5.	Energy Conservation	469	68
6.	Lease Purchase-Eligible	34,665	5
7.	Net Debt Excess-Eligible	(25,160)	117
8.	Gross Equalization Revenue[3]	786,338	290
	Aid Ineligible Revenue Components		
9.	Required Debt Service Levy-Ineligible	20,960	28
10.	Additional Maximum Effort Levy	920	12
11.	Req. Debt Service Levy for Equipment Bonds	746	6
12.	Req. Debt Service for Facilities Bonds	5,706	49
13.	Lease Purchase-Ineligible	1,731	3
14.	Net Debt Excess-Ineligible	64	8
15.	Total Ineligible Revenue	30,128	83

[1] Includes net taconite debt service levy.
[2] Net amount after alternative facilities aid – see Alternative Facilities Bonding narrative
[3] Sum of lines 1, 2, 3a, 3b, 4a, 4b, 5, 6, 7

Key Measures

Statewide debt service revenue continues to increase as shown in the table below. The table also illustrates the state/local share of debt service revenue. The unequalized local portion of debt service revenue, 15% of the district's Adjusted Net Tax Capacity (ANTC), makes up the majority of total revenue. The equalized local portion is defined as the local share beyond the 15% of the ANTC.

Debt Service Revenue

	Dollars in Millions						
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Unequalized Local Portion	$343.0	$409.2	$440.1	$474.4	$514.5	$560.4	$606.5
Equalized Local Portion	58.1	51.3	66.0	111.0	100.0	127.8	100.9
Debt Service Aid	29.0	25.7	33.0	37.5	29.3	25.1	17.7
TOTAL Debt Service Revenue	$430.1	$486.2	$539.1	$622.9	$643.8	$713.3	$725.1

⇒ Legislative overhaul of the debt service equalization formula was accomplished in 2001. A new two-tiered equalization formula was created to target districts with low to moderate tax bases and/or districts with a relatively high debt burden.

⇒ As a result of the new two-tiered equalization formula total debt service aid reversed its downward trend in FY 2003 and FY 2004. In FY 2005, debt service aid again began to fall due to ANTC increases.

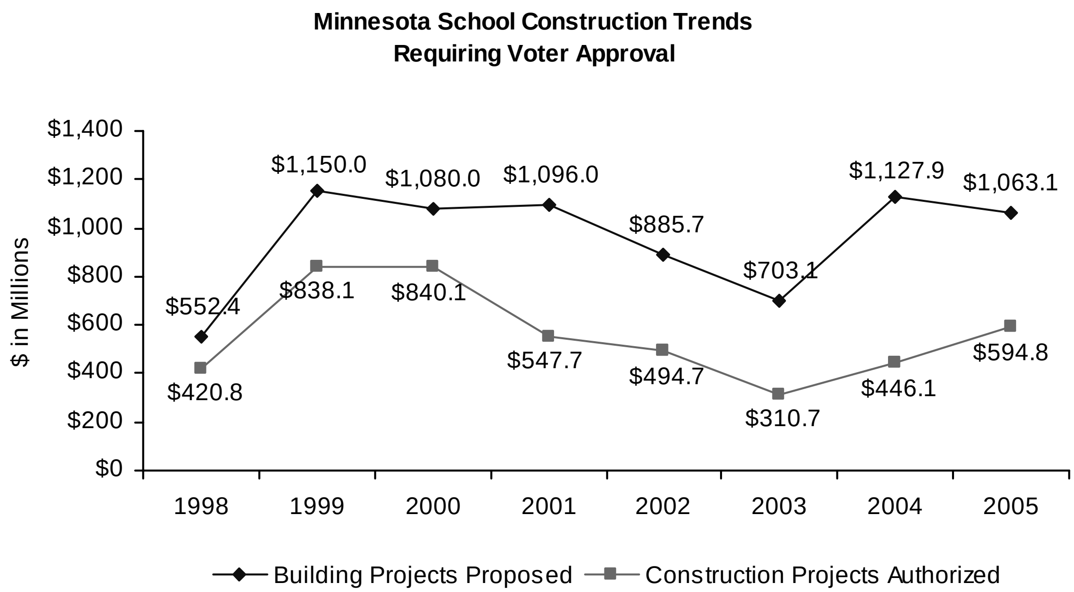
⇒ In percentage terms, the state's share of eligible debt service revenue decreased from 6.1% in FY 2003 to 2.5% in FY 2007. From FY 2003 to FY 2007, this percentage naturally decreased with increases in tax capacity and an essentially constant debt-equalizing factor.

Historical Perspective

⇒ Historically, facility acquisition and betterment was considered solely a local responsibility and no state aid equalization was provided. In 1992, a debt service equalization program was enacted. In 2001, a second tier was added to the debt service equalization formula to provide targeted tax relief to school districts with eligible debt service revenue exceeding 25% of district ANTC.

⇒ The change to the two-tiered debt service equalization formula has led to a noticeable increase in individual bond issue size. Much of this can be ascribed to the new equalization formula in combination with a smaller equalization factor for the health and safety aid program. These two factors provide incentives for districts to seek voter approval for a majority of facility needs in order to maximize debt service aid.

⇒ The graph below shows construction trends over the last eight calendar years. The top line on the graph is the total dollars proposed in that calendar year that received a positive review and comment. The bottom line is the dollar amount approved by local voters. FY 1998-2003 includes only facility construction/renovation resulting from bonding elections. FY 2004-2006 includes not only bonding elections, but also alternative facility and capital project referendums subject to review and comment.



Activity Funding

Revenue Components

Required Debt Service Levy (M.S. 123B.55; 475.61).

⇒ A school district must levy for the principal and interest payments on its general obligation bonds, plus an additional 5% to cover potential tax delinquencies, for the following fiscal year. The required debt service levy for all years is established and approved by the local school board at the time that bonds are sold.

Maximum Effort Debt Service Levy (applies to Capital Loan Districts) (M.S. 126C.63, Subd. 8).

⇒ Districts with an outstanding state capital loan and/or debt service loan must levy for debt service a minimum of 28% or 32% of the latest ANTC (the 32% of ANTC applies only to capital loans issued after 2001; all others are 28%). This amount is referred to as a district's maximum effort.

⇒ The maximum effort debt service levy cannot exceed the amount beyond the required debt service levy that is needed to retire all outstanding state loans. If the maximum effort debt service levy is greater than the required debt service levy, then the difference is included in computing debt service aid.

⇒ If, after debt service aid is subtracted, the net eligible debt service levy is less than the maximum effort debt service levy, there is an additional maximum effort debt service levy, such that the net eligible debt service levy is not less than maximum effort debt service levy. The additional maximum effort debt service levy is not included in computing debt service equalization aid.

Required Debt Service Levy for Equipment Bonds (M.S. 123B.61).

⇒ A school district, with the approval of the commissioner and without voter approval, may issue certificates of indebtedness or capital notes to purchase capital equipment. The certificates or notes must be repaid within five years or less.

⇒ A school district must annually levy the amount needed to retire the certificates of indebtedness or capital notes. The district's general fund levy is correspondingly reduced by the same amount. As an end result, districts do not receive additional revenue to repay these obligations.

Required Debt Service Levy for Facilities Bonds (M.S. 123B.62).

⇒ A school district, with the approval of the commissioner and without voter approval, may issue bonds to provide funds for capital improvements to facilities. Issuance of the bonds is subject to a reverse referendum.

⇒ A school district must annually levy the amount needed to retire the facility bond or note. The district's general fund levy is correspondingly reduced by the same amount. As an end result, districts do not receive additional revenue to repay these obligations.

Alternative Facilities Bonding and Levy (M.S. 123B.59, Subd. 1).

⇒ Large school districts with over 1.85 million square feet of space and an average building age of 15 years or older, or over 1.5 million square feet of space and an average building age of 35 years or older, and a 10-year facility plan approved by the commissioner, may issue bonds or annually levy for health and safety, disabled access, and deferred maintenance projects specified in the approved plan.

⇒ Debt service levies made under this program are eligible for Tier 1 debt service equalization aid.

⇒ See the Alternative Facilities Bonding narrative for more information.

Alternative Facilities/Health and Safety (M.S. 123B.59, Subd. 1).

⇒ Health and safety projects over $500,000 per building approved after 2-1-2003 are to be financed by alternative facility bonding or an annual levy.

⇒ Levies made under this program are eligible for Tier 1 debt service aid.

⇒ See the Alternative Facilities Bonding narrative for more information.

Energy Conservation (M.S. 126C.40, Subd. 5).

⇒ School districts must levy for the amount needed to repay the annual principal and interest on state energy conservation loans and other loans approved on or before 3-1-1998 under M.S. 216C.37. This levy is included in computing debt service equalization aid.

⇒ There is no levy authority for energy conservation loans approved after 3-1-1998. Districts receiving these loans must annually transfer from the General Fund to the debt redemption fund the amount needed to pay the principal and interest on the loans.

Lease Purchase (M.S. 126C.40, Subd. 2 and 6).

⇒ Eligible school districts must levy the amount needed for payments on lease purchase agreements approved by the commissioner prior to 7-1-1990. In addition, certain districts with a desegregation plan, may levy for lease purchase costs for more recent facility acquisitions. This levy is included in computing debt service equalization aid.

⇒ Selected districts have specific lease purchase levy authority that is ineligible for debt service equalization. Districts 622, 833, and 834 levy for the acquisition of the Valley Crossing Elementary School in Woodbury. District 622 has special legislation for a lease purchase levy.

Debt Excess (M.S. 475.61, Subd. 3).

⇒ The net debt excess in the debt redemption fund, other than for capital loan districts, is certified by the commissioner to the county auditor. The county auditor reduces the debt service levy by the amount of the debt excess certified.

⇒ With the approval of the commissioner, some districts may be authorized to retain all or a portion of the debt excess in the debt redemption fund.

⇒ Districts with outstanding capital or debt service loans are required to remit the debt excess amount to the commissioner as payment on their capital and/or debt service loans.

Debt Service Loan (M.S. 126C.68).

⇒ School districts with a very large debt service levy relative to their tax base may qualify for a debt service loan. The amount of the loan reduces the debt service levy of the district.

⇒ Districts receiving a debt service loan are required to levy each year an amount at least equal to the maximum effort debt service levy until the loan is retired.

Gross Equalization Revenue (M.S. 123B.53, Subd. 1).

⇒ For districts without capital loans, the gross equalization revenue equals the sum of the following.
- the eligible required debt service levy
- the gross annual (pay as you go) alternative facilities levy
- the energy conservation levy
- the eligible lease purchase levy

⇒ For capital loan districts the maximum effort debt service levy applies in addition to the components mentioned above.

Funding Source

Debt Service Equalization Revenue (M.S. 123B.53, Subd. 1).

⇒ A district's net debt service equalization revenue equals the gross equalization revenue from above, minus the district's unequalized local share (an amount equal to 15% of the district's ANTC).

Debt Service Equalization Aid (M.S. 123B.53, Subd. 1).

⇒ The current equalization formula has two tiers of equalization. Prior to reaching the first tier, a district must levy 15% of its ANTC. The first tier is defined as 15%-25% of ANTC and the second tier as anything above 25% of ANTC (excluding levies made under the alternative facilities program, which are included in Tier 1 even if the amount exceeds 25%).

⇒ Once the eligible debt service revenue by tier has been determined, the equalization factors are applied to each tier. The first tier equalization factor is $3,200 and the second tier equalization factor is $8,000.
The equalization formula incorporates the equalization factors and is used to determine the levy ratio (or percentage) of eligible revenue in each tier to be paid by local taxpayers. The remaining percentage is paid by state aid.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8319, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: Facilities & Technology
Activity: Debt Service Equalization

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
	1 Appropriation Excluding Buyback	25,786				
	2 Aid Payment Buyback	1,421				
	3 Total Current Appropriation	27,207	18,410	18,410	18,410	36,820
	a. End of Session Estimate			1,555	(2,312)	(757)
	b. November Forecast Adjustment		(15)	(5,052)	(4,314)	(9,366)
	d. Cancellation	(13)				0
	4 **Forecast Base**	**27,194**	**18,395**	**14,913**	**11,784**	**26,697**
	5 Governor's Recommendation					
	a. JOBZ Definitions for Debt Service				(1)	(1)
	6 **Governor's Recommended Appropriation**	**27,194**	**18,395**	**14,913**	**11,783**	**26,696**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
	7 Statutory Formula Aid	25,044	17,656	14,608	11,471	26,079
	8 Statutory Excess/(Shortfall)	13	17			
	9 Appropriated Entitlement	25,057	17,673	14,608	11,471	26,079
	10 Adjustments					
	a. Appropriation Reduction		(17)			
	b. Cancellation	(13)				
	11 **State Aid Entitlement Current Law**	25,044	17,656	14,608	11,471	26,079
	12 *Governor's Recommendation*					
	a. JOBZ Definitions for Debt Service				(1)	(1)
	13 **Governor's Aid Recommendation**	**25,044**	**17,656**	**14,608**	**11,470**	**26,078**
plus						
LEVY	**Levy**					
	14 Local Levy Current Law	569,019	621,090	662,904	699,018	1,361,922
	15 *Governor's Recommendation*					
	a. JOBZ Definitions for Debt Service				1	1
	16 **Governor's Levy Recommendation**	**569,019**	**621,090**	**662,904**	**699,019**	**1,361,923**
equals						
REVENUE	17 Current Law Revenue (State Aid & Levy)	594,063	638,746	677,512	710,489	1,388,001
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	4,654	2,504	1,765	1,460	3,225
	Current Year (90%)	22,552	15,891	13,148	10,323	23,471
	Cancellation	(12)				
	Total State Aid - General Fund	**27,194**	**18,395**	**14,913**	**11,783**	**26,696**

Activity Description

Citation: M.S. 123B.59

The alternative facilities program is a state aid and local levy program that applies to two different groups of school districts. It enables large school districts (1A districts) qualifying under M.S. 123B.59, subd. 1a, to complete deferred maintenance, health and safety, and disabled accessibility projects that cannot be completed with other available funds. For smaller school districts (1B districts) qualifying under M.S. 123B.59, subd. 1b, it provides a method of financing larger scale health and safety projects.

Activity at a Glance

Alt. Facility Districts – 1A
- Number of eligible large districts 21
- Minimum square feet required 1.5 million

Alt. Facility Districts - 1B
- Number of districts participating for FY 2005 (health and safety projects) 19
- Average annual alternative facility bond Payment (FY 2005) $354,400

Population Served

In 2003, the program was modified to allow all school districts to issue bonds or make a pay-as-you-go levy. However, 1B districts, or districts other than the 21 listed below, are limited to projects of $500,000 or more per building approved under the health and safety program.

The following districts are currently eligible and participating in the 1A program. Districts that have issued debt under the program are designated with a number one (1). Districts making an annual pay-as-you-go levy are designated with a number two (2). In addition, districts marked with an asterisks (*) below, receive aid based upon their payable 1997 levy for bonded alternative facility debt and/or aid based upon one-sixth of their payable 1998 pay-as-you-go levy.

Anoka-Hennepin[2*]	Bloomington[1 2*]	Burnsville[2]	Duluth[1 2*]
Minneapolis[1*]	North St. Paul[1]	Osseo[2]	Robbinsdale[1 2*]
Rochester[1 2*]	Rosemount[1 2]	St. Cloud[2]	St. Paul[1*]
South Washington[1 2]	Stillwater[1]	White Bear Lake[1]	Hopkins[1]
Mounds View[1]	Roseville[2]	Minnetonka[1]	Elk River[1]
Lakeville[1]			

1A districts must meet one of the following criteria to be eligible:
- have at least 1.85 million square feet of space and an average building age of at least 15 years; or
- have at least 1.5 million square feet of building space and average building age of at least 35 years.

Stillwater has received special legislation allowing the district to participate in this program. FY 2004 was the first year of eligibility for White Bear Lake and Roseville, while Mounds View and Minnetonka became eligible in FY 2005. The three newest members, Elk River, Hopkins, and Lakeville, became eligible in FY 2006.

Services Provided

To receive alternative bonding revenue, 1A districts must submit a 10-year facility plan and 1B districts must submit a five-year plan to the Minnesota Department of Education (MDE) for approval. The plan must describe eligible projects and the district's timetable for undertaking them. Once MDE approval is obtained, the district must decide if it will:
- issue bonds to finance improvements and retire them over time with a debt service levy,
- make an annual general fund (pay-as-you go) levy to fund projects on an annual basis, or
- some combination of these two options.

Voter approval is not required to access this revenue. This program is funded by a combination of state aid and local property tax levies. Debt service levies under this program qualify for Tier 1 debt service equalization. In FY 2005, none of the 1A districts and only one of the 1B districts have qualified for debt service aid. For both district types, alternative facilities revenue may not be used for the construction of new facilities or the purchase of portable classrooms.

Historical Perspective

- ⇒ The program was originally enacted by the 1993 legislature. Initially, districts were allowed to apply their health and safety revenue alternatively toward facilities maintenance, health and safety, and disabled access projects.
- ⇒ For FY 1995, eligible districts were allowed to issue bonds and levy for debt service or make an annual pay-as-you-go levy up to the amount of their health and safety revenue for FY 1993.
- ⇒ The 1997 legislature authorized state funding equal to 100% of the districts' annual alternative bonding debt service costs, not to exceed the amount of the debt service levy for taxes payable in 1997.
- ⇒ The 1998 legislature authorized state funding for districts making an annual pay-as-you-go levy equal to one-sixth of the levy for taxes payable in 1998.
- ⇒ Eight districts have been added to the list of eligible districts as a result of 2001 legislative action that includes districts with 1.5 million square feet or more and a building age of at least 35 years.
- ⇒ The 2003 legislature provided limited participation beginning in FY 2005 to all districts for health and safety projects of $500,000 or more per building.

Key Measures

The alternative facilities program enables large districts to complete necessary facilities maintenance in a timely manner without the need for voter approval. The program facilitates a long-term approach to building upkeep and is intended to promote cost-effective scheduling of needed repairs. Smaller districts are able to use the program for long-term financing of major health and safety projects, but are not eligible for other portions of the program.

Activity Funding

District revenue is determined by local school boards. Local decisions are impacted by building conditions, the financial condition of the district, and local property tax impact.

A district's alternative facilities aid for the seven eligible 1A districts is the sum of:

- ♦ 100% of the district's annual debt service costs, not to exceed the amount certified to be levied for those purposes for taxes payable in 1997; and
- ♦ one-sixth of the annual pay-as-you-go levy certified for taxes payable in 1998, not to exceed 100% of the current annual levy.

The table below shows the breakdown of total alternative facility aid and levy by fiscal year for the 21 large (1A) alternative facility districts. Note that the total alternative facility aid includes two components, general alternative facility aid and debt aid on bonded alternative facility debt levy. The general fund alternative facilities levy is reduced for debt service equalization aid.

Alternative Facilities Revenue – Large (1A) Districts

Dollars in Thousands

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Debt Levy	$29,533	$30,267	$35,963	$41,628	$45,751	$48,496	$51,891
Debt Aid	16,456	16,456	16,456	16,456	16,456	16,456	16,456
General Fund Levy	38,845	40,151	47,832	53,393	61,776	76,000	84,361
Gen. Alt. Fac. Aid	2,830	2,830	2,830	2,830	2,830	2,830	2,830
Gen. Debt. Eq. Aid	839	88	-0-	-0-	-0-	-0-	-0-
TOTAL	$88,503	$89,792	$103,081	$114,307	$126,813	$143,782	$155,538

The table below shows the FY 2007 breakdown of aid and levy for the (1B) Alternative Facility/Health and Safety program.

FY 2007 Alternative Facility/Health and Safety Revenue

	Dollars in Thousands		
	FY 2005	FY 2006	FY 2007
Bonded Debt Levy	$ 4,357	$ 8,073	$14,976
Bonded Debt Aid	-0-	-0-	-0-
Pay-As-You-Go Levy	9,828	5,811	4,735
Pay-As-You-Go Debt Service Aid	352	-0-	-0-

Through FY 2007, 29 1B districts have issued bonds to fund eligible projects. An additional 10 1B districts made a pay-as-you-go levy to fund FY 2007 projects.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8319, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
	1 Appropriation Excluding Buyback	19,287				
	2 Aid Payment Buyback	1,100				
	3 **Governor's Recommended Appropriation**	**20,387**	**19,287**	**19,287**	**19,287**	**38,574**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
	5 Statutory Formula Aid	19,287	19,287	19,287	19,287	38,574
	6 Statutory Excess/(Shortfall)					0
	7 Appropriated Entitlement	19,287	19,287	19,287	19,287	38,574
	8 Adjustments					
	9 **State Aid Entitlement Current Law**	19,287	19,287	19,287	19,287	38,574
plus						
LEVY	**Levy**					
	10 Local Levy Current Law	41,628	49,308	61,926	73,683	135,609
equals						
REVENUE	11 Current Law Revenue (State Aid & Levy)	60,915	68,595	81,213	92,970	174,183
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	3,028	1,928	1,928	1,928	3,856
	Current Year (90%)	17,359	17,359	17,359	17,359	34,718
	Total State Aid - General Fund	**20,387**	**19,287**	**19,287**	**19,287**	**38,574**

Activity Description

Citation: M.S. 125B.26

This program provides telecommunication and internet access funding for all public and nonpublic schools in Minnesota.

Activity at a Glance

New program in FY 2006

- Participation included 283 school districts and 113 nonpublic schools.
- $6.6 million in eligible costs after E-rate reported.

Population Served

All public school districts and charter schools in Minnesota are eligible for participation in this program. Nonpublic schools, excluding home schools, participate in this program by formally requesting participation from the public school district.

Services Provided

Costs eligible for reimbursement under this program are limited to the following:

- ongoing or recurring telecommunications/internet access costs associated with internet access, data lines, and video links providing: a) the equivalent of one data line, video link, or integrated data/video link for each elementary school, middle school, or high school under section 120A.05, subdivisions 9, 11, and 13; or b) the equivalent of one data line or video circuit, or integrated data/video link for each district and ongoing internet access service fees;
- recurring costs of contractual or vendor-provided maintenance on the school district's wide area network;
- recurring costs of cooperative, shared arrangements for regional delivery of telecommunications/internet access between school districts, postsecondary institutions, and public libraries; and
- service provider installation fees for installation of new telecommunications lines or increased bandwidth.

The commissioner has developed criteria for approving costs submitted by organized school districts and charter schools.

Key Measures

Increase participation in this program for funding assistance to provide telecommunications access to students throughout Minnesota.

⇒ 475 school districts and charter schools are eligible to submit costs and 283 participated in 2006.
⇒ 510 nonpublic schools are eligible to submit costs and 113 participated in 2006.
⇒ Eligible costs for FY 2006 total $13.5 million before E-rate discounts are subtracted.

Activity Funding

To be eligible for aid under this provision, a district or charter school is required to file a federal E-rate application and have a current technology plan on file with the department.

A district, charter school, or nonpublic school is required to submit its actual telecommunications/internet access costs for the previous fiscal year, adjusted for any E-rate revenue received, to the department by August 15 of each year as prescribed by the commissioner. Districts or charter schools that are members of a telecommunications cluster may rely on their cluster to report cost information to the department.

A district or charter school's internet access equity aid equals the district or charter school's approved cost after subtraction of federal E-rate discounts for the previous fiscal year exceeding $15 times the district's adjusted marginal cost pupil units (AMCPU) for the previous fiscal year. Districts or charter schools that are members of a telecommunication cluster are not subject to the $15 * AMCPU reduction in eligible costs.

Telecommunication Access Grants Participation and Funding

Organizations Applying for Aid	Number of Applicants	Number of Applicants Receiving Aid
Independent School Districts – no cluster affiliation	53	13
Independent School Districts – with cluster affiliation	229	229
Charter Schools	1	-0-
Nonpublic Schools	108	25

The amount of telecommunications access aid for nonpublic school equals the lesser of: 1) 90% of the nonpublic school's approved cost for the previous fiscal year exceeding $10 times the number of weighted pupils enrolled at the nonpublic school; or 2) the public school district of residence telecomm access aid per pupil unit multiplied by the number of weighted pupils enrolled at the nonpublic school.

Each year, a district providing services to a nonpublic school may claim up to 5% of the aid determined in the formula for nonpublic students for costs of administering the telecommunication/internet access aid to nonpublic schools.

Contact

Additional information is available from the MDE, School Improvement, (651) 582-8827.

DEPT OF EDUCATION
Program: FACILITIES & TECHNOLOGY
Activity: TELECOMMUNICATIONS ACCESS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	3,750	3,750	3,750	3,750	7,500
Subtotal - Forecast Base	3,750	3,750	3,750	3,750	7,500
Total	**3,750**	**3,750**	**3,750**	**3,750**	**7,500**
Expenditures by Fund					
Direct Appropriations					
General	3,750	3,750	3,750	3,750	7,500
Total	**3,750**	**3,750**	**3,750**	**3,750**	**7,500**
Expenditures by Category					
Local Assistance	3,750	3,750	3,750	3,750	7,500
Total	**3,750**	**3,750**	**3,750**	**3,750**	**7,500**

Activity Description

Citation: 123B.591

The deferred maintenance revenue program provides additional revenue for facility maintenance to school districts ineligible to participate in the alternative facilities bonding and levy program under M.S. 123B.59, subd. 1(a).

Activity at a Glance

- ♦ This program was created to provide smaller districts with a dedicated revenue stream to address facility maintenance issues.
- ♦ FY 2008 is the first year of this program.

Population Served

School districts, students, and taxpayers are served through healthy, well-maintained facilities, and through extension of facility life.

Services Provided

⇒ This program provides additional revenue to districts other than the 21 school districts eligible for alternative facilities revenue under M.S. 123B.59, subd. 1(a). Eligible uses of the revenue include health and safety, disabled accessibility, and deferred maintenance projects.

⇒ Having a dedicated revenue source for deferred maintenance allows districts to schedule required capital projects essential to extending facility life.

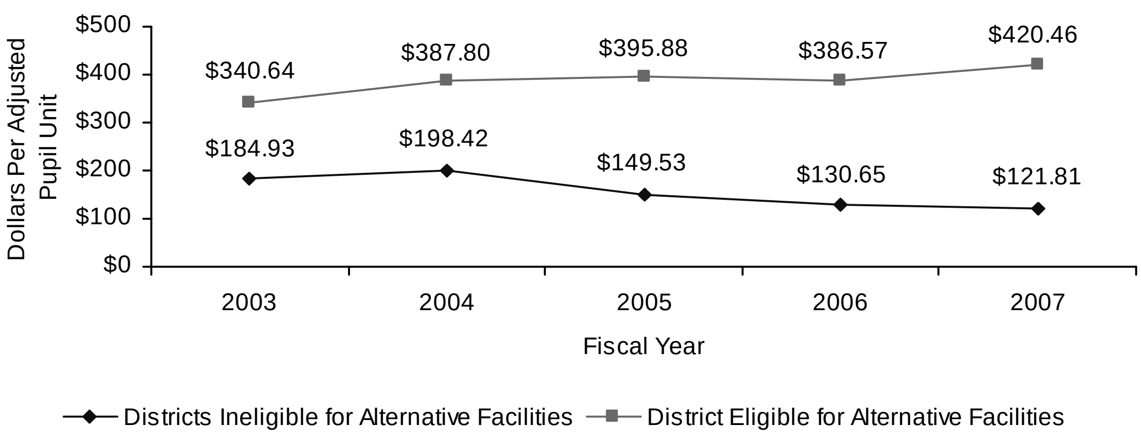
Historical Perspective

This program was initiated by the 2005 legislature to address the gap in deferred maintenance funding options.

Key Measures

The deferred maintenance program will decrease the level of disparity on a per pupil basis for facility maintenance and upkeep between districts that are eligible for alternative facility revenue and other school districts in the state.

Average Revenue Amount Per Adjusted Pupil Unit
(Total Health and Safety and Alternative Facility Revenue)



Activity Funding

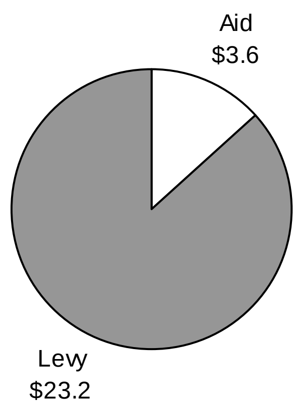
This is an equalized aid and levy program beginning in FY 2008. Formula specifics are provided below. Districts must levy their local share to participate in this program and receive aid, if eligible.

⇒ Deferred maintenance revenue for eligible districts equals the product of $60 times the adjusted marginal cost pupil units for the school year times the lesser of one or the ratio of the district's average age of buildings space to 35 years. Based on forecast estimates, 168 districts will qualify for the full $60 formula allowance with a total of 319 school districts qualifying for revenue in FY 2008.

⇒ Districts may levy an amount not more than the product of the deferred maintenance revenue for the fiscal year times the lesser of one or the ratio of the adjusted net tax capacity per adjusted marginal cost pupil unit to $5,900.
⇒ Deferred maintenance aid equals the deferred maintenance revenue minus the deferred maintenance levy times the ratio of the actual amount levied to the permitted levy.

The deferred maintenance revenue must be maintained in a reserve account within the General Fund. The revenue generated by this program may only be used for expenditures that would be eligible for the alternative facilities bonding and levy program under section 123B.59 subd. 2 paragraph (a), if the district qualified for that revenue under section 123B.59 subdivision 1, paragraph (a).

Estimated FY 2008 Deferred Maintenance Revenue (Dollars in Millions)



Contact
Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8319, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION

Program: Facilities & Technology

Activity: Deferred Maintenance

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
	1 Current Appropriation	0	0	0	0	0
	a. End of Session Estimate			3,402	2,997	6,399
	b. November Forecast Adjustment				(285)	(285)
	2 **Governor's Recommended Appropriation**	**0**	**0**	**3,402**	**2,712**	**6,114**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
	3 Statutory Formula Aid	0	0	3,780	2,593	6,373
	4 Statutory Excess/(Shortfall)					0
	5 Appropriated Entitlement	0	0	3,780	2,593	6,373
	6 Adjustments					
	7 **State Aid Entitlement Current Law**	0	0	3,780	2,593	6,373
plus						
LEVY	**Levy**					
	8 Local Levy Current Law	0	0	23,291	24,793	48,084
equals						
REVENUE	9 Current Law Revenue (State Aid & Levy)	0	0	27,071	27,386	54,457
Appropriations Basis for State Aid						
	Prior Year (10%)	0	0	0	378	378
	Current Year (90%)	0	0	3,402	2,334	5,736
	Total State Aid - General Fund	**0**	**0**	**3,402**	**2,712**	**6,114**

Activity Description

Citation: See individual levies.

This budget activity summarizes six miscellaneous facilities/levy programs. The building and land lease levies provide districts with the opportunity to accommodate needs for additional space. The other miscellaneous programs provide districts with levy authority to maintain and enhance the condition of their school buildings. These programs foster the delivery of quality educational services by providing districts with flexible local revenue sources to accommodate changing facility needs.

Activity at a Glance

FY 2007	No. of Districts	Amount Levied ($ in Millions)
♦ Building/Land Lease	203	$41.30
♦ Capital Projects	19	$25.30
♦ Coop Bldg Repair	-0-	$0.00
♦ Disabled Access	11	$0.50
♦ Specific Legislation	3	$0.06

Population Served

All students in participating districts are served by these programs. Eligible districts with levy authority may participate in these programs.

Services Provided

Minnesota school districts will generate additional revenue to the extent needed for various capital expenditure obligations. These programs are funded by local property tax levies.

⇒ **Building and Land Lease** (M.S. 126C.40, subd.1). Districts may levy to rent or lease a building or land for instructional purposes, school storage, or furniture repair if the district determines that the total operating capital revenue authorized under section M.S. 126C.10, subd. 13, is insufficient for this purpose. The levy authority and amount must be approved by the commissioner. The levy cannot exceed the net lease amount or $100 times the weighted resident average daily membership (WADM) unless approved by the commissioner. Some additions to existing schools are funded with proceeds from this levy. Member districts may levy an amount up to the net lease amount or $25 times the adjusted marginal cost pupil units (AMCPU) for the cost of an intermediate district lease for these same purposes.

⇒ **Capital Project Referendum** (M.S. 123B.63). A school district may hold a referendum election to ask voters to increase property taxes for a capital project. All proceeds from the levy must be transferred to the capital project referendum account in the building construction fund or general fund. This program has been used primarily for deferred maintenance and technology improvements.

⇒ **Cooperative Building Repair** (M.S. 126C.40, subd. 3). A school district that has a cooperative agreement according to M.S. 123A.30 or 123A.32, subd. 1, may levy for the repair costs, as approved by the Minnesota Department of Education (MDE), of a building located in another district that is a party to the agreement.

⇒ **Disabled Access Levy** (M.S. 123B.58). The 1990 federal Americans with Disabilities Act (ADA) facilitates the removal of architectural barriers for persons with disabilities in public schools and enables school districts to modify school buildings based on inspection by the state fire marshal. A school district may levy up to $300,000 over a time period not to exceed eight years to provide disabled accessibility for all facilities. Some newly consolidated districts have maximum levy authority of $450,000 or $600,000. The commissioner must approve the levy amount. For most districts, the eight year time period has expired.

⇒ **Special Legislation**. Special legislation provides the following selected districts with additional capital levy for specific purposes.

- ♦ Independent School District 204, Kasson-Mantorville: Laws 1996, Chapter 412, Article 5, Section 28
- ♦ Independent School District 319, Nashwauk-Keewatin: Laws 2001 First Special Session, Chapter 5, Article 3, Section 87
- ♦ Independent School District 2859, Glencoe-Silver Lake: Laws 2005, First Special Session, Chapter 5, Article 4, Section 22

Activity Funding

The following table shows certified levy amounts and number of school districts participating in each program.

Miscellaneous Facilities Levies

	Dollars in Thousands					
Levy Year	Pay 01	Pay 02	Pay 03	Pay 04	Pay 05	Pay 06
Fiscal Year	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Building Lease	$31,963.6	$39,326.1	$40,959.9	$37,483.6	$35,854.6	$41,277.7
Districts	171	190	187	197	204	203
Capital Project Referendum	2,659.1	7,192.7	10,926.1	13,603.5	21,076.8	25,349.5
Districts	5	8	11	13	17	19
Coop. Building Repair	0	0	0	0	0	0
Districts*	0	0	0	0	0	0
Disabled Access	1,789.2	1,126.2	1,062.5	414.0	326.0	465.6
Districts	26	16	18	9	7	11
Specific Legislation	27.2	439.0	39.0	39.0	39.0	56.0
Districts	2	3	2	2	2	3

* For this period, no districts elected or qualified for funding.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8801, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

Budget Activities

⇒ School Lunch
⇒ School Breakfast/Milk
⇒ Summer Food Replacement Aid
⇒ Child and Adult Care Food Program

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	14,766	15,585	15,585	15,585	31,170
Technical Adjustments					
End-of-session Estimate			211	425	636
November Forecast Adjustment		106	270	297	567
Subtotal - Forecast Base	14,766	15,691	16,066	16,307	32,373
Total	**14,766**	**15,691**	**16,066**	**16,307**	**32,373**
Expenditures by Fund					
Direct Appropriations					
General	14,694	15,691	16,066	16,307	32,373
Statutory Appropriations					
Federal	172,243	178,329	186,860	195,251	382,111
Total	**186,937**	**194,020**	**202,926**	**211,558**	**414,484**
Expenditures by Category					
Local Assistance	186,937	194,020	202,926	211,558	414,484
Total	**186,937**	**194,020**	**202,926**	**211,558**	**414,484**
Expenditures by Activity					
School Lunch	103,610	108,841	112,850	117,581	230,431
School Breakfast/Milk	27,000	28,063	29,027	30,205	59,232
Summer Food Replacement Aid	2,072	2,079	2,974	3,103	6,077
Community Nutrition Programs	54,255	55,037	58,075	60,669	118,744
Total	**186,937**	**194,020**	**202,926**	**211,558**	**414,484**

Activity Description

Citation: M.S. 124D.111; 124D.118
Federal Authorization: National School Lunch Act, Child Nutrition Act

The national school lunch program (NSLP) and food distribution program (FDP) safeguard the health and well-being of Minnesota children and help ensure that students are ready to learn by giving them access to a nutritious lunch and improving eating habits through nutrition education. The after-school snack component of the NSLP gives students in after-school programs access to a nutritious snack.

Activity at a Glance

FY 2006
- Over 95 million lunches served
- School lunch participation increased by over one million meals
- 28.35% of lunches were provided free to students
- 8.63% of lunches were provided at a reduced cost to students

State school lunch funding helps to keep lunch prices affordable. Children from low-income families have access to free or reduced-price school meals.

Population Served

Students (pre-kindergarten through high school) in public schools, nonpublic schools, and residential institutions such as group homes and juvenile correctional facilities are served.

Services Provided

Student health and learning readiness are improved through daily access to a nutritious school lunch. Students in after-school care programs receive access to a nutritious snack.

School lunch menus are planned according to federal meal pattern guidelines. Commodities such as meat, cheese, poultry, fruits, and vegetables are donated by the U.S. Department of Agriculture (USDA) to contribute to the school lunch menu and support the American farmer.

Students from families with income under 185% of federal poverty guidelines receive free or reduced price meals. Many low-income families are electronically certified for free or reduced price meals based on household data from state agencies, eliminating the need for a paper application.

School lunch programs are supported financially and administratively through:
- federal and state reimbursements for lunches, and after-school snacks;
- surveys of school preferences for USDA commodities;
- notification to schools of students electronically certified for meal benefits, through statewide matching of student enrollment data and human services assistance data;
- assistance in meeting program requirements and improving the quality of the food service through administrative reviews, development of resource materials, workshops, and technical assistance; and
- "CLiCS," the Food and Nutrition Service interactive web site which allows schools to meet their application, commodity, and claim requirements online and offers immediate access to program resources.

Historical Perspective

The National School Lunch Act created the program in 1946 to improve the national defense in response to young recruits failing physical exams during World War II. By school year 2005-06, 95 million school lunches were being served at almost 700 public school districts, charter schools, private schools, and residential childcare institutions in Minnesota.

Key Measures

- ⇒ Increase technical assistance to schools to implement and measure school districts wellness policies to support a healthy school nutrition environment. Technical assistance will be provided to all new schools in the school lunch program.
- ⇒ Improve electronic filing of program application from schools renewing their participation in school lunch.
- ⇒ Increase technical assistance to participating schools in lunch programs.

Activity Funding

States are required to provide matching funds to participate in the NSLP. The funding provided by the state in FY 2006 allowed the school districts to receive over $100 million in federal reimbursement and almost $10 million of state funding, plus $0.165 per lunch for USDA commodity foods for school lunch programs. Under current law, the state must pay districts participating in the national school lunch program the amount of $0.105 for each full paid, reduced, and free student lunch served to students in the district.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8508, http://education.state.mn.us/mde/Learning_Support/FNS/index.html.

Dollars in Thousands

	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Current Appropriation	9,760	10,391	10,391	10,391	20,782
a. Cancellation	(83)				
b. November Forecast Adjustment			125	251	376
2 **Governor's Recommended Appropriation**	**9,677**	**10,391**	**10,516**	**10,642**	**21,158**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
3 Statutory Formula Aid	9,677	10,391	10,516	10,642	21,158
4 Statutory Excess/(Shortfall)	83				0
5 Appropriated Entitlement	9,760	10,391	10,516	10,642	21,158
6 Adjustments					
a. Cancellation	(83)				
7 **State Aid Entitlement Current Law**	9,677	10,391	10,516	10,642	21,158
8 **Other Revenue**					
a. Federal	93,933	98,450	102,334	106,939	209,273
b. Dedicated Receipts	3,099	3,190	3,264	3,220	6,484
9 **Total All Sources Current Law**	106,709	112,031	116,114	120,801	236,915
Appropriations Basis for State Aid					
Current Year	9,760	10,391	10,516	10,642	21,158
Cancellation	(83)				
Total State Aid - General Fund	**9,677**	**10,391**	**10,516**	**10,642**	**21,158**

Activity Description

Citation: 124D.1158; 124D.117
Federal Authorization: National School Lunch Act, Child Nutrition Act

Federal and state school breakfast and milk programs help ensure that students are healthy and ready to learn by giving them access to a nutritious breakfast at the start of the school day and providing kindergarten milk programs.

⇒ Any school may participate in the school breakfast program.
⇒ State funding helps schools keep the price of paid breakfasts affordable and serve free breakfasts to students who qualify under federal program guidelines.
⇒ State law requires schools to offer a breakfast program if 33% or more school lunches are served free or at reduced price, unless fewer than 25 students are expected to participate.
⇒ The federal special milk program (SMP) provides access to milk, an important source of nutrients including calcium for students who do not have access to school meals (usually kindergarten or pre-kindergarten students). The Minnesota kindergarten milk program (MKMP) provides state funds for kindergarten milk breaks.

Activity at a Glance

FY 2006

- Over 20 million breakfasts served.
- 57.45% of breakfasts were provided free to students.
- 12.62% of breakfasts were provided at a reduced rate to students.
- Over 450 public school districts, charter schools, private, and residential child care institutions participated.

Population Served

Students (pre-kindergarten through high school) in public schools, nonpublic schools, and residential institutions such as group homes and juvenile correctional facilities are served.

Services Provided

Student health and achievement are improved through daily access to a nutritious school breakfast.

⇒ School breakfast menus are planned according to federal meal pattern guidelines.
⇒ Students from families with incomes under 185% of federal poverty guidelines receive free or reduced price meals, either upon being electronically certified based on household data from state agencies or upon the household completing an application on paper.

School breakfast programs are supported financially and administratively through

- federal and state reimbursements for school breakfasts that meet guidelines and servings of milk that meet guidelines;
- United States Department of Agriculture (USDA) commodity food items (earned through participation in the National School Lunch Program) available for use in school breakfasts;
- assistance in meeting program requirements and enhancing the quality of the food service provided through administrative reviews, development of resource materials, presentation of workshops, and technical assistance; and
- “CLiCS,” interactive web site which allows schools to meet their application and claims requirements online and provides immediate access to program resources.

Historical Perspective

The federal school breakfast program began in 1966 with a focus on improving the health and school performance of low-income children. State funding began in 1993 with a per-breakfast rate of $0.051.

Key Measures

⇒ Continue outreach efforts to increase the number of schools (both public and nonpublic) offering breakfast to students.
⇒ Breakfast participation increased 10.3% between 2000 and 2005.

⇒ Improve electronic filing of information from schools for participation in the breakfast program.
⇒ Increase technical assistance to participating schools in breakfast program.

Activity Funding

"Severe need" schools, which serve at least 40% free and reduced price school meals, qualify for the highest rates of federal reimbursement. Each school year, the state reimburses schools for the amount of $0.55 for each fully paid breakfast and $0.30 for each reduced price breakfast. State funding is paid at $0.14 per half pint to districts for milk served to kindergarten students.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Food and Nutrition Service, 651-582-8508, http://education.state.mn.us/mde/Learning_Support/FNS/index.html.

DEPT OF EDUCATION
Program: Nutrition Programs
Activity: School Breakfast/Milk

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Current Appropriation	4,856	5,044	5,044	5,044	10,088
c. Transfer per M.S. 127A.41	34				
d. November Forecast Adjustment		106	270	297	567
2 **Governor's Recommended Appropriation**	**4,890**	**5,150**	**5,400**	**5,515**	**10,915**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
3 Statutory Formula Aid	4,890	5,150	5,400	5,515	10,915
4 Statutory Excess/(Shortfall)	(34)	(106)			0
5 Appropriated Entitlement	4,856	5,044	5,400	5,515	10,915
6 Adjustments					
a. Transfer per M.S. 127A.41	34				
b. Supplemental Appropriation		106			
7 **State Aid Entitlement Current Law**	4,890	5,150	5,400	5,515	10,915
8 **Other Revenue**					
a. Federal	22,110	22,913	23,627	24,690	48,317
9 **Total All Sources Current Law**	27,000	28,063	29,027	30,205	59,232
Appropriations Basis for State Aid					
Transfer per M.S. 127A.41	34				
Current Year	4,856	5,150	5,400	5,515	10,915
Total State Aid - General Fund	**4,890**	**5,150**	**5,400**	**5,515**	**10,915**

Activity Description

Citation: 124D.119
Federal Authorization: Child Nutrition Act and National School Lunch Act

Activity at a Glance

- Forty sponsors served over 1 million meals during the summer of 2005 at 315 sites.

The summer food service program (SFSP) provides access to nutritious meals to children in low-income areas during the summer when meals are not available. Most SFSP sites provide one or two meals per day, but may provide up to three meals a day. The annual state share of funding is $150,000.

Population Served

The SFSP primarily serves children who participate in organized summer programs at park and community sites and schools in areas where at least 50% of families have income within 185% of federal poverty guidelines. SFSP sponsors include public and private schools, residential summer camps, government units, colleges and universities, as well as nonprofit organizations.

Services Provided

⇒ Health is improved through access to nutritional meals and snacks.
⇒ Menus for healthy meals and snacks are planned according to federal guidelines.
⇒ Meals and snacks are provided at no charge to children in low-income areas through the SFSP.

Historical Perspective

This program was created by Congress as a part of a larger pilot program in 1968 and became a separate program in 1975. The program was established to ensure that children in low-income areas could continue to receive nutritious meals during school vacations that are comparable to those served under the national school lunch and breakfast programs during the school year.

Key Measures

⇒ Increase technical assistance to sponsors.
⇒ Increase participation. Currently, 2.250 million lunches are served monthly during the school year versus 371,000 in summer food per month.

Activity Funding

Federal funds provide 96% of total funding and increase approximately 2% each year. The annual state share of funding is $150,000.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8508, http://education.state.mn.us/mde/Learning_Support/FNS/index.html.

Activity: SUMMER FOOD REPLACEMENT AID

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	150	150	150	150	300
Subtotal - Forecast Base	150	150	150	150	300
Total	**150**	**150**	**150**	**150**	**300**
Expenditures by Fund					
Direct Appropriations					
General	127	150	150	150	300
Statutory Appropriations					
Federal	1,945	1,929	2,824	2,953	5,777
Total	**2,072**	**2,079**	**2,974**	**3,103**	**6,077**
Expenditures by Category					
Local Assistance	2,072	2,079	2,974	3,103	6,077
Total	**2,072**	**2,079**	**2,974**	**3,103**	**6,077**

Activity Description

Federal Authorization: Child Nutrition Act and National School Lunch Act

Child and adult care food programs (CACFP) safeguard the health and well-being of Minnesotans year-round by helping to ensure that young children and older adults receiving organized care services have access to a nutritious diet and improve their eating habits.

Activity at a Glance

FY 2006

- ♦ Almost 10,000 family child care homes, 679 child care centers, and 30 adult care centers participate in the CACFP.
- ♦ In a typical month, over five million meals and snacks are served.

Child and Adult Care Food Program (CACFP)

The CACFP provides nutritious meals at family child care homes, child care centers, school-age care sites, emergency shelters, adult day care centers, and after-school programs in low-income areas that provide educational or enrichment activities. The federal government provides all funding for the CACFP.

Population Served

The CACFP serves 1) children in licensed child care centers and licensed family child care homes, 2) children attending after-school enrichment programs in areas where at least 50% of families have income within 185% of federal poverty guidelines, and 3) adults in licensed adult day care centers.

Services Provided

Health is improved through access to nutritional meals and snacks.

⇒ Menus for healthy meals and snacks are planned according to federal guidelines.

⇒ Most CACFP locations provide meals and snacks at no charge to all enrolled children.

CACFP is supported through

- ♦ federal reimbursement for meals and snacks that meet federal guidelines;
- ♦ federal administrative reimbursements to CACFP sponsors of family child care homes;
- ♦ assistance in meeting program requirements and improving the quality of the food service through administrative reviews, development of resource materials, workshops, and technical assistance; and
- ♦ cash-in-lieu of commodities subsidies to program participants.

Historical Perspective

The CACFP was initiated with the federal Child Nutrition Act of 1966. Participation of adult day care centers was added in 1989. A two-tier reimbursement system was instituted for family child care providers under federal welfare reform legislation in 1996. As a result, Minnesota lost about $1.5 million per month in federal reimbursements for meals served to children since 1997.

Key Measures

⇒ Increase on-site technical assistance and trainings offered to participants of program to meet federal regulations of programs, i.e., financial accountability, viability, and integrity.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Food and Nutrition Service, (651) 582-8508, and at http://education.state.mn.us/mde/Learning_Support/FNS/index.html.

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Federal	54,255	55,037	58,075	60,669	118,744
Total	**54,255**	**55,037**	**58,075**	**60,669**	**118,744**
Expenditures by Category					
Local Assistance	54,255	55,037	58,075	60,669	118,744
Total	**54,255**	**55,037**	**58,075**	**60,669**	**118,744**

Budget Activities

- ⇒ Basic Support
- ⇒ Multicounty, Multitype Library
- ⇒ Electronic Library
- ⇒ Regional Library Telecommunications
- ⇒ Miscellaneous Library Programs

DEPT OF EDUCATION

Program: LIBRARY PROGRAMS

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	12,180	11,573	11,573	11,573	23,146
Subtotal - Forecast Base	12,180	11,573	11,573	11,573	23,146
Governor's Recommendations					
Libraries-Basic Support		0	155	330	485
Comprehensive Library Study		0	200	0	200
MN Library for the Blind - Technology		0	0	0	0
Total	**12,180**	**11,573**	**11,928**	**11,903**	**23,831**
Expenditures by Fund					
Direct Appropriations					
General	12,180	11,573	11,928	11,903	23,831
Statutory Appropriations					
Federal	1,160	1,745	735	735	1,470
Total	**13,340**	**13,318**	**12,663**	**12,638**	**25,301**
Expenditures by Category					
Local Assistance	13,340	13,318	12,663	12,638	25,301
Total	**13,340**	**13,318**	**12,663**	**12,638**	**25,301**
Expenditures by Activity					
Basic Support	9,058	8,570	8,725	8,900	17,625
Multicounty, Multitype Library	954	903	903	903	1,806
Electronic Library	900	900	900	900	1,800
Reg Library Telecommunications	1,268	1,200	1,200	1,200	2,400
Federal Library Programs	1,160	1,745	735	735	1,470
Comprehensive Library Study	0	0	200	0	200
Total	**13,340**	**13,318**	**12,663**	**12,638**	**25,301**

Change Item: Libraries-Basic Support

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$155	$330	$347	$347
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$155	$330	$347	$347

Recommendation

The Governor recommends inflating Regional Library Basic Support aid by $155,000 in FY 2008 and $330,000 in FY 2009, approximately 2% each year, to maintain regional cooperation and statewide resource sharing through the regional library system.

Background

The state has provided funding through this program since 1958 when the regional library systems were created. The regional library systems provide for more efficient delivery of services and encourage economies of scale through cooperative purchasing and resource sharing.

Base funding for the state aid has not increased since 1991. This increase will help the regional libraries fund increasing demands.

Relationship to Base Budget

The current base budget for Library Basic Support aid is $8.57 million FY 2008 and in $8.57 million FY 2009.

Key Measures

Current levels of service delivery will be maintained.

Statutory Change: Not Applicable

Change Item: Statewide Comprehensive Library Study

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$200	$0	$0	$0
Revenues				
Other Fund				
Expenditures				
Revenues				
Net Fiscal Impact	$200	$0	$0	$0

Recommendation
The Governor recommends a one-time appropriation of $200,000 in FY 2008 to fund a comprehensive study of the state's libraries, including government, academic, school, public and special libraries, with the goal of streamlining the library structure to achieve greater efficiencies and improved cooperation.

Background
The delivery of library services has grown and changed dramatically over the last years, especially with the introduction of electronic and Internet technologies. Concurrently, statutes authorizing library systems and services have been modified and appended to meet new challenges and philosophies as they arose.

An unbiased appraisal of current library delivery structure is needed to systematically identify duplication of effort, best practices, and opportunities for improved efficiencies with an eventual goal of developing a more streamlined and understandable library structure that assures the most efficient use of public funds in addressing Minnesota's library service needs.

Relationship to Base Budget
This is a one-time initiative.

Key Measures
Duplication of services, best practices, and opportunities for improved efficiencies will be identified in the study.

Statutory Change: Not Applicable

Change Item: MN Library for the Blind - Technology

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends funding for software maintenance and a recording booth upgrade at the Minnesota Library for the Blind and Physically Handicapped (MLBPH) as part of the Small Agency Technology initiative carried by the Office of Enterprise Technology (OET). To receive a portion of the funds appropriated to OET for small agency projects, the Minnesota Department of Education will work with OET to design an effective work plan and then execute an interagency agreement to transfer the funds.

Background

Through the Small Agency Technology initiative, agencies receive funding and technical assistance for projects that help maintain current systems, develop new technology to streamline business processes, and expand electronic provision of government services.

MLBPH offers library services to visually, physically, and reading disabled Minnesotans in partnership with the federal Library of Congress' National Library Service for the Blind and Physically Handicapped (NLS). The library also partners with several in-state agencies such as State Services for the Blind, Communication Center, the Resource Center for the Deaf and Hard of Hearing, and the Minnesota State Academy for the Blind to serve library patrons.

In 2005, MLBPH upgraded the library's computer software to an integrated service system with operation of the host server provided by the software vendor. The software has provided improved services by allowing patrons to view and revise information, to determine if materials are available, and to order books online. The software results in faster processing and has decreased staff time for administrative functions allowing more time for customer assistance. Annual costs fund ongoing maintenance and support services for the system provided by the vendor. No other entity provides maintenance and support for the system.

The National Library Service will introduce new digital talking books in 2008 and the recording booth upgrade is needed to be compatible. The upgrade will also allow the library to record magazines, and books by Minnesota authors or about Minnesota that it currently records using analog technology and distributes on audio cassettes. The digital technology will allow better sound quality and easier conversion and editing options. Digital talking books will be distributed to library users on flash memory cards. The library will need to purchase flash memory cards on an ongoing basis at a cost of approximately $5 each for patrons.

Relationship to Base Budget

This is a one-time expense and will not be added to the agency's base budget.

Key Measures

⇒ By coordinating small agency technology programs, OET will help the state realize economies of scale and ensure consistent methodology for project planning and implementation.

⇒ By working with OET, the MLBPH will accurately document technology problems that impede the agency from fulfilling its mission, determine the extent of foundational technology upgrades required for effective operations, and then implement changes in a cost-effective manner that better align technology with agency business needs.

⇒ Software support and maintenance will be available for the computer system to maintain and improve library services.
⇒ The quantity and quality of recorded materials available for users of MLBPH will be increased.

Statutory Change: Not Applicable

Activity Description

Citation: M.S. 134.31; 134.32;134,34; 134.35; 134.47

Regional library basic system support provides state aid to benefit public libraries for interlibrary resource sharing programs, shared automation, and coordinated services.

Activity at a Glance

- 12 regional library systems provide services to support 362 public libraries.
- In FY 2005, approximately 51.1 million items were loaned through public libraries, exhibiting a 16% increase in library usage.
- Library programs reached 997,715 children and adults.
- Use of electronic resources surged to over 10 million uses, an increase of 98% in one year.
- 77% of Minnesota residents have library cards.

Population Served

This activity serves Minnesota residents through 12 regional public library systems. Participation in regional public library systems includes all Minnesota counties and serves almost all of the state's residents. These systems are 1) Arrowhead Library System, 2) East Central Regional Library, 3) Great River Regional Library, 4) Kitchigami Regional Library, 5) Lake Agassiz Regional Library, 6) Metropolitan Library Service Agency, 7) Northwest Regional Library, 8) Pioneerland Library System, 9) Plum Creek Library System, 10) Southeastern Libraries Cooperating, 11) Traverse des Sioux Library System, and 12) Viking Library System.

Services Provided

The public makes heavy use of its libraries for self-sufficiency including financial and business decisions, education, self-development, and personal interests. This activity provides the following services to strengthen the ability of libraries across the state to continue services to citizens:

- provides incentives for counties and cities to work together in regional public library systems extending service to all at the most reasonable cost;
- distributes funding between cooperating jurisdictions and encourages sharing the library materials within each region and statewide through library-to-library lending and reciprocal borrowing; and
- maintains and improves the infrastructure for reading and lifelong learning through library programs, materials, and outreach to culturally diverse communities.

Key Measures

Quality library services are available for Minnesotans of all ages.

⇒ In 2005, Minnesota's public libraries ranked 19th among the states in per capita expenditures from state and local funding sources. Minnesota's ranking has been fairly consistent over the past several years.

⇒ From 2000 to 2004, Minnesota per capita state expenditures for libraries decreased from $1.88 to $1.59, a decline of 15.4%. This reflects a national trend where average per capita state expenditures for the same time period declined 13.2%.

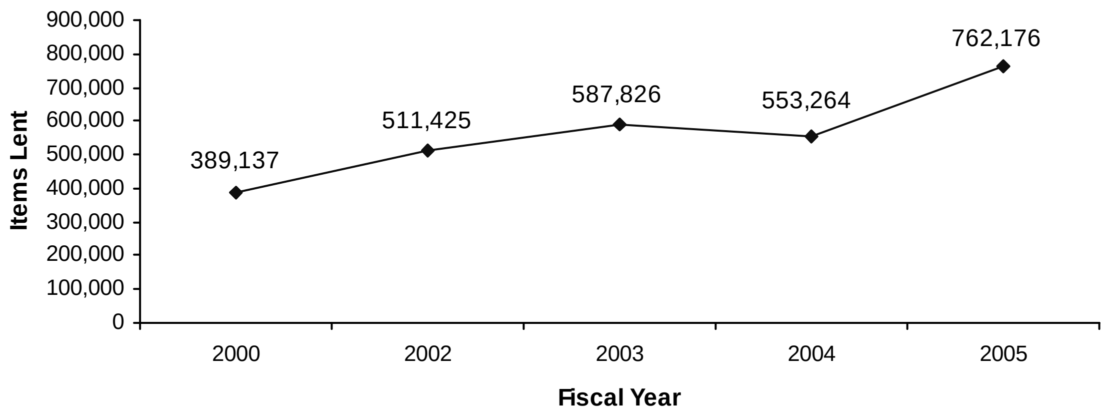
⇒ Access to public library internet computers has improved. The number of available terminals has increased 75% since 2000.

⇒ Centralized, coordinated automation services and technical support ensure stability and equity of resources across regions.

⇒ Regional systems operate delivery services to facilitate resource sharing among participating libraries.

⇒ Library-to-library requests filled within regional public library systems through interlibrary loan increased 38% in FY 2005.

Inter-Library Loan Materials Provided by Public Libraries to Other Libraries



Activity Funding

The basic aid budget activity is funded with state aid distributed by statutory formula using population, area, equalized valuation of property, and a basic amount per system. To qualify for regional library basic system support aid, each participating city and county must meet a minimum level of support based on adjusted net tax capacity. The state appropriation is used to demonstrate state maintenance of effort in order to qualify for the federal library program (Library Services and Technology Act). Local, state, and federal funds are from public funds. The other sources of funds include foundation grants, gifts, and fundraising.

Contact

Additional Information is available from the MDE, State Library Services at (651) 582-8251, http://education.state.mn.us/mde/Learning_Support/Library_Services_and_School_Technology/index.html.

DEPT OF EDUCATION
Program: Library Programs
Activity: Basic Support for Libraries

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
1	Appropriation Excluding Buyback	8,570				
2	Aid Payment Buyback	488				
3	Total Current Appropriation	9,058	8,570	8,570	8,570	17,140
4	**Forecast Base**	**9,058**	**8,570**	**8,570**	**8,570**	**17,140**
5	Governor's Recommendation					
	a. 2% Inflation			155	330	485
6	**Governor's Recommended Appropriation**	**9,058**	**8,570**	**8,725**	**8,900**	**17,625**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
7	Statutory Formula Aid	8,570	8,570	8,570	8,570	17,140
8	Statutory Excess/(Shortfall)					0
9	Appropriated Entitlement	8,570	8,570	8,570	8,570	17,140
10	Adjustments					
11	**State Aid Entitlement Current Law**	8,570	8,570	8,570	8,570	17,140
12	*Governor's Initiatives*					
	a. 2% Inflation			172	347	519
13	**Governor's Aid Recommendation**	**8,570**	**8,570**	**8,742**	**8,917**	**17,659**
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	1,345	857	857	874	1,731
	Current Year (90%)	7,713	7,713	7,868	8,026	15,894
	Total State Aid - General Fund	**9,058**	**8,570**	**8,725**	**8,900**	**17,625**

Activity Description

Citation: M.S. 134.351; 134.353; 134.354

State aid improves library services through seven multicounty, multitype library cooperation systems serving school, public, academic, and agency libraries within defined multiple county regions.

Activity at a Glance

- ♦ Encourage and facilitate resource sharing among different types of library programs.
- ♦ Provide training opportunities for teacher-librarians and teachers.

Population Served

This activity focuses its services on school and special libraries in the state of Minnesota through seven regional multicounty, multitype library cooperation systems. Capacity-building and collaborative sharing of resources between all types of libraries including public and academic are the main strategies used. Currently, 1,891 members with almost 2,200 library outlets of all types in Minnesota work together.

Seven multicounty, multitype library cooperation systems were established in 1980 to facilitate cooperation between libraries not included in the regional public library systems. The systems and numbers of school and special libraries that are members of each system are listed below.

Library System	Academic	Public	School	Special	Totals
Central Minnesota Library Exchange	9	45	205	23	282
Metronet	49	113	380	54	596
North Country Library Cooperative	12	32	107	19	170
Northern Lights Library Network	18	40	202	14	274
Southcentral Minnesota Inter-Library Exchange	6	40	89	16	151
Southeast Library System	13	39	137	17	206
Southwest Area Multicounty Multitype Inter-Library Exchange	8	60	132	12	212
Grand Totals:	115	369	1,252	155	1,891

Services Provided

This program provides support to improve library services through:

- ♦ developing and implementing strategic plans that address the needs of the region with available library and information resources;
- ♦ providing communication systems among participating libraries;
- ♦ operating and improving delivery services to facilitate resource sharing among participating libraries;
- ♦ assisting with training on and development of electronic resources; and
- ♦ helping with the organization and promotion of opportunities for continued staff development and expertise in new technologies and other services for the public.

Key Measures

Based upon their strategic plans, each system reports on goals accomplished on an annual basis. The following are examples of accomplishments.

- ⇒ *Central Minnesota Library Exchange:* Encouraging K-12 teachers to use multi-media lesson kits created by the Center for Holocaust and Genocide Education, St. Cloud State University, with lesson plans, videos, and multiple copies age-appropriate books.
- ⇒ *Metronet:* Working with four other library support agencies, sponsored a disaster planning workshop in the eastern and western portions of the Twin Cities metro area attended by 60 library staff.
- ⇒ *North County Library Cooperative:* Cataloging school media center collections to prepare them for joining the regional automation system.
- ⇒ *Northern Lights Library Network:* Creating an electronic catalog that contains 832,000 items from 70 private and public school libraries using No Child Left Behind, Enhancing Education Through Technology grant funds. (Inter-Library Loan (*ILL) is not a function of this project.)*

⇒ *Southcentral Minnesota Inter-Library Exchange:* Distributing information packets to new and returning school librarians concerning the reference resources of the Electronic Library of Minnesota, SOCRATES E-curriculum, and system services available to them.
⇒ *Southeast Library System:* Providing onsite consulting and training for school media specialists and teachers on integration of electronic resources in the curriculum.
⇒ *Southwest Area Multicounty Multitype Inter-Library Exchange:* Hosting web pages of 20 members.

Activity Funding

A formula established by rule sets operating grant awards that allocate 60% of available funds equally among the systems, 20% of available funds in an equal amount per capita, and 20% of available funds in an equal amount per square mile. This aid program is supported totally with state funds.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional Information is available from the MDE, State Library Services, (651) 582-8890, http://education.state.mn.us/mde/Learning_Support/Library_Services_and_School_Technology/index.html.

Dollars in Thousands

	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Appropriation Excluding Buyback	903				
2 Aid Payment Buyback	51				
3 **Governor's Recommended Appropriation**	**954**	**903**	**903**	**903**	**1,806**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
5 Statutory Formula Aid	903	903	903	903	1,806
6 Statutory Excess/(Shortfall)					0
7 Appropriated Entitlement	903	903	903	903	1,806
8 Adjustments					
9 **State Aid Entitlement Current Law**	903	903	903	903	1,806
Appropriations Basis for State Aid					
Prior Year (20%/15.7%)	141	90	90	90	180
Current Year (80%/84.3%)	813	813	813	813	1,626
Total State Aid - General Fund	**954**	**903**	**903**	**903**	**1,806**

Activity Description

Citation: Minnesota Session Laws 2005, First Special Session, Chapter 5, Article 6, Section 1, Subd. 4.

This program establishes funding for statewide access to a basic suite of licensed electronic resources.
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Activity at a Glance

- ♦ Statewide licensing of information databases ensures maximized use of tax dollars with statewide impact. As user numbers increase, the cost per use declines.
- ♦ Use of electronic resources has steadily increased across Minnesota, experiencing a 97.8% increase in uses in FY 2005. This represents over 10 million requests. There were 6.8 million ELM searches in FY 2003.
- ♦ Ensures equal access to a core of quality resources by all Minnesota school children regardless of their location.

Population Served

Provides access for all Minnesota residents from school, public library, academic library, home, or business. This program ensures basic equity of access to core resources for all residents.

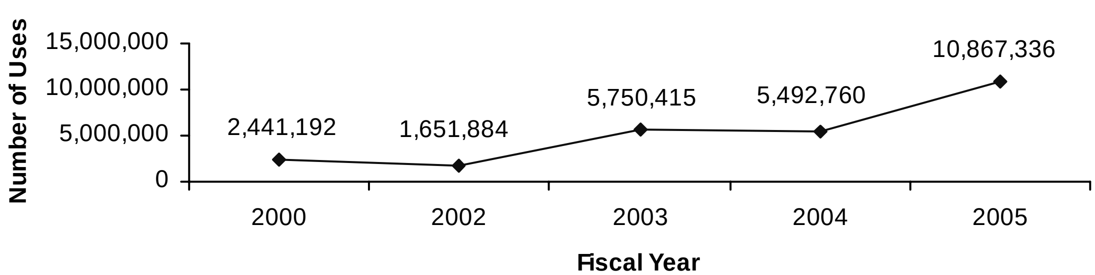
Services Provided

Electronic Library of Minnesota (ELM) provides students, parents, teachers, and citizens access to a basic database suite of indexes, full text of articles in magazines and other materials needed for education, health, research, business, and lifelong learning. The electronic library leverages purchasing power for statewide licensing of electronic databases and ensures all students have equitable access to a broad range of electronic resources to assist them in meeting educational standards. Funding enables access to the databases in classrooms, school media centers, public libraries, at work, and from home.

Key Measures

⇒ Maintain and support statewide access to electronic resources through an interagency agreement between the Minnesota Department of Education (MDE), State Library Services, and the Office of Higher Education, MINITEX, Library Information Network.
⇒ Integrate with and leverage other state, regional, and local resources.
⇒ Build upon or support collaboration with all types of libraries and information resource providers.

Uses of Libraries' Electronic Resources



Activity Funding

Currently, funding for ELM comes through an appropriation to MDE and funding from the Office of Higher Education.

Contact

Additional information is available from the MDE, State Library Services, (651) 582-8251, http://education.state.mn.us/mde/Learning_Support/Library_Services_and_School_Technology/index.html.

DEPT OF EDUCATION
Program: LIBRARY PROGRAMS
Activity: ELECTRONIC LIBRARY

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	900	900	900	900	1,800
Subtotal - Forecast Base	900	900	900	900	1,800
Total	**900**	**900**	**900**	**900**	**1,800**
Expenditures by Fund					
Direct Appropriations					
General	900	900	900	900	1,800
Total	**900**	**900**	**900**	**900**	**1,800**
Expenditures by Category					
Local Assistance	900	900	900	900	1,800
Total	**900**	**900**	**900**	**900**	**1,800**

Activity Description

Citation: M.S. 134.355

The Regional Library Telecommunications Aid (RLTA) program provides state aid to public libraries for data and video access costs and other related costs to improve or maintain electronic access to the state information infrastructure and to facilitate resource sharing.

Activity at a Glance

- ♦ 362 public library buildings are served through this program.
- ♦ Bandwidth in regional public library systems has expanded from 164 T1 lines to 187 since 2004.
- ♦ Connectivity and improved bandwidth facilitates resource sharing and access to electronic resources such as the Electronic Library for Minnesota (ELM) and MnLINK.

Population Served

This activity serves Minnesotans statewide through 12 regional public library systems. Participation in regional public library systems includes all Minnesota counties and serves 99.7% of the state's population. These systems are 1) Arrowhead Library System, 2) East Central Regional Library, 3) Great River Regional Library, 4) Kitchigami Regional Library, 5) Lake Agassiz Regional Library, 6) Metropolitan Library Service Agency (MELSA), 7) Northwest Regional Library, 8) Pioneerland Library System, 9) Plum Creek Library System, 10) Southeastern Libraries Cooperating (SELCO), 11) Traverse des Sioux Library System, and 12) Viking Library System.

Services Provided

The public uses public libraries for information and self-sufficiency including access to resources for financial business decisions, education, self-development, and personal interests. Libraries are a destination for people to come and use electronic resources. RLTA facilitates optimal access and connections to the statewide electronic infrastructure and supports equity of access to electronic resources. It allows libraries to capitalize on other federal, state, and local investments in electronic access. Among the activities supported through connectivity are:

- ♦ automation activities for cost-effectiveness in resource sharing;
- ♦ connectivity necessary to access licensed online full-text databases provided by state funds allocated to support the ELM;
- ♦ access to the Internet necessary for e-government, job centers, immigration services, tax filing, and other activities requiring use of the internet;
- ♦ interconnectivity and interoperability with school districts, post-secondary education or other governmental agencies;
- ♦ community access to high-speed Internet links; and
- ♦ integration of new technology and training.

Historical Perspective

State funding of regional public library systems was established to provide equitable library services across Minnesota. Telecommunications aid supports electronic resource sharing through the most cost-effective means possible. The telecommunications aid program began in 1996 to encourage interconnectivity and more equity of access.

Key Measures

Quality library services are available for Minnesotans of all ages.

The RLTA program has enabled branch/member libraries of the regional public library systems to expand telecommunications bandwidth and connectivity.

- ⇒ Some regional public library systems have shared T1 lines with public schools for cost savings.
- ⇒ Other systems have experimented with telecommunications technology such as satellite, cable, fiber optics, wireless, and DSL in order to reduce costs.

As a result of improved connectivity, online public access catalogs make more resources available for Minnesotans to borrow or access, with the following results.

⇒ Library to library requests filled between public libraries through interlibrary loan increased 38% from 553,264 in 2004 to 762,178 in 2005.
⇒ Users of electronic resources in libraries reflects a steady increase, dramatically exhibited by a 98% increase in usage between 2004 (5,492,760 uses) and 2005 (10,867,336 uses).

Activity Funding

The RLTA budget activity is funded with state aid distributed on a prorated actual cost basis for regional public library system branches/members who meet the aid program criteria. The regional public library systems are required to apply for the federal E-rate program which provides discounts and/or reimbursements to assist eligible schools and libraries to obtain telecommunications and Internet access. The discounts or reimbursements depend upon the level of poverty and the urban/rural status of the population served by the applicant. The E-rate program is an unstable source of funding because federal funding is prorated based on national demand. Telecommunications vendor costs by sites vary considerably across the state. The need for more broadband access continues to increase in order to support more complex internet applications

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, State Library Services (651) 582-8251, http://education.state.mn.us/mde/Learning_Support/Library_Services_and_School_Technology/index.html.

Dollars in Thousands

	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Appropriation Excluding Buyback	1,200				
2 Aid Payment Buyback	68				
3 **Governor's Recommended Appropriation**	**1,268**	**1,200**	**1,200**	**1,200**	**2,400**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
5 Statutory Formula Aid	1,200	1,200	1,200	1,200	2,400
6 Statutory Excess/(Shortfall)					0
7 Appropriated Entitlement	1,200	1,200	1,200	1,200	2,400
8 Adjustments					
9 **State Aid Entitlement Current Law**	1,200	1,200	1,200	1,200	2,400
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	188	120	120	120	240
Current Year (90%)	1,080	1,080	1,080	1,080	2,160
Total State Aid - General Fund	**1,268**	**1,200**	**1,200**	**1,200**	**2,400**

Activity Description

Citation: 20 US Code 9121-963

The purpose of the federal Library Services and Technology Act (LSTA) program is to improve and enhance services to underserved populations, to build electronic linkages and networks that support library services, and to encourage creative and innovative model programs.

Activity at a Glance

- Federal funding 2006 – $2,864,372
- Statewide projects promote efficiencies in resource sharing

Population Served

This activity serves the library community statewide through all types of libraries. Enhancement to existing services or increased capacity in programs impacts all residents of Minnesota.

Services Provided

The state plan for use of federal funds provides for carrying out state goals and priorities within the following federal purposes:

- to improve library services through the use of technology;
- to encourage libraries to establish consortia and share resources;
- to target library services to persons having difficulty using a library and to underserved urban and rural communities; and
- to support the development and improvement of library services.

The state uses LSTA funds to carry out enhancement programs and capacity building components in the Minnesota five-year state plan for LSTA, 2003-2007. The federal program requires a state plan for library services including the LSTA plan and goals to accomplish federal purposes.

All libraries which meet the criteria for the program are eligible applicants. The state library agency can fund statewide library initiatives with federal LSTA dollars. Up to a maximum of 4% of the appropriation can be used annually for administration purposes at the state level.

Key Measures

In awarding grants, the department considers the following criteria:

- fulfillment of federal LSTA purposes, the Minnesota five-year LSTA plan goals, activities and measurements, the State Plan for Libraries, and the School Technology State Plan;
- adherence to Minnesota priority activity requirements as established by the Minnesota State Library Advisory Council in conjunction with the department;
- integration with and leveraging of other regional and state initiatives;
- congruence with strategic and technology plans pertinent to the applicant at the local and regional level;
- outcomes of the proposed project;
- building upon or supporting collaboration with other libraries and non-library partners; and
- sustainability of the project after the initial grant.

Goals and activities established under the new Minnesota LSTA Plan – 2003 – 2007.

- Goal 1A – Target programming for seniors
- Goal 1B – Target programming for individuals with limited English proficiency
- Goal 1C – Target programming for individuals with disabilities
- Goal 1D – Target programming to children living in poverty (0-17)
- Goal 2A – Technology and infrastructure
- Goal 2B – Professional development and training
- Goal 2C – Strategic planning

Activity Funding

Federal allocations awarded to Minnesota are based on the federal fiscal year calendar beginning on October 1. Each annual federal allocation has a two-year window of opportunity to fully expend the funds.

The LSTA program allotment is matched by the state and is calculated in a formula to include federal LSTA dollars and maintenance of effort from state dollars. The total annual state appropriations for the regional library basic system support program and the multicounty, multitype cooperative systems program currently meet the LSTA maintenance of effort funding requirements. The annual federal LSTA allotment will be reduced if the level of state expenditures for the previous fiscal year is less than the average of the total of such expenditures for the three fiscal years preceding that previous fiscal year.

The state dollars to include maintenance of effort funds must adhere to the federal LSTA goals for funding as set by the federal LSTA program and the state plan.

Contact

Additional information is available from the MDE, State Library Services, (651) 582-8805, http://education.state.mn.us/mde/Learning_Support/Library_Services_and_School_Technology/index.html.

DEPT OF EDUCATION
Program: LIBRARY PROGRAMS
Activity: FEDERAL LIBRARY PROGRAMS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Federal	1,160	1,745	735	735	1,470
Total	**1,160**	**1,745**	**735**	**735**	**1,470**
Expenditures by Category					
Local Assistance	1,160	1,745	735	735	1,470
Total	**1,160**	**1,745**	**735**	**735**	**1,470**

Budget Activities

⇒ Early Childhood/Family Education
⇒ School Readiness
⇒ Kindergarten Entrance Assessment
⇒ Health and Development Screening
⇒ Infants and Toddlers-Part C
⇒ Head Start Program
⇒ Educate Parents Partnership

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	46,733	49,676	49,676	49,676	99,352
Technical Adjustments					
Current Law Base Change			2,260	3,871	6,131
End-of-session Estimate			909	1,459	2,368
November Forecast Adjustment		(304)	(2,105)	(3,147)	(5,252)
One-time Appropriations			(30)	(30)	(60)
Subtotal - Forecast Base	46,733	49,372	50,710	51,829	102,539
Governor's Recommendations					
Special Education Funding Changes		0	(427)	(1,055)	(1,482)
Early Childhood Scholarship Program		0	392	28,509	28,901
ECFE Accountability		0	211	196	407
Early Childhood Teacher Training		0	155	70	225
School Readiness Improvement		0	4,183	4,183	8,366
Total	**46,733**	**49,372**	**55,224**	**83,732**	**138,956**
Expenditures by Fund					
Direct Appropriations					
General	46,126	49,490	55,224	83,732	138,956
Statutory Appropriations					
Misc Special Revenue	29	30	30	30	60
Federal	5,835	5,607	6,865	6,865	13,730
Total	**51,990**	**55,127**	**62,119**	**90,627**	**152,746**
Expenditures by Category					
Total Compensation	0	99	681	681	1,362
Other Operating Expenses	0	268	432	367	799
Local Assistance	51,990	54,760	61,006	89,579	150,585
Total	**51,990**	**55,127**	**62,119**	**90,627**	**152,746**
Expenditures by Activity					
Early Childhood/Family Educ	15,029	17,712	18,472	18,901	37,373
School Readiness	9,499	9,087	9,095	9,095	18,190
Kindergarten Entrance Exam	0	287	287	287	574
Hlth & Development Screening	2,645	2,933	3,207	3,371	6,578
Infants & Toddlers-Part C	5,835	5,810	6,967	6,865	13,832
Head Start Program	18,982	19,218	19,100	19,100	38,200
Educate Parents Partnership	0	80	50	50	100
Early Childhood Scholarship	0	0	392	28,509	28,901
Ecfe Accountability	0	0	211	196	407
Early Childhood Tchr Training	0	0	155	70	225
School Readiness Improvement	0	0	4,183	4,183	8,366
Total	**51,990**	**55,127**	**62,119**	**90,627**	**152,746**
Full-Time Equivalents (FTE)	**0.0**	**1.0**	**7.0**	**7.0**	

Change Item: Early Childhood Scholarship

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$392	$28,509	$28,509	$28,509
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$392	$28,509	$28,509	$28,509

Recommendation

The Governor recommends $392,000 for FY 2008 for the development and $28,509,000 for FY 2009 and later years for the implementation of an early childhood scholarship fund to improve the school readiness of pre-kindergarten children at risk of being unprepared for kindergarten.

Background

Minnesota School Readiness Study: Developmental Assessment at Kindergarten Entrance data demonstrates the relationship between developmental assessment by domains in the "not yet" category of readiness levels and total household yearly incomes. In all developmental domains of social development, language and literacy, mathematical thinking, the arts, and physical development, the percentage of kindergarteners "not yet'' showing the skills, areas of knowledge, or specific sets of behaviors or accomplishments is highest in the lowest income areas as compared to higher income levels. In language and literacy overall 12% of children rated "not yet." In mathematical thinking 11% of children rated "not yet."

In the July 2006 Minnesota Governor's Summit on School Readiness, ten program elements well grounded in research were identified as critical to improving the readiness of children most at-risk for school failure including instruction that accelerates literacy and language development and mathematical thinking, and instructional content and activities that are of sufficient length and intensity.

The commissioner will establish an early childhood scholarship program for parents or guardians of four-year-old children with a household income that does not exceed 180% of the federal poverty guidelines. Beginning in FY 2009, scholarship funds up to $4,000 per eligible child will be available to support participation in an approved public or private early childhood program the year prior to kindergarten entrance in order to positively impact the K-12 achievement gap.

Based on three years of the *Minnesota School Readiness Study: Developmental Assessment at Kindergarten Entrance* and national research, quality early childhood programs improve student outcomes for low-income children most at-risk for not being fully prepared for kindergarten. This proposal supports parents' access to rigorous kindergarten readiness programs the year prior to kindergarten entrance so that the percentage of low-income kindergarteners demonstrating skills, knowledge, and behaviors is more comparable to children from higher income families.

For additional information on the *Minnesota School Readiness Study* visit the following link: http://education.state.mn.us/mdeprod/groups/EarlyLearning/documents/Report/004620.pdf.

Relationship to Base Budget

This is a new program.

Key Measures

⇒ The number of approved kindergarten readiness programs.
⇒ The number of scholarships awarded.

⇒ An increase in the number of at-risk children demonstrating proficiency in skills, knowledge and behaviors necessary for school success.

Statutory Change: New section established within M.S. 124D.

Change Item: Early Childhood Family Education Accountability

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$211	$196	$196	$196
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$211	$196	$196	$196

Recommendation

The Governor recommends $211,000 for FY 2008 and $196,000 for FY 2009 and later years for the implementation of Early Childhood Family Education (ECFE) program accountability requirements.

Background

This proposal establishes the ECFE program purpose as "to provide parenting education to support children's learning and development" and clarifies requirements for both program accountability and revenue provisions by requiring districts to submit biennial program plans to ensure participation by families representative of the community. The proposal also limits equipment expenditures to 10% of total program revenue.

Beginning in FY 2011, a district may not certify an ECFE levy unless it has submitted an annual program data report for the prior year and has an approved biennial plan on file with the commissioner.

In June and July 2006, a Governor's Summit on School Readiness was convened. Using a research-based framework, the summit provided an opportunity to analyze current early childhood program statutes, including ECFE, and as a result several ECFE program and accountability recommendations were made.

Currently, the school readiness and head start programs' statutes require the submission of a plan or application prior to funding approval. The submission of these documents ensures program objectives are being achieved and services are provided. This proposal brings ECFE requirements in line with other state-funded early childhood programs.

Relationship to Base Budget

This is a new program.

Key Measures

⇒ The number of program plans submitted.

⇒ The number of programs with participation representing the racial, cultural, and economic diversity of the community.

Statutory Change: M.S. 124D.13 and M.S. 124D.135.

Change Item: Early Childhood Teacher Training

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$155	$70	$70	$70
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$155	$70	$70	$70

Recommendation

The Governor recommends $155,000 for FY 2008 and $70,000 in FY 2009 and later years for the development and implementation of a training program to improve the school readiness of pre-kindergarten children.

Background

In the July 2006 Minnesota Governor’s Summit on School Readiness, ten program elements well grounded in research were identified as critical to improving the readiness of children most at-risk for school failure. Two specific elements, quality curriculum (with specific, focused content) and effective child assessments are elements that can be improved through targeted professional development. Strong teacher observation skills are critical for child assessment; strong assessment skills create meaningful results; meaningful results guide the development and implementation of intentional curriculum and effective instruction.

Early childhood programs are a combination of public and private programs with varying staff qualification requirements for teachers and caregivers. Skills in child observation, child assessment and curriculum planning are critical to improve school success, particularly of at-risk children. Unless teachers hold early childhood licensure, they are not required to have training in these areas. Currently, school readiness, head start, and child care programs do not require that teachers hold licensure.

This proposal brings targeted training through the development of foundational and sequential training modules to programs that do not require teachers to be licensed. Through this proposal the commissioner will ensure and reinforce the alignment between early learning guidelines and K-12 standards and will maintain the integrity and rigor of the training content.

Relationship to Base Budget

This initiative will increase the state base budget by $155,000 in FY 2008 and $70,000 in FY 2009.

Key Measures

⇒ Three training modules are developed.
⇒ The number of early childhood professionals trained throughout the state.

Statutory Change: Amend M.S. 124D.

Change Item: School Readiness Improvement

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$4,183	$4,183	$4,183	$4,183
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4,183	$4,183	$4,183	$4,183

Recommendation
The Governor recommends $4.183 million for FY 2008 and for FY 2009 and later years to improve educational offerings in school readiness and head start programs and to embed an educational component in child care center programs.

Background
Minnesota School Readiness Study: Developmental Assessment at Kindergarten Entrance data demonstrates the relationship between developmental assessment by domains in the "not yet" category of readiness levels and total household yearly incomes. In all developmental domains of social development, language and literacy, mathematical thinking, the arts, and physical development, the percentage of kindergarteners "not yet" showing the skills, areas of knowledge, or specific sets of behaviors or accomplishments is highest in the lowest income areas as compared to higher income levels. In language and literacy overall, 12% of children rated "not yet." In mathematical thinking 11% of children rated "not yet."

In the July 2006 Minnesota Governor's Summit on School Readiness, ten program elements well grounded in research were identified as critical to improving the readiness of children most at risk for school failure. Three of the identified elements that positively impact the daily education experience of young children are:

- ♦ compensatory services – instruction that accelerates literacy and language development; and mathematical thinking;
- ♦ instructional content and activities that are of sufficient length and intensity; and
- ♦ highly trained professionals.

Currently school readiness, head start, and child care programs do not meet these conditions.

This proposal offers a cost-effective way to improve the educational experience of four-year-olds in child care and early childhood programs who are at-risk for not being prepared for kindergarten by utilizing public school early childhood teachers trained to deliver focused educational content during scheduled blocks of time. By utilizing public school early childhood teachers, the commissioner can ensure and reinforce the alignment of the educational experiences in these programs with the early learning guidelines and K-12 standards and will maintain the integrity and rigor of the instructional content.

Relationship to Base Budget
This initiative is a new ongoing program.

Key Measures
- ⇒ The number of grants awarded.
- ⇒ An increase in the number of at-risk children demonstrating proficiency in skills, knowledge, and behaviors necessary for school success.

Statutory Change: Amend M.S. 124D.

Activity Description

Citation: M.S. 124D.13; 124D.135; 124D.15

The early childhood family education (ECFE) program is funded by state aid and local levy. The program provides early childhood education, parent-child learning opportunities, and parent education that enhance the ability and skills of parents to promote their children's development.

Activity at a Glance

FY 2005

- Over 271,500 children and parents participated.
- More than 19,700 referrals were made to ECFE from other community programs.
- 23,500 children were referred to other programs by EFCE.

Population Served

All families with children ages birth to kindergarten are eligible for ECFE. ECFE served 125,900 children and 145,600 parents in FY 2005. Expectant parents and family relatives may also participate. The program is administered through local school districts.

Services Provided

ECFE programs typically include the following services.

- parent discussion groups
- parent-child interaction
- play and learning activities that promote children's development
- home visits
- special events for the entire family
- information on community resources
- libraries of books, toys, and other learning materials

If funds are insufficient to provide programs for all children, ECFE is encouraged to emphasize programming for children birth to age three and encourage parents to involve four and five year old children in school readiness programs and other public and nonpublic early learning programs.

Historical Perspective

⇒ ECFE pilot programs were established in 1974. In 1984, the legislature made it possible for any school district with a community education program to establish the program. ECFE was offered in all 341 school districts in 2005.

Key Measures

Increase the number of parents receiving the education and the support they need to assist their children's development and learning.

⇒ In a 1999 study of parents with infants, parents reported that their ECFE participation resulted in improved understanding of how infants learn and develop (83%), how to support their infant's learning and development (81%), improved confidence as a parent (79%), improved understanding and response to their child's behavior (76%), and making connections with other parents (73%).

Increase the percentage of parents involved in activities at home, school, and in the community related to their children's learning, development, and education.

⇒ A 2003 study on parent involvement in kindergarten and grade three education comparing former ECFE participants and non-ECFE participants found that ECFE participating parents were more likely to

- read or tell stories with their child nearly every day (kindergarten-79% compared to 67%; grade three-48% compared to 38%),
- regularly visit libraries (kindergarten-37% compared to 25%; grade three-31% compared to 20%),
- volunteer in the classroom (kindergarten-65% compared to 39%; grade three-58% compared to 37%), and

- serve on PTA advisory committees or school site councils (kindergarten-20% compared to 6%; grade three-18% compared to 8%).

Activity Funding

A statutory formula generates annual revenue of $112 per district resident under the age of five, as reported by the district in its annual 0-4 Census count for the prior year. Statutes fix the amount of annual ECFE revenue from local levies at $22.135 million and require the department each levy cycle to set a tax rate that will generate this amount of revenue statewide. A district's levy may not exceed its formula revenue; a district with a property tax base that yields a levy less than its formula revenue is entitled to state aid for the amount of the difference. In 2005, 45 districts generated 100% of their revenue from levy.

State aid and local levy comprise three-quarters of the revenue districts generate for ECFE Programs, which includes fees, grants, and revenue from other sources. Statutes require that districts have a "reasonable sliding fee scale" for ECFE, but waive the fee for any participant not able to pay. In FY 2005, districts reported generating more than $5.8 million in fees, about 13% of total ECFE revenue.

Statutes require school districts to maintain a separate reserve account in the community service fund for ECFE. The ECFE reserve account's average fund balance for the most recent three-year period must not exceed 25% of the prior year's program revenue.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Early Learning Services, (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

DEPT OF EDUCATION
Program: Early Childhood Family Support
Activity: Early Childhood & Family Education — Budget Activity Summary

Dollars in Thousands

			Current		Governor's Rec.		Biennium
		Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
		General Fund					
	1	Appropriation Excluding Buyback	14,260				
	2	Aid Payment Buyback	845				
	3	Total Current Appropriation	15,105	17,792	17,792	17,792	35,584
		a. End of Session Estimate			700	1,132	1,832
		b. Cancellation	(102)				0
		c. Transfer per M.S. 127A.41	(3)				
		d. November Forecast Adjustment		(110)	(50)	(53)	(103)
	4	**Governor's Recommended Appropriation**	**15,000**	**17,682**	**18,442**	**18,871**	**37,313**
District Revenue Summary (Entitlement Basis)							
AID		**State Aid**					
	5	Statutory Formula Aid	14,612	18,012	18,490	18,913	37,403
	6	Statutory Excess/(Shortfall)	105	122			0
	7	Appropriated Entitlement	14,717	18,134	18,490	18,913	37,403
	8	Adjustments					
		a. Appropriation Reduction		(122)			
		b. Cancellation	(102)				
		c. Transfer per M.S. 127A.41	(3)				
	9	**State Aid Entitlement Current Law**	14,615	18,012	18,490	18,913	37,403
plus							
LEVY		**Levy**					
	10	Local Levy Current Law	21,765	21,982	22,067	22,118	44,185
equals							
REVENUE	11	Current Law Revenue (State Aid & Levy)	36,380	39,994	40,557	41,031	81,588
Appropriations Basis for State Aid							
		Prior Year (15.7%/10%)	1,859	1,471	1,801	1,849	3,650
		Current Year (90%)	13,246	16,211	16,641	17,022	33,663
		Transfer per M.S. 127A.41	(3)				
		Cancellation	(102)				
		Total State Aid - General Fund	**15,000**	**17,682**	**18,442**	**18,871**	**37,313**
Additional ECFE Revenue-Fund 200							
		ECFE Partnership-Ucare	29	30	30	30	60

Activity Description

Citation: M.S. 124D.15; 124D.16

The purpose of the school readiness program is to prepare children to enter kindergarten. The program is administered through local school districts.

Activity at a Glance

FY 2005

- ♦ 61,523 children and parents participated in the program.
- ♦ Nearly 27,000 referrals were made to and from other community services and programs.
- ♦ Approximately 18,000 children received 30 or more hours per year of services.

Population Served

The program serves children age three years to kindergarten entrance.

Services Provided

Most school-based classroom programs are two and a half hours in length and vary from one day to five days per week. Other programs models include

- ♦ kindergarten transition classes for children and parents;
- ♦ one or two days of child-only activities added to early childhood family education (ECFE);
- ♦ early childhood special education and school readiness integrated classrooms;
- ♦ coordination of referrals and follow-up to early childhood screening;
- ♦ the addition of parent education and special needs services to preschool and center-based child care programs;
- ♦ staff development and consultation for family child care providers; or
- ♦ comprehensive head start and family literacy/English language learner programs.

Recent additions to the program include the following requirements.

- ⇒ Assessment of child's cognitive skills at entrance to program and again at program exit to inform parents and improve program.
- ⇒ Provision of comprehensive program content based on early childhood research and professional practice that is focused on children's cognitive skills and development and prepares children for the transition to kindergarten.

Historical Perspective

The school readiness program was established in 1991.

Key Measures

- ⇒ Since 1994, the Minnesota Department of Education (MDE) has provided training to early childhood teachers on child assessment in order to measure child progress of participating children. Over 50% of the school districts report using the work sampling system of child assessment.
- ⇒ MDE has assessed the school readiness of a representative sample of kindergarten students in the domains of personal and social development, language and literacy, mathematical thinking, the arts, and physical development. Students who consistently perform the indicators in a domain are rated "proficient;" children who perform them sometimes but inconsistently are rated "in process;" and those who cannot perform them are rated "not yet."

FY 2004 Developmental Assessment Results

Developmental Domain	Not Yet	In Process	Proficient
Physical Development	2%	41%	57%
Personal and Social Development	9%	44%	47%
The Arts	6%	48%	47%
Language and Literacy	12%	46%	43%
Mathematical Thinking	11%	50%	40%

Activity Funding

To be eligible to receive state aid, districts must submit a biennial school readiness plan. Each district receives a portion of the total appropriation to provide readiness activities that prepare children for kindergarten. Districts receive aid equal to the number of eligible four year olds in the district on October 1 for the previous school year times the ratio of 50% of the total school readiness aid for that year to the total number of eligible four year olds reported for the previous school year; plus the number of pupils enrolled in the school district from families eligible for the free or reduced school lunch program for the second previous school year times the ratio of 50% of the total school readiness aid for that year to the total number pupils in the state from families eligible for the free or reduced school lunch program for the second previous school year.

Statutes require school districts to maintain a separate reserve account in the Community Service Fund for school readiness. The school readiness reserve account average fund balance for the most recent three-year period must not exceed 25% of the prior year's program revenue. If a district exceeds this limit, the district's state aid entitlement is decreased and the district must fund a portion of program costs with fund balance.

State aid for school readiness has changed little over the past 10 years, and is currently funded at a base level of $9.095 million per year. FY 2005 formula calculation of state aid provided total aid ranging from $706 (Cyrus), $7,561 (Hayfield), $59,154 (Willmar), $110,683 (North St. Paul-Maplewood), $167,439 (Rochester), $360,692 (Anoka-Hennepin), to $895,506 (St. Paul) and $956,503 (Minneapolis). Based on participation of 61,523 children and parents, state aid funded an average of approximately $146 per participant in FY 2005.

School districts reported financial data that shows school readiness aid provided approximately half of the program's total revenue in FY 2005, while a third came from tuition and fees. Districts must adopt a sliding fee schedule based on family income, but must waive the fee for any participant not able to pay. In addition, districts may receive money or in-kind services from public or private organizations.

Contact

Additional information is available from the MDE, Early Learning Services, (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

Dollars in Thousands

	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Appropriation Excluding Buyback	9,014				
2 Aid Payment Buyback	514				
3 Total Current Appropriation	9,528	9,020	9,020	9,020	18,040
a. End of Session Estimate		67	67	75	142
b. November Forecast Adjustment			8		8
c. Cancellation	(29)				0
4 **Governor's Recommended Appropriation**	**9,499**	**9,087**	**9,095**	**9,095**	**18,190**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
5 Statutory Formula Aid	8,985	9,095	9,095	9,095	18,190
6 Statutory Excess/(Shortfall)	29	(74)			0
7 Appropriated Entitlement	9,014	9,021	9,095	9,095	18,190
8 Adjustments					
a. Supplemental Appropriation		74			
b. Cancellation	(29)				
9 **State Aid Entitlement Current Law**	8,985	9,095	9,095	9,095	18,190
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	1,415	901	909	909	1,818
Current Year (90%)	8,113	8,186	8,186	8,186	16,372
Cancellation	(29)				
Total State Aid - General Fund	**9,499**	**9,087**	**9,095**	**9,095**	**18,190**

Activity Description

Citation: Laws M.S. 124D.162

This program provides funding for a kindergarten readiness assessment.

Activity at a Glance

- New program created in the 2006 legislative session.

Population Served

A representative sample of 10% of incoming kindergarteners are assessed within the first six weeks of school.

Services Provided

Kindergarten teachers observe children in the classrooms during the initial six weeks of kindergarten in order to minimize the impact of kindergarten instruction on observational results. Teachers record their observations and submit documentation to the Minnesota Department of Education (MDE) where it is reviewed and forwarded to NCS Pearson for scanning. Results are compiled and given to participating school sites.

Results are used to inform school administrators, teachers, parents, early childhood teachers, child care providers, policymakers, and the public about progress towards the goal of ensuring that children are ready for kindergarten. It is expected that results will be used to plan children's transition from home to school, prepare for teacher conferences, and improve instruction and services to families.

Activity Funding

$287,000 is appropriated each year to implement this program.

Contact

Additional information is available from the MDE, Division of Early Learning Services, (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

DEPT OF EDUCATION
Program: EARLY CHLDHOOD & FAM SUPPORT
Activity: KINDERGARTEN ENTRANCE EXAM

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	287	287	287	574
Subtotal - Forecast Base	0	287	287	287	574
Total	**0**	**287**	**287**	**287**	**574**
Expenditures by Fund					
Direct Appropriations					
General	0	287	287	287	574
Total	**0**	**287**	**287**	**287**	**574**
Expenditures by Category					
Total Compensation	0	99	99	99	198
Other Operating Expenses	0	188	188	188	376
Total	**0**	**287**	**287**	**287**	**574**
Full-Time Equivalents (FTE)	**0.0**	**1.0**	**1.0**	**1.0**	

Activity Description

Citation: M.S. 121A.16; 121A. 17; 121A.19

Early childhood health and developmental screening promotes educational readiness and improved health of young children through the early detection of factors that may impede children's learning, growth, and development.

Activity at a Glance

In FY 2005, a total of 58,861 children were screened. This included:

- 3,879 children served in early childhood special education.
- 3,949 children referred to the school readiness program.
- 6,411 families referred to early childhood family education.
- 1,380 children referred to head start.
- 410 parents referred to adult education/literacy.

Population Served

Every school board must provide for a mandatory program of early childhood developmental screening for children once before school entrance. A child need not submit to this screening if the child's health records indicate to the district that the child has received comparable developmental screening from a public or private health care provider. This program targets children who are between three and four years of age. Districts are required to notify each resident family with an eligible child of the availability of the program and the state's screening requirement.

Services Provided

A screening program must include the following components: developmental assessments, hearing and vision screening or referral, immunization review and referral, the child's height and weight, identification of risk factors that may influence learning, an interview with the parent about the child, and referral for assessment, diagnosis, and treatment when potential needs are identified. A district may offer additional components such as nutritional, physical and dental assessments, review of family circumstances that might affect development, blood pressure, laboratory tests, and health history.

A district must provide the parent or guardian of the child screened with a record indicating the month and year the child received screening and the results of the screening.

Historical Perspective

The early childhood screening program was established in 1977.

Up until FY 2006, statutes set the targeted age for early childhood screening at between the ages of three and a half and four years. The 2005 legislature lowered the targeted ages to between three and four years and changed the aid formula to provide an incentive to districts to screen children within the targeted age range. The legislature also added the requirement that districts assign a student identification number to each child at the time of screening, or at the time health records are presented documenting a comparable screening by another provider.

Key Measures

Increase the percentage of children who receive referrals and services to address health and developmental concerns.

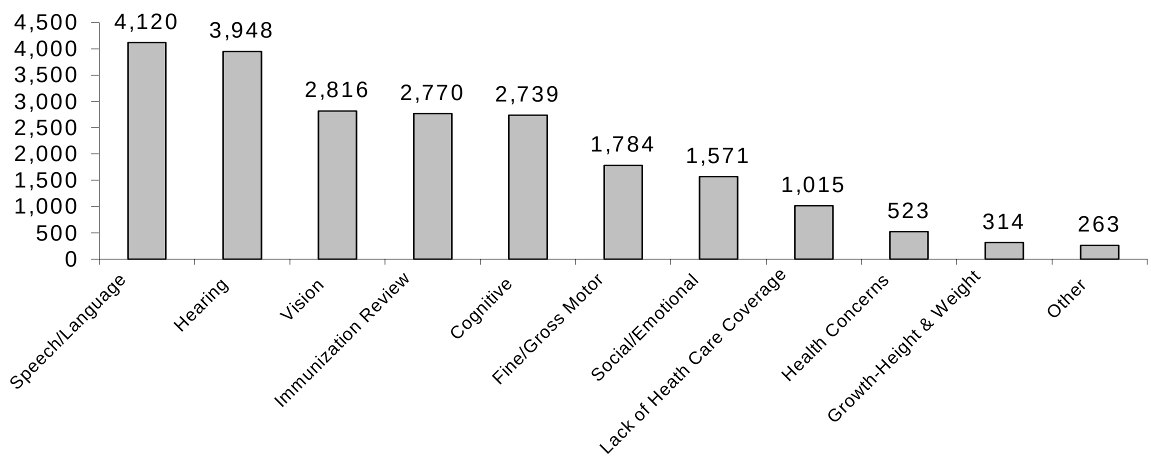
⇒ In FY 2005, over 24,700 referrals were made for potential health or developmental concerns identified at the time of early childhood health and developmental screening. Note: the Minnesota Department of Education (MDE) has implemented a web-based application for reporting annual aggregated early childhood health and development screening data from school districts, including data on the status of children's immunizations, hearing, vision, growth, and access to health care coverage.

⇒ In FY 2004, MDE translated the early childhood screening parent brochure into 10 languages to facilitate outreach to linguistically diverse families.

Increased coordination and integrated screening efforts and follow-up process with county health and social services, school districts, and other providers are implemented through the

- provision of integrated regional staff development opportunities offered jointly by the Minnesota departments of Education, Health, Human Services, and the state Head Start Collaboration Office;
- development of common screening forms for early childhood screening, child and teen checkups/EPSDT (early and periodic screening, diagnosis and treatment), and head start; and
- development of Minnesota child health and developmental screening quality indicators.

2005: Number of Potential Concerns Indentified



Activity Funding

Districts receive state aid for every child screened prior to kindergarten entrance or within 30 days after first entering kindergarten. Districts are reimbursed $50 for each child screened at age three; $40 for each child screened at age four; and $30 for each child screened at age five.

Districts may not charge parents a fee for required screening, but they may charge fees for any of the optional screening components. If the amount of state aid is not sufficient, districts may make a permanent transfer from the general fund to pay for costs not covered by early childhood screening aid. Statutes also encourage districts to reduce screening costs by using volunteers, and public or private health care organizations and providers in providing the screening program.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Early Learning Services, (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

DEPT OF EDUCATION
Program: Early Childhood Family Support
Activity: Health & Developmental Screening

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
1	Appropriation Excluding Buyback	2,820				
2	Aid Payment Buyback	180				
3	Total Current Appropriation	3,000	2,997	2,997	2,997	5,994
	a. End of Session Estimate		(64)	142	252	394
	b. November Forecast			68	122	190
	c. Cancellation	(355)				
4	**Governor's Recommended Appropriation**	**2,645**	**2,933**	**3,207**	**3,371**	**6,578**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
5	Statutory Formula Aid	2,515	2,939	3,237	3,386	6,623
6	Statutory Excess/(Shortfall)	355	72			0
7	Appropriated Entitlement	2,870	3,011	3,237	3,386	6,623
8	Adjustments					
	a. Cancellation	(355)				
	b. Appropriation Reduction					
9	**State Aid Entitlement Current Law**	2,515	3,011	3,237	3,386	6,623
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	417	287	293	323	616
	Current Year (90%)	2,583	2,646	2,914	3,048	5,962
	Cancellation	(355)				
	Total State Aid - General Fund	**2,645**	**2,933**	**3,207**	**3,371**	**6,578**

Activity Description

Citation: M.S.125A.26-125A.48; Part C, IDEA (Individuals with Disabilities Act)

The Part C - Infants and Toddlers Program is a state and federally funded program that provides comprehensive interagency family-centered services to eligible children with disabilities, ages birth to three years, and their families, based upon identified need.

Activity at a Glance

FY 2005

- 3,172 Minnesota children and families received services through an individual family services plan.
- 95 community coordinating committees design comprehensive intervention services for children with disabilities.

Population Served

Eligible infants and toddlers with disabilities birth to age three and their families are served by the program.

Services Provided

The program assists and provides funds to the 95 local Interagency Early Intervention Committees (IEICs) through the IEIC annual application planning process. IEICs are responsible for the development, coordination, and implementation of comprehensive local interagency early childhood intervention services for young children with disabilities and their families. IEIC members include representatives of school districts, county human service agencies, county boards, and early childhood family education programs, parents of young children with disabilities under age 12, and health care providers.

Early intervention services are offered in conformity with an individual family services plan (IFSP) and provided in natural environments including the home, child care setting, early childhood special education (ECSE) program, or other early childhood education settings.

Additional components of the Part C state and local system to enhance quality and accountability include:

- local staff development, opportunities for occupational therapists, ECSE staff, speech pathologists, physical therapists, physicians, nurses, nutritionists, and child care providers;
- technical assistance to local areas through the Minnesota Technical Assistance for Family Support, Early Hearing Detection and Intervention Network, Project Exceptional for inclusive child care, and the Autism Network;
- the development of web-based applications to serve as a resource for parents, teachers, and others;
- the central directory and 800 number which provides parents with referral and resource information;
- local and state interagency agreements that include procedures for intra- and interagency dispute resolution, complaints, agency roles and responsibilities for child find, services, service coordination, financial commitments, and data collection;
- due process procedures for families and providers; and
- coordination with child care providers and other early childhood service providers is used to improve Child Find.

Historical Perspective

Minnesota has participated in Part C (formerly Part H), IDEA (Individuals with Disabilities Education Act) since 1987.

The Minnesota Department of Education (MDE), designated by the state as the lead agency, together with the Minnesota Department of Health (MDH); and Department of Human Services (DHS) work together with local IEICs to provide coordinated interagency services and funding for each eligible child and family. The Governor's Interagency Coordinating Council on Early Childhood Intervention (ICC) serves in an advisory role.

Key Measures

The percentage of infants and toddlers birth to age three (particularly under one year of age) and their families who have IFSPs is increased and is proportional to the general state population. The goal is to have 2.44% of children in this age range participating in FY 2011.

The number of eligible children, birth to age three, with an IFSP on December 1 of each year has increased from 2,312 in 1993 to 3,209 in 2005.

	Children and Their Families with an IFSP on December 1					
	FY 2000	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**
Number of children and their families participating with IFSPs	2,464	2,540	2,734	2,523	3,039	3,209
Percentage of children participating (est.)	1.26%	1.32%	1.44%	1.28%	1.50%	NA*

*The percentage of children participating is based upon federal estimates and is provided to the states by the U.S. Department of Education, Office of Special Education Programs. The data for 2005 is not yet available.

Activity Funding

Minnesota's federal allocation for Part C is based on the number of all children in the cohorts from birth to age three annually.

State funding of $400,000 is appropriated in FY 2007 for program expansion, and amounts of $2.660 million and $4.271 million are included in the appropriation base for FY 2008 and FY 2009, respectively.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Early Learning Services at (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

DEPT OF EDUCATION
Program: Early Childhood Family Support
Activity: Infants & Toddlers – Part C

Budget Activity Summary

		Dollars in Thousands				
		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
1	Current Appropriation		400	400	400	800
	a. End of Session Estimate			2,260	3,871	6,131
	b. November Forecast Adjustment		(197)	(2,131)	(3,216)	(5,347)
2	**Forecast Base**	**0**	**203**	**529**	**1,055**	**1,584**
3	Governor's Recommendation					
	a. Roll into Special Educ - Regular & Excess Cost			(427)	(1,055)	(1,482)
4	**Governor's Recommended Appropriation**	**0**	**203**	**102**	**0**	**102**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
5	Statutory Formula Aid	0	305	641	1,148	1,789
6	Statutory Excess/(Shortfall)		95			0
7	Appropriated Entitlement	0	400	641	1,148	1,789
8	Adjustments					
	a. Appropriation Reduction		(197)			
9	**State Aid Entitlement Current Law**	0	203	641	1,148	1,789
10	Governor's Recommendation					
	a. Roll into Special Educ - Regular & Excess Cost			(641)	(1,148)	(1,789)
11	**Governor's Aid Recommendation**	**0**	**203**	**0**	**0**	**0**
12	**Other Revenue**					
	a. Federal	5,896	6,371	6,972	6,974	13,946
13	**Total All Sources Current Law**	5,896	6,574	7,613	8,122	15,735
14	**Governor's Total Revenue Recommendation**	5,896	6,574	6,972	6,974	13,946
Appropriations Basis for State Aid						
	Current Year (90%)		203	0	0	0
	Prior Year (10%)			102	0	102
	Total State Aid - General Fund	**0**	**203**	**102**	**0**	**102**

Activity Description

Citation: M.S. 119A.50-119A.545; 42 U.S.C.9840 et seq.

The head start program promotes school readiness of low-income children by enhancing social and cognitive development through the provision of comprehensive health, educational, nutritional, and other services. Research has shown that families with the highest risk factors gain the most from high quality early childhood programming.

Activity at a Glance

In FY 2005

- ♦ 36 head start programs enrolled about 16,800 children; over 2,900 of these children were served with state funds.
- ♦ 14.2% of enrolled children had a diagnosed disability.

Population Served

Head start primarily serves three to five year olds from low-income families. Some programs also receive funds to serve infants, toddlers, and pregnant mothers in early head start programs. At least 90% of enrolled children must come from families who are living at or below the federal poverty level or participating in Minnesota Family Investment Program (MFIP). Ten percent of enrollment in head start is reserved for children with diagnosed disabilities. Up to 10% of the children enrolled may be from families that exceed the low-income guidelines. A child in foster care is eligible even if the family income exceeds income guidelines.

About 57% of the enrolled children are at least four years old; about 25% are from families who are English language learners. Approximately 53% have two parents or guardians in the home, 70% have at least one parent working, and 18% have at least one parent in job training or school.

Services Provided

Head start provides a comprehensive program including health, nutrition, education, parent involvement, and social services to children and families. Approximately 85% of the enrolled families received one or more services such as assistance with housing and transportation, health and parenting education, adult education, and job training.

Programs operate a center-based, home-based, and/or combination option. Center-based programs must operate a minimum of 3.5 hours per day, four days per week, for 128 days per year supplemented with at least two home visits. Home-based programs must offer a minimum of 32 home visits of 1.5 hours each supplemented with at least 16 group socialization activities per year. In response to changing needs of children and their families, some programs also offer some full-day, full-year services through head start-child care partnerships. Other collaborative partners include public health, early childhood screening, early childhood special education, early childhood family education, school readiness, adult basic education, family literacy, public school kindergarten, and self-sufficiency programs.

Parents work in head start classrooms as volunteers and employees, participate in parent education activities and program governance, and work in partnership with head start staff. Former or current head start parents made up 24% of the staff and 67% of the approximately 28,000 volunteers in 2005.

Historical Perspective

Head start began as a federal program in 1965. In 1988, the Minnesota legislature first appropriated state funds. State funded head start programs are required to comply with federal head start requirements.

Key Measures

Increase the percentage of head start programs providing all-day care.

- ⇒ In FY 2005, 39% of children enrolled in need of full-day and/or full-year child care received these services through head start or early head start.
- ⇒ 29 of 36 head start programs are involved in partnerships to offer full-day child care services.

Increase the percentage of children who complete all appropriate medical screenings and examinations within the last twelve months and the percentage of children who receive follow-up services for identified health and developmental needs.

⇒ In 2005, 86% of all enrolled children completed all medical examinations.
⇒ In 2005, 93% of children with identified health needs received treatment.

Activity Funding

Federal head start funds flow directly from the federal office to 36 local head start programs ($84.3 million in FFY 2005 and $83.5 million in FFY 2006). At least 20% of the total cost of a head start program must come from local resources. In-kind contributions constitute much of this match through volunteer hours and donated space, materials and services. The Minnesota legislature chose to use the existing programs, administrative structure, and program performance standards already in place. State allocation of funds is based equally on the program share of federal head start funds and on the proportion of eligible children in the grantee service area who are not currently being served.

Minnesota Head Start Collaboration Project – Minnesota annually receives a $125,000 federal grant from the head start federal office for the Minnesota Head Start Collaboration Project. The purpose of the grant is to create significant statewide collaboration between head start and local communities in order to meet the challenges of improving services for low-income children and their families.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Early Learning Services, (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

DEPT OF EDUCATION
Program: EARLY CHLDHOOD & FAM SUPPORT
Activity: HEAD START PROGRAM

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	19,100	19,100	19,100	19,100	38,200
Subtotal - Forecast Base	19,100	19,100	19,100	19,100	38,200
Total	**19,100**	**19,100**	**19,100**	**19,100**	**38,200**
Expenditures by Fund					
Direct Appropriations					
General	18,982	19,218	19,100	19,100	38,200
Total	**18,982**	**19,218**	**19,100**	**19,100**	**38,200**
Expenditures by Category					
Local Assistance	18,982	19,218	19,100	19,100	38,200
Total	**18,982**	**19,218**	**19,100**	**19,100**	**38,200**

Activity Description

Citation: M.S. 124D.129

The purpose of this program is to work with health care providers and community organizations to provide parent information to parents of newborns at the time of birth.

Activity at a Glance

- New program created in the 2006 legislative session.

Population Served

All parents of newborn children in Minnesota are potential customers of this program.

Services Provided

The commissioner of the Minnesota Department of Education (MDE) will coordinate a partnership with early childhood organizations, including, but not limited to, early childhood family education, child care resource and referral, and interagency early intervention committees. Parents of newborns will be provided informational materials and contacts for a broad range of subjects prior to hospital discharge. MDE is in the process of developing a web site that will provide information and links to resources on child development, parent education, child care, and consumer safety.

Activity Funding

$80,000 was provided in FY 2007 to develop the program. Ongoing funding for this program in FY 2008 and later years is $50,000.

Contact

Additional information is available from the MDE, Early Learning Servicec, (651) 582-8397, http://education.state.mn.us/mde/Learning_Support/Early_Learning_Services/index.html.

DEPT OF EDUCATION
Program: EARLY CHLDHOOD & FAM SUPPORT
Activity: EDUCATE PARENTS PARTNERSHIP

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	80	80	80	160
Technical Adjustments					
One-time Appropriations			(30)	(30)	(60)
Subtotal - Forecast Base	0	80	50	50	100
Total	**0**	**80**	**50**	**50**	**100**
Expenditures by Fund					
Direct Appropriations					
General	0	80	50	50	100
Total	**0**	**80**	**50**	**50**	**100**
Expenditures by Category					
Other Operating Expenses	0	80	50	50	100
Total	**0**	**80**	**50**	**50**	**100**

Budget Activities

⇒ Community Education
⇒ Adults with Disabilities Program
⇒ Hearing Impaired Adults
⇒ School Age Care Revenue

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,880	2,733	2,733	2,733	5,466
Technical Adjustments					
End-of-session Estimate			(659)	(1,174)	(1,833)
November Forecast Adjustment		0	6	19	25
Subtotal - Forecast Base	2,880	2,733	2,080	1,578	3,658
Total	**2,880**	**2,733**	**2,080**	**1,578**	**3,658**
Expenditures by Fund					
Direct Appropriations					
General	2,845	2,733	2,080	1,578	3,658
Total	**2,845**	**2,733**	**2,080**	**1,578**	**3,658**
Expenditures by Category					
Local Assistance	2,845	2,733	2,080	1,578	3,658
Total	**2,845**	**2,733**	**2,080**	**1,578**	**3,658**
Expenditures by Activity					
Community Education	2,009	1,946	1,299	797	2,096
Adults With Disabilites Prog	746	710	710	710	1,420
Hearing Impaired Adults	70	70	70	70	140
School Age Care Revenue	20	7	1	1	2
Total	**2,845**	**2,733**	**2,080**	**1,578**	**3,658**

Activity Description

Citation: M.S. 124D.18; 124D.19; 124D.20

This state aid and local levy program provides funding for community education programs to provide lifelong learning opportunities for all community members and access to school facilities for public use.

Activity at a Glance

- Every Minnesota school district operates a community education program.
- Programs serve participants of all ages from preschool through senior citizens.

Population Served

Every Minnesota school district operates a community education program. Programs serve children and adults of all ages.

Services Provided

Community education provides services beyond the regular K-12 program. Programs may include (as specified in M.S. 124D.20, subd. 8)

- adults with disabilities,
- adult basic education (ABE),
- youth development,
- youth service,
- early childhood family education (ECFE),
- school-age care,
- summer programs for elementary and secondary pupils,
- youth after-school enrichment programs, and
- non-vocational, recreational, and leisure activities.

School boards must establish a community education advisory council and, with some exceptions, must employ a licensed community education director.

Historical Perspective

State funding for community education began in 1971 to promote the community use of public schools facilities beyond the regular school day.

Key Measures

The table below shows reported participants, not including those reported separately under ECFE, ABE, and early childhood screening.

Numbers in Millions

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Participants	1.91	1.95	2.00	2.15	2.54	2.60

Activity Funding

The community education revenue formula has three components for FY 2007 and later. All districts receive general revenue equal to $5.42 times the greater of the district's resident population or 1,335. This formula was set at $5.95 for FY 2003 and FY 2004, and at $5.23 for FY 2005 and FY 2006. The general revenue rate for FY 2007 is $5.42. Districts that have implemented a youth development plan receive youth service revenue of $1 times the greater of 1,335 or the district's population. Districts that operate a youth after-school enrichment program receive additional revenue of $1.85 times the greater of 1,335 or the population of the district up to 10,000, plus $0.43 times the population in excess of 10,000. The community education levy is set at the lesser of a district's total community education revenue or 0.9% times its adjusted net tax capacity (ANTC). A district receives state aid if its tax capacity is not sufficient to generate a levy equal to its formula revenue.

Fees, federal and private grants, and other local revenue sources provide nearly five times the revenue for community education programs as the statutory formula generates in local levy and state aid. Districts reported nearly $180 million in revenue from these sources, more than 80% of the total FY 2005 revenue for community education programs, excluding ECFE, school readiness, and ABE.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Adult and Career Education, (651) 582-8330.

DEPT OF EDUCATION
Program: Community Education & Prevention
Activity: Community Education — Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
	1 Appropriation Excluding Buyback	1,940				
	2 Aid Payment Buyback	103				
	3 Total Current Appropriation	2,043	1,949	1,949	1,949	3,898
	a. End of Session Estimate			(656)	(1,171)	(1,827)
	b. Cancellation	(34)				0
	c. November Forecast Adjustment		(3)	6	19	25
	4 **Governor's Recommended Appropriation**	**2,009**	**1,946**	**1,299**	**797**	**2,096**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
	5 Statutory Formula Aid	1,808	1,957	1,226	749	1,975
	6 Statutory Excess/(Shortfall)	34	4			0
	7 Appropriated Entitlement	1,842	1,961	1,226	749	1,975
	8 Adjustments					
	a. Appropriation Reduction		(4)			
	b. Cancellation	(34)				
	9 **State Aid Entitlement Current Law**	1,808	1,957	1,226	749	1,975
plus						
LEVY	**Levy**					
	10 Local Levy Current Law	34,523	36,147	37,449	38,577	76,026
equals						
REVENUE	11 Current Law Revenue (State Aid & Levy)	36,331	38,104	38,675	39,326	78,001
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	385	184	195	122	317
	Current Year (90%)	1,624	1,762	1,104	675	1,779
	Total State Aid - General Fund	**2,009**	**1,946**	**1,299**	**797**	**2,096**

Activity Description

Citation: M.S. 124D.56

This state aid and local levy program provides funding to school districts to support activities that integrate adults with disabilities with other people in their community.

Activity at a Glance

- 77 school districts were approved for adults with disabilities program aid in FY 2005. Of these, 73 districts levied a matching amount while four districts operated on an aid only pilot basis.

Population Served

The number of adults with disabilities participating in this program increased from approximately 9,000 in FY 1988 to 39,000 in 1999 and has remained relatively stable since that time.

Services Provided

Community education programs locally administer the adults with disabilities program. Thirty of 77 supported school districts are in the seven county metropolitan area. The local programs use the following service strategies to achieve their objectives.

- services enabling adults to participate in community activities, such as training for community members, one-on-one assistance, Braille and interpreter services
- classes specifically for adults with disabilities
- outreach to identify adults needing services
- activities to increase public awareness of the roles of people with disabilities

Key Measures

Local community education teachers work with others to:

- identify and encourage adults with disabilities to enjoy community life;
- develop specific learning and leisure time opportunities for those with disabilities;
- teach community members how to include people with differing abilities; and
- raise awareness of contributions of people with disabilities.

Activity Funding

To be eligible for specific categorical revenue to serve adults with disabilities, a school district's community education program must receive approval from the Minnesota Department of Education (MDE).

The state aid formula provides the lesser of $30,000 or one-half of the actual expenditures. A district is required to match this aid amount from local sources. A district is permitted to levy the lesser of $30,000 or the actual expenditures minus the amount of state aid for the program.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Academic Standards and High School Improvement/Adult and Career Education section, (651) 582-8330.

DEPT OF EDUCATION
Program: Community Education & Prevention
Activity: Adults with Disabilities

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
	General Fund					
1	Appropriation Excluding Buyback	710				
2	Aid Payment Buyback	40				
3	Total Current Appropriation	750	710	710	710	1,420
	a. Cancellation	(4)				
4	**Governor's Recommended Appropriation**	**746**	**710**	**710**	**710**	**1,420**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
5	Statutory Formula Aid	710	710	710	710	1,420
6	Statutory Excess/(Shortfall)					0
7	Appropriated Entitlement	710	710	710	710	1,420
8	Adjustments					
9	**State Aid Entitlement Current Law**	710	710	710	710	1,420
plus						
LEVY	**Levy**					
10	Local Levy Current Law	670	670	670	670	1,340
equals						
REVENUE 11	Current Law Revenue (State Aid & Levy)	1,380	1,380	1,380	1,380	2,760
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	111	71	71	71	142
	Current Year (90%)	639	639	639	639	1,278
	Cancellation	(4)				
	Total State Aid - General Fund	**746**	**710**	**710**	**710**	**1,420**

Activity Description

Citation: M.S. 124D.57

This state aid program provides funding to districts and other organizations to assure access to educational opportunities for deaf and hard of hearing adults by paying for interpreter or note-taker services.

Activity at a Glance

- 21 sites received funding under this program in FY 2005 with aid ranging from $112 to more than $26,000.

Population Served

This program serves deaf and hard of hearing adults participating in adult education classes.

Services Provided

This program

- targets part-time adult students with hearing impairments;
- provides access to vocational education programs and programs promoting educational growth and development; and
- enhances and encourages lifelong learning.

Services provided include interpretation and note-taking.

Access to education programs for persons with disabilities is assured by the American with Disabilities Act (ADA). This program provides assistance with the one-time costs of interpreter and note-taker services. The aid allocation is not meant to support all the interpreter services for deaf and hard of hearing adult learners, but to help in unforeseen situations.

Key Measures

Approximately 63% of reimbursement requests come from school districts providing adult education. The remaining 37% come from other public and private organizations.

During FY 2005, 21 different agencies received funds, ranging from over $26,000 for St. Paul College to $112 for a local school district to interpret a one-time community education class for one adult.

Activity Funding

The Minnesota Department of Education (MDE) provides reimbursement of the actual costs of direct services. The cost of providing interpreter services to one person for an activity/program is the same as providing that service to a group of people. The average cost for an hour of American sign language interpretation ranges between $50 and $80.

Both public and private agencies providing adult education classes to hearing impaired adults may apply to MDE for reimbursement of the costs of providing interpreting services. Applications for aid are received throughout the year with a single payment made at the end of the year, prorated as necessary to stay within the budgeted amount.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Academic Standards and High School Improvement; Adult and Career Education section, (651) 582-8330.

DEPT OF EDUCATION
Program: COMMUNITY ED & PREVENTION
Activity: HEARING IMPAIRED ADULTS

Budget Activity Summary

	Current		Governor's Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	70	70	70	70	140
Subtotal - Forecast Base	70	70	70	70	140
Total	**70**	**70**	**70**	**70**	**140**
Expenditures by Fund					
Direct Appropriations					
General	70	70	70	70	140
Total	**70**	**70**	**70**	**70**	**140**
Expenditures by Category					
Local Assistance	70	70	70	70	140
Total	**70**	**70**	**70**	**70**	**140**

Activity Description

Citation: M.S. 124D.19; 124D.22

Activity at a Glance.

- 152 school districts certified levies in FY 2007.

School age care (SAC) revenue is an equalized levy and aid program that supports the additional costs of providing after school care for children with disabilities or children experiencing family or related problems of a temporary nature.

Population Served

Services funded by this revenue are only for children with disabilities or who experience problems of a temporary nature and participate in school age care programs.

Services Provided

School age care is a program for children from kindergarten through grade six to expand student's learning opportunities when school is not in session. Local school boards must develop the standards for the program, which must include the following components.

- adult supervised activities while school is not in session
- parent involvement in program design and direction
- partnerships with K-12 system and other public, private, or nonprofit entities
- opportunities for trained secondary school pupils to work with younger children as part of a community service program
- access to available school facilities when otherwise not in use as part of the operation of the school

Historical Perspective

The Minnesota legislature authorized school boards to offer school age care programs in 1989; no levy was authorized or state aid appropriated. In 1992, the legislature authorized school age care revenue to pay for the additional costs of providing school age care to children with a disability or children "experiencing family or related problems of a temporary nature."

The number of districts participating in this revenue program had grown from 79 in FY 1994 to 152 districts in FY 2007.

Activity Funding

School age care revenue is equal to the eligible annual additional costs of providing school age care services to children with disabilities or children who are experiencing a temporary family problem. The levy is equalized at a rate of $2,433 of adjusted net tax capacity per resident pupil unit. That is, districts with a per-pupil tax capacity less than this amount are eligible to receive state aid. Levy authority equals school age care revenue times the lesser of 1.0 or the ratio of the district's per-pupil tax capacity to $2,433. Aid equals the difference between revenue and levy authority. Most school districts accessing this revenue have tax capacities sufficient to generate 100% of their school age care revenue.

Based on school district financial reporting, approximately 12% of total district revenue for school age care is provided by this revenue program.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance at (651) 582-8467, http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/index.html.

DEPT OF EDUCATION
Program: Community Education & Prevention
Activity: School Age Care

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
	Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
	General Fund					
	1 Appropriation Excluding Buyback	16				
	2 Aid Payment Buyback	1				
	3 Total Current Appropriation	17	4	4	4	8
	a. End of Session Estimate			(3)	(3)	(6)
	b. November Forecast Adjustment		3	0	0	0
	d. Transfer per M.S. 127A.41	3				
	2 **Governor's Recommended Appropriation**	**20**	**7**	**1**	**1**	**2**
District Revenue Summary (Entitlement Basis)						
AID	**State Aid**					
	5 Statutory Formula Aid	17	6	1	1	2
	6 Statutory Excess/(Shortfall)	(3)	(3)			0
	7 Appropriated Entitlement	14	3	1	1	2
	8 Adjustments					
	a. Supplemental Appropriation		3			
	b. Transfer per M.S. 127A.41	3				
	9 **State Aid Entitlement Current Law**	17	6	1	1	2
plus						
LEVY	**Levy**					
	12 Local Levy Current Law	10,880	11,821	13,185	14,503	27,688
equals						
REVENUE	15 Current Law Revenue (State Aid & Levy)	10,897	11,827	13,186	14,504	27,690
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	4	1	0	0	0
	Current Year (90%)	13	6	1	1	2
	Transfer per M.S. 127A.41	3				0
	Total State Aid - General Fund	**20**	**7**	**1**	**1**	**2**

Budget Activities

⇒ Adult Basic Education
⇒ GED Tests
⇒ Intensive English for Refugees
⇒ Lead Abatement

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	38,827	38,015	38,015	38,015	76,030
Technical Adjustments					
End-of-session Estimate			(9)	(13)	(22)
November Forecast Adjustment		946	2,115	3,280	5,395
Program/agency Sunset			0	(1,250)	(1,250)
Subtotal - Forecast Base	38,827	38,961	40,121	40,032	80,153
Total	**38,827**	**38,961**	**40,121**	**40,032**	**80,153**
Federal Tanf					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Fatherhood Leadership Initiative		0	500	500	1,000
Total	**0**	**0**	**500**	**500**	**1,000**
Expenditures by Fund					
Direct Appropriations					
General	38,521	38,861	40,021	39,932	79,953
Federal Tanf	0	0	500	500	1,000
Statutory Appropriations					
Federal	5,240	9,279	5,800	6,140	11,940
Total	**43,761**	**48,140**	**46,321**	**46,572**	**92,893**
Expenditures by Category					
Total Compensation	0	0	50	50	100
Local Assistance	43,761	48,140	46,271	46,522	92,793
Total	**43,761**	**48,140**	**46,321**	**46,572**	**92,893**
Expenditures by Activity					
Adult Basic Education	43,664	46,765	44,446	45,947	90,393
Ged Tests	97	125	125	125	250
Intensive English For Refugees	0	1,250	1,250	0	1,250
Fatherhood Leadership	0	0	500	500	1,000
Total	**43,761**	**48,140**	**46,321**	**46,572**	**92,893**

Change Item: Fatherhood Leadership Initiative

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund - TANF				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation

The Governor recommends $500,000 per year from Federal TANF funds for implementation of a Fatherhood Leadership Initiative to strengthen the relationship of fathers to their children and enhance responsible parenting statewide by improving and expanding fatherhood services in local communities. The Fatherhood Leadership Initiative will be a partnership between the Governor's Council on Faith and Community Service Initiatives, the Minnesota Department of Education and local partners. Activities will include grants to faith and community organizations for fatherhood services, implementation of a certificate program for program staff, and technical assistance to fathering programs to ensure effective use of resources.

Background

Minnesota has over 100 programs statewide that specifically serve fathers and more than 1,500 professionals engaged in those initiatives. While many of these individuals and programs have accessed one-time or short-term capacity building training the total number of Minnesotans who have accessed broad-based training in fathering education is limited. As a result, programs vary widely in their use of research-based evaluation practices to improve program quality and impact.

In 2001, the National Practitioner's Network for Fathers and Families (NPNFF) joined with a statewide professional coalition, the Minnesota Fathers & Families Network (MFFN). MFFN and other Minnesota-based organizations take incremental steps toward supporting professionals in the field. Among these efforts have been professional conferences, roundtable meetings, training sessions, and other efforts. Most notably, Concordia University, St. Paul developed a Certificate Program in Fatherhood. Each of these efforts was based on the understanding that there are too few social service opportunities for fathers because too many family service organizations base their services for fathers on punitive measures (i.e., child support enforcement, anger management, involvement with the justice system), and too much research about fathers focuses on "father absence" rather than "father involvement".

Each of these efforts has been successful in promoting short-term results. However, there have been relatively few sustained and well-funded efforts aimed at building the field of fatherhood. The Fatherhood Leadership Initiative would build on these previous efforts while providing an ongoing, collaborative structure to provide sustained support and direction to the field of practitioners.

Relationship to Base Budget

This initiative will increase the state Federal TANF base budget by $500,000 per year starting in FY 2008.

Key Measures

Population Reached	Annual Number Reached	Initiative Component
Fathers' service programs	7-10	Community Access Fatherhood Grants
Mid-level fatherhood professionals	7-10	Fatherhood Leadership Certificate Program
Fathers' service programs and family service professionals	30-45	Technical Support, Community Outreach, Training
Fathers	2,250	Through all initiative components

Alternatives Considered

An application was submitted for the U.S. Department of Health and Human Services “Promoting Responsible Fatherhood Community Access Program”, Funding Opportunity Number: HHS-2006-ACF-OFA-FR-0144 in 2006. The application was not selected for the award.

Each of the major initiative partners will contribute in-kind support in the form of staff, office space, printing costs, and other expenses.

Statutory Change: Not Applicable

Activity Description

Citation: M.S. 124D.52; 124D.53 ;

Federal Citation: Adult Education and Family Literacy Act, Chapter 2, Public Law 105-220, and Workforce Investment Act, Section 503. 20 U.S.C. 1201 et seq. (CFDA 84.002); Workforce Investment Act of 1998, Public Law 105-220, Section 503, 20 U.S.C. 9273; Carl D. Perkins Vocational and Applied Technology Education Amendments of 1998 (Perkins Act), Public Law 105-332, 20 U.S.C. 2301 et seq. (CFDA 17.267); Refugee Act of 1980, Section 412, 94 Stat. 111, 8 U.S.C. 1522, as amended, Public Laws 96-212, 97-363 and 99-605; Refugee Education Assistance Act of 1980, Title V, 94 Stat. 1809, 8 U.S.C. 1522 note, as amended, Public Laws 96-422, 96-424, 97-35, 100-436, 101-166, 101-302, 101-517, and 102-170 (CFDA 93.566); Refugee Act of 1980, Public Law 96-212, Section 412, 94 Stat. 111, 8 U.S.C. 1522, as amended; Refugee Education Assistance Act of 1980, Title V, 94 Stat. 1809, as amended (CFDA 93.576).

Activity at a Glance

- 53 ABE consortia, 500 delivery sites statewide.
- 1,200 licensed teachers and 3,000 volunteers served over 80,000 students in FY 2006.
- One out of every 11 diplomas issued in Minnesota during 2006 was a GED or adult high school diploma.
- 48% of all enrollees were ESL students, 72% were parents, and 18% were unemployed.
- Research shows that the average GED or adult diploma graduate earns about $7,000 more per year than a dropout.

This state and federal funded program provides education opportunities for adults who lack basic academic skills and whose low educational levels are barriers to employment, self sufficiency, and post-secondary training.

Population Served

Adults are eligible to participate when they are at least 16 years old, are not enrolled in school (formally withdrawn or dropped out), and function below the high school completion level in basic skills. The 2000 U.S. Census reports that 12% of Minnesotans over 25 lack high school equivalency, over 380,000 people. Over 300,000 Minnesota residents are immigrants or refugees in need of basic English skills. Enrollment in English as a Second Language (ESL) programs has doubled in the past five years. During FY 2006, over 38,000 adults enrolled in ESL classes and 48% of all enrollees in adult basic education (ABE) were ESL students. A majority of ESL students are at the lowest literacy levels.

Services Provided

ABE program options include the following program types.

- *GED* (General Education Development diploma) - high school equivalency program
- *Adult Diploma* - programs for adults leading to a Minnesota high school diploma
- *English as a Second Language* - for students whose native language is not English
- *Family Literacy* - features instruction for adults in literacy and parenting, and their children receive education services as well through other funding sources
- *Basic Skills Education* - for students who need to brush-up on some specific basic skills, such as math or reading (typically related to their employment)
- *Workforce Preparation* - literacy skills related to students' need to obtain, retain, or improve their employment. Instruction uses work-related content, often delivered at the learner's work site
- *U.S. Citizenship and Civics* - programs for legal non-citizens and immigrants to attain English and civic knowledge necessary for U.S. citizenship and civic participation

State ABE funding supports individual public school districts or groups of districts (consortia) and other eligible nonprofit providers including community-based organizations and correctional institutions. ABE is provided at over 500 sites located in every Minnesota county, at public schools, workforce centers, community/technical colleges, prisons/jails, libraries, learning centers, tribal centers, and nonprofit organizations. Programs have voluntarily formed ABE consortia (53 administrative units) to maximize efficiency and to share resources.

Key Measures

Decrease the percentage of Minnesota adults who currently lack basic skills to achieve their educational and economic goals through participation in ABE programs.

Selected Outcome Results	FY 2000	FY 2006	Percent Change
Enrollment	73,213	79,341	8%
GED's Earned	6,885	6,308	-8%
High Sschool Diplomas Earned	1,102	1,320	20%
Left Public Assistance	145	294	103%
Entered Post-Secondary Education	2,442	4,621	89%
Gained U.S. Citizenship or Civics Skills	884	492	-44%
Able to Assist Children in School	12,221	13,411	10%
Gained or Better Employment	2,621	3,792	45%
Annual Cost Per Learner	$462	$546	18%

The state ABE program exceeded its nationally established accountability targets for the past five years. These targets include measurable outcomes of academic level completion, diploma/GED attainment, job placement/retention, and transition to higher education/training.

In December 2005, the federal ABE office conducted a four-day monitoring visit to Minnesota ABE. Their report commended the state on five administrative and programmatic issues and found zero deficiencies in the Minnesota ABE program.

Activity Funding

State ABE aid is distributed to approved consortia using a formula as specified in law:

- base population aid at the greater of $3,844 or $1.73 times the census population of the member district; and
- of the remaining funds available, 84% is distributed based on prior year contact hours, 8% is distributed based on the population of K-12 Limited English Proficient (LEP) students in the member district, and 8% is distributed based on the census population of adults aged 20 and over who do not hold a high school diploma.

Under the state funding formula, two funding caps are in law: 1) programs are held to an 8% or $10,000 growth cap (the greater of) on contact hour revenue; and 2) programs are held to a gross revenue per contact hour of $21 per prior year contact hour. The increase in learner contact hours over the past five years and the resulting contact hour revenue generated under the formula are shown in the table below.

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Contact Hours	4,170,176	4,420,210	4,845,106	4,994,916	5,552,917
% Increase in Contact Hours Over Prior Year	17.4%	6.0%	9.6%	3.1%	11.2%
Contact Hour Revenue Rate Generated for Next Year Funding	$5.19	$4.80	$4.79	$4.60	$4.80

Under the federal Adult Education and Family Literacy Act (P.L.105-220), federal funds are received and must be used to coordinate with and supplement other ABE funds. Federal maintenance of effort provisions exist to promote the existing level of state resources.

Incentive Grants-WIA (Workforce Investment Systems) Section 503 funds are used to carry out innovative programs consistent with the purposes of Title I of WIA, Title II of WIA (Adult Education and Family Literacy Act (AEFLA), 20 U.S.C. 9201 et seq.), the Carl D. Perkins Vocational and Applied Technology Education Amendments of 1998 (Public Law 105-332, 20 U.S.C. 2301 et seq.) or a combination of two or more of these acts. Funds were used to provide workplace ESL programming for incumbent workers. The Governor's Workforce Development Council manages the award as an economic development and training grant program and the ABE program is a partner in the grant implementation.

Refugee and Immigrant Assistance – state administered program funds are used to reimburse states for assistance provided to refugees, Asylees, Cuban, and Haitian entrants, victims of a severe form of trafficking and certain Amerasians from Viet Nam for resettlement throughout the country, by funding maintenance and medical assistance, and social services for eligible designated population. State agencies may purchase training and services from other providers. Funds were used to provide intensive ESL education services to qualifying students.

Refugee and Immigrant Assistance – discretionary grant funds are used to improve resettlement services for refugees. Funds were used to provide intensive ESL education services to qualifying students.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Adult Education Services, (651) 582-8442.

DEPT OF EDUCATION
Program: Self Sufficiency & Lifelong Learning
Activity: Adult Basic Education

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
Direct Appropriations by Fund	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**2008-09**
General Fund					
1 Appropriation Excluding Buyback	36,518				
2 Aid Payment Buyback	2,084				
3 Total Current Appropriation	38,602	37,564	37,564	37,564	75,128
a. End of Session Estimate			1,120	2,273	3,393
b. November Forecast		(78)	(38)	(30)	(68)
c. Cancellation	(178)				
4 **Governor's Recommended Appropriation**	**38,424**	**37,486**	**38,646**	**39,807**	**78,453**
District Revenue Summary (Entitlement Basis)					
AID **State Aid**					
5 Statutory Formula Aid	36,415	37,591	38,763	39,923	78,686
6 Statutory Excess/(Shortfall)	172	82			0
7 Appropriated Entitlement	36,587	37,673	38,763	39,923	78,686
8 Adjustments					
a. Cancellation	(172)				
b. Appropriation Reduction		(82)			
9 **State Aid Entitlement Current Law**	36,415	37,591	38,763	39,923	78,686
10 **Other Revenue**					
a. Federal	5,240	9,279	5,800	6,140	11,940
11 **Total All Sources Current Law**	41,655	46,870	44,563	46,063	90,626
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	5,707	3,655	3,759	3,876	7,635
Cancellation (15.7%)	(44)				
Cancellation (90%)	(13)				
Current Year (90%)	32,774	33,832	34,887	35,931	70,817
Total State Aid - General Fund	**38,424**	**37,486**	**38,646**	**39,807**	**78,453**

Activity Description

Citation: M.S. 124D.55

This state aid program provides increased access for eligible individuals to complete the test of general educational development (GED) by paying a portion of the student's GED testing fees.

Activity at a Glance

- 58 GED testing centers.
- In Calendar Year 2005, 10,257 examinees took at least one GED test and 7,650 took all five tests.
- In 2005, 6,308 adults were granted GED diplomas in Minnesota.
- Individuals who receive their high school diploma or GED earn about $7,000 more per year than a dropout.

Population Served

To be eligible to take the GED exam and have the cost subsidized by the state, an individual must meet four criteria

- be 19 years of age or obtain a waiver from the Minnesota Department of Education (MDE);
- be a Minnesota resident and have been so for at least 90 days;
- not be currently enrolled in a program leading to a high school diploma; and
- not have the testing fee paid by another government agency.

Nearly all GED applicants qualify for GED test financial support.

In Calendar Year 2005

⇒ 24.9 years = average age of GED examinee.
⇒ 10.3 years = average years of education of GED examinee.
⇒ 16-18 year olds accounted for 1,246 of the graduates, 20 % of the total.

Services Provided

This budget activity provides supplementary funds to GED testing centers to help offset the cost of GED testing for eligible students. As a result of this subsidy, fees for individual GED examinees are reduced. There are 58 testing centers in Minnesota including nine at state correctional facilities.

The GED examination consists of a battery of five tests that measure major and lasting outcomes associated with a high school education. The five tests (social studies; science; language arts reading; language arts writing; and mathematics) employ a multiple-choice format with the two-part mathematics test also using alternative format questions. The writing skills test requires an essay. Many GED candidates are from low-income backgrounds and cannot afford the full cost of the five-test GED battery.

Successful completion of the GED test battery results in the awarding of a state of Minnesota GED diploma by MDE. A high school diploma or GED is required by many employers and virtually all of Minnesota's post-secondary educational institutions accept the GED as a valid high school credential for admission purposes.

Historical Perspective

State funding for the GED testing reimbursement program began in 1992 when the state began to pay the lesser of $20 or 60% of the fee charged to an eligible individual for the full battery of the GED test.

Key Measures

Provide increased access for eligible individuals to complete the GED test by paying a portion of the student's testing fees.

⇒ GED testing data is reported on a calendar year basis (January through December annually).

DEPT OF EDUCATION

Program: SELF SUFFICIENCY & LIFELONG LR

Activity: GED TESTS Narrative

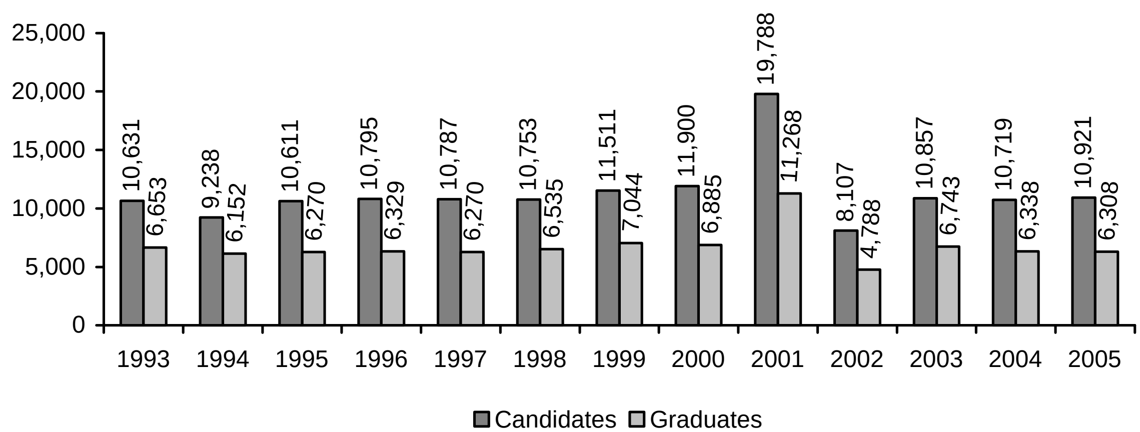
Calendar Year 2005 Statistics

⇒ Passing rate in Minnesota is 82 % (Top 10 in US).

⇒ In 2005, more than one of 11 high school credentials issued in Minnesota was a GED or adult diploma. A total of 6,308 GEDs and 1,320 adult diplomas were earned.

⇒ 44% of examinees wanted a GED to be able to further education; 41% for employment; and 3% for entrance into the military.

Candidates Taking All or Part of Test
GED Graduates
Calendar Year Basis (Jan.-Dec.)



Activity Funding

Currently, the average GED test fee per participant is $95. In 1992, the state covered $9 of the total $15 test fee (60%). In 2006, the state covered $20 of the $95 test fee (21%).

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the MDE, Adult Learning Services, (651) 582-8442, http://education.state.mn.us/mde/Learning_Support/Adult_Basic_Education_GED/index.html.

DEPT OF EDUCATION
Program: SELF SUFFICIENCY & LIFELONG LR
Activity: GED TESTS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	125	125	125	125	250
Subtotal - Forecast Base	125	125	125	125	250
Total	**125**	**125**	**125**	**125**	**250**
Expenditures by Fund					
Direct Appropriations					
General	97	125	125	125	250
Total	**97**	**125**	**125**	**125**	**250**
Expenditures by Category					
Local Assistance	97	125	125	125	250
Total	**97**	**125**	**125**	**125**	**250**

Activity Description

Citation: 2006 Minnesota Session Laws, Chapter 282, Article 2, Section 26 and Section 28, subd. 5.

This program was enacted by the 2006 Minnesota legislature to enable adult basic education (ABE) programs to meet the rapidly expanding needs for English as a Second Language (ESL) services. This program has received a legislative appropriation for two years, FY 2007 and FY 2008.

Activity at a Glance

- FY 2007 is the initial year for the program.
- Approximately 1,250 students will receive intensive ESL services.
- ESL services will be delivered statewide in over 75 program sites.

Population Served

The eligible populations for this program are Minnesota immigrants and refugees who need English skills in order to attain employment, become self-sufficient, and participate fully in society. According to the 2000 United States Census, over 300,000 Minnesota immigrants and refugees do not speak or read English well.

Services Provided

Approved ABE providers will supplement their traditional ESL services by providing

- increased ESL programming (i.e., more classes, greater intensity);
- workforce preparation classes for ESL clients; and
- support services (e.g., child care, transportation, career counseling) to clients enrolled in ESL programs.

Historical Perspective

Since 2000, the numbers of adults seeking ESL services from Minnesota ABE providers has more than doubled. Over the same time period, ESL program resources have remained relatively unchanged causing programs to turn away potential ESL students or add them to lengthy waiting lists. With the recent influx of Hmong and Somali refugees into Minnesota, the ABE system has not been able to keep up the demand for ESL services. The establishment of this two-year ESL program will assist Minnesota providers to help meet this demand.

Key Measures

Services will be provided under this program will

- increase ESL participants in adult basic education programs in Minnesota;
- provide English learning improvement for ESL participants as measured by standardized tests of English; and
- provide supplemental services for immigrant and refugee ESL participants including transportation and child care.

Activity Funding

A total of $1.25 million has been allocated to this program each year for FY 2007 and FY 2008. After consulting with the ABE field, the Minnesota Department of Education (MDE) implemented an allocation plan which distributes grant funds to eligible ESL providers based upon the providers proportion of FY 2006 ESL participants. During FY 2007, the delivery of these services will occur in approximately 45 ABE consortia at over 75 locations statewide.

Contact

Additional information is available from the MDE, Adult Education Services, (651) 582-8442.

DEPT OF EDUCATION
Program: SELF SUFFICIENCY & LIFELONG LR
Activity: INTENSIVE ENGLISH FOR REFUGEES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	1,250	1,250	1,250	2,500
Technical Adjustments					
Program/agency Sunset			0	(1,250)	(1,250)
Subtotal - Forecast Base	0	1,250	1,250	0	1,250
Total	**0**	**1,250**	**1,250**	**0**	**1,250**
Expenditures by Fund					
Direct Appropriations					
General	0	1,250	1,250	0	1,250
Total	**0**	**1,250**	**1,250**	**0**	**1,250**
Expenditures by Category					
Local Assistance	0	1,250	1,250	0	1,250
Total	**0**	**1,250**	**1,250**	**0**	**1,250**

Activity Description

Citation: M.S. 119A.46

The purpose of this program is to reduce the potential for lead poisoning in the homes of children from low-income families.

Activity at a Glance

- Administered by the Minnesota Department of Health in FY 2006-07.

Activity Funding

The commissioners of Education, Health, and the Housing Finance Agency, along with representatives of neighborhood groups, a labor organization, the lead coalition, community action agencies, and the legal aid society award grants to organizations that meet the requirements to provide lead abatement services.

For FY 2006-07, this appropriation was transferred to the Minnesota Department of Health for grant administration.

DEPT OF EDUCATION
Program: SELF SUFFICIENCY & LIFELONG LR
Activity: LEAD ABATEMENT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	100	100	100	100	200
Subtotal - Forecast Base	100	100	100	100	200
Total	**100**	**100**	**100**	**100**	**200**

⇒ Dept of Education Operations

Program Description

Funding for operating programs within the Minnesota Department of Education (MDE) to staff and support the mission, goals, and objectives of MDE is provided for the following operating divisions:

The Office of Academic Excellence is responsible for academic standards development, high school improvement activities, Indian education programs, school choice, charter schools, supplemental services programs, library development, the Faribault Library for the Blind, and licensing of school administrators and teachers.

The Office of Finance, Compliance and Special Education is responsible for calculating state aid and distributing aid payments to school districts and charter schools; calculating school district property tax levy limitations; providing information technology support for the agency and programs administered; providing policy, management, fiscal and human resource direction and leadership; and compliance monitoring for special education and food and nutrition programs.

The Office of Accountability and Improvement is responsible for statewide testing programs, administration of federal education programs (No Child Left Behind), and research and evaluation of educational programs.

Program at a Glance

FY 2006 general fund budget was approximately $20.6 million.

Three operating divisions:
- Office of Academic Excellence
- Office of Finance, Compliance and Special Education
- Office of Accountability and Improvement

Oversees, with the assistance of local school boards, the $6 billion spent annually in support of pre-K through grade 12 education in Minnesota.

Population Served

In FY 2007, this program directly serves 340 school districts, 132 charter schools, approximately 143,000 licensed teachers, and state public policymakers. All residents of the state are directly or indirectly impacted by services provided by this program. Services are provided to all children enrolled in pre-K-12 education programs. Parents are the beneficiaries of agency services provided to their children. Adult participants in education programs are also served.

Services Provided

This program provides the infrastructure for services and assistance to students, teachers, parents, and school districts in the following areas:
- Academic Standards
- Adult and Career Education and Service-Learning
- Compliance and Assistance
- Consolidated Federal Programs
- Early Learning Services
- Educator Licensing and Teacher Quality
- English Language Learners/Limited English Proficiency (LEP)
- Food and Nutrition Service
- Indian Education
- Library Development and Services
- Research and Assessment
- Safe and Healthy Learners
- School Choice
- School Finance
- School Improvement
- School Technology
- Special Education

Program Funding

The program is funded with both state and federal funding, 54% of the funding for this program comes from federal sources and 46% from the state General Fund.

Contact

Additional information is available at http://education.state.mn.us or at (651) 582-8200.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	21,997	22,847	22,847	22,847	45,694
Subtotal - Forecast Base	21,997	22,847	22,847	22,847	45,694
Governor's Recommendations					
Rulemaking authority for GRAD		0	204	0	204
Rulemaking for Career & Tech Ed		0	204	0	204
Compensation Adjustment		0	320	647	967
Total	**21,997**	**22,847**	**23,575**	**23,494**	**47,069**
State Government Spec Revenue					
Current Appropriation	96	96	96	96	192
Technical Adjustments					
Current Law Base Change			(96)	(96)	(192)
Subtotal - Forecast Base	96	96	0	0	0
Governor's Recommendations					
Parenting Time Centers		96	96	96	192
Total	**96**	**192**	**96**	**96**	**192**
Expenditures by Fund					
Direct Appropriations					
General	20,758	24,763	23,575	23,494	47,069
State Government Spec Revenue	0	96	96	96	192
Statutory Appropriations					
Misc Special Revenue	10,575	9,993	8,595	8,568	17,163
Federal	40,075	58,893	54,092	52,716	106,808
Miscellaneous Agency	527	618	354	354	708
Gift	462	579	134	125	259
Total	**72,397**	**94,942**	**86,846**	**85,353**	**172,199**
Expenditures by Category					
Total Compensation	31,731	37,110	37,759	38,050	75,809
Other Operating Expenses	27,268	44,270	39,080	38,203	77,283
Payments To Individuals	251	239	56	56	112
Local Assistance	12,811	12,971	9,702	8,795	18,497
Other Financial Transactions	336	352	352	352	704
Transfers	0	0	(103)	(103)	(206)
Total	**72,397**	**94,942**	**86,846**	**85,353**	**172,199**
Expenditures by Activity					
School Iimprovement	26,474	39,617	35,726	34,365	70,091
Finance, Complnce & Spec Educ	19,387	23,685	22,599	23,021	45,620
Academic Excllnce & Innovation	11,213	12,753	11,216	10,692	21,908
Administration	14,266	17,573	16,228	16,187	32,415
Pass Through Funding	1,057	1,314	1,077	1,088	2,165
Total	**72,397**	**94,942**	**86,846**	**85,353**	**172,199**
Full-Time Equivalents (FTE)	**400.9**	**470.2**	**470.1**	**466.6**	

Change Item: Rulemaking authority for GRAD

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$204	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$204	$0	$0	$0

Recommendation
The Governor recommends $204,000 in FY 2008 to allow the Minnesota Department of Education (MDE) to establish rules for the administration, accommodation, and review of the state's graduation-required assessments, similar to the rules established for the Basic Skills Test in 1998 (Minnesota Rule 3501.0050).

Background
M.S. 120B.30, revised during the 2005 legislative session, requires clarification of the assessments students must pass to fulfill this element of their graduation requirement.

The 2005 statute (M.S. 120B.30) states that, "For students enrolled in grade 8 in the 2005-06 school year and later, only the Minnesota Comprehensive Assessments Second Edition (MCA-IIs) in reading, mathematics, and writing shall fulfill students' academic standard requirements." This paragraph does not state which grade, does not allow for retest opportunities, and includes a content area (writing) that is not a part of the MCA-IIs.

Rulemaking authority was granted to MDE when the Basic Skills Test was established so that the agency could establish clear testing requirements, uniform retest opportunities and parent/guardian and/or student rights available to them regarding retest opportunities.

Relationship to Base Budget
This is a one time appropriation.

Key Measures
Minnesota clearly identifies its graduation exam expectations for students and school districts.

Statutory Change: Amend M.S. 120B.30.

Change Item: Rulemaking for Career & Technical Education

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$204	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$204	$0	$0	$0

Recommendation

The Governor recommends $204,000 in FY 2008 to improve career and technical education in Minnesota by updating Minnesota Rules Chapter 3505 consistent with recent changes in state and federal legislation.

Background

The Minnesota Department of Education proposes the following changes to Minnesota Rules Chapter 3505 to update these rules to be consistent with recent state and federal changes in terminology and to be consistent with current practice. These rule changes will be consistent with a new state plan for career and technical education to be developed collaboratively by the Minnesota Department of Education (MDE) and the Minnesota State Colleges and Universities (MnSCU) under the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006. These updates will also clarify current practice and remove confusion for school district officials.

Proposed changes update language from “vocational” to “career and technical” throughout and place updated definitions in alphabetical order. Additionally:

⇒ 3505.1000 Subpart 5 includes the local permissive levy for career and technical education (M.S. 124D.4531) in the definition of career and technical aid.

⇒ 3505.1000 Subpart 20 clarifies that essential licensed personnel meet criteria for licensure under rules of the Minnesota Board of Teaching (rather than the Minnesota Board of Education).

⇒ 3505.1000 Subpart 36 expands the definition of secondary career and technical education programs to include students in grades 9 (rather than 10) through 12. While this change does not impact a district’s calculated career and technical education levy authority, the inclusion of grade 9 in the definition allows districts where grade 9 is part of the high school to include grade 9 students in career and technical education programs as deemed appropriate.

⇒ 3505.1000 Subpart 37 clarifies that career and technical education teacher full-time equivalency is based on teaching time within an approved career and technical education program.

⇒ 3505.1000 Subpart 41 updates language from “handicapped” to “with disabilities” and clarifies that students with disabilities may be successful in regular career and technical education programs with appropriate additional supports as specified in the students’ individual educational programs (IEP).

⇒ 3505.1100 updates reference from “special needs vocational programs” to “transition-disabled programs” (M.S. 124D.454) and from the “comprehensive employment training act” to the “workforce investment act.”

⇒ 3505.1200 transfers the right to appeal disapproval of career and technical education programs from the State Board of Education to the Commissioner.

⇒ 3505.1300 updates references from the “Division of Vocational Technical Education” to the “Board of Trustees of the Minnesota State Colleges and Universities.”

⇒ 3505.1400 notes that local advisory committees provide assistance to local recipients in their applications for funds and removes specific reference to the “State Board for Vocational Education” since under Minnesota’s state plan for career and technical education applications from secondary institutions are received by the Minnesota Department of Education and applications from post-secondary institutions are received by the Minnesota State Colleges and Universities Office of the Chancellor.

- ⇒ 3505.1600 updates requirements for local applications for aid to be consistent with current practice and deletes reference to an aid deduction on the basis of income derived from the sale of products created in the operation of career and technical education programs.
- ⇒ 3505.2600 references the Minnesota Department of Education's Career and Technical Education Program Quality Assessment Rubrics as the standard that governs approval of secondary career and technical education programs.
- ⇒ 3505.4300 references the Minnesota Department of Education's Career and Technical Education Program Quality Assessment Rubrics as the standard that governs approval of secondary career and technical community-based education programs.
- ⇒ 3505.4800 deletes references to aid for career and technical education administrative staff and to full-time equivalent teacher ratios as a requirement for the hiring of administrative staff.
- ⇒ 3505.4900 deletes references to administrative ratios and student ratios as a requirement for the hiring of career and technical education support service personnel.
- ⇒ 3505.5000 is proposed for repeal as it is deemed unnecessary.
- ⇒ 3505.5200 deletes reference to aid as for handicapped programs only as the definition of career and technical education aid is proposed to include revenue from a local permissive levy.
- ⇒ 3505.5400 updates references to Uniform Financial Accounting and Reporting Standards (UFARS) object dimensions. Subpart 5 deletes an exclusion for aid for instructional equipment as M.S. 124D.4531 specifically allows up to 10% of revenue to be used for equipment.
- ⇒ 3505.5700 is updated to reflect new procedures for recalculating a district's career and technical education levy authority to be consistent with M.S. 124D.4531.

Relationship to Base Budget

This is a one time appropriation.

Key Measures

- ⇒ Minnesota remains globally competitive through student participation in improved career and technical education programs that are a component of high school reform.
- ⇒ Rules governing the processes for approving and funding career and technical education programs in Minnesota are clarified.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$320	$647	$647	$647
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$320	$647	$647	$647

Recommendation

The Governor recommends additional funding of $320,000 in FY 2008 and $647,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for personnel costs paid from the General Fund.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-2009. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-2009 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Change Item: Parenting Time Centers

Fiscal Impact ($000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Other Fund					
Expenditures	$192	$96	$96	$96	$96
Revenues	0	0	0	0	0
Net Fiscal Impact	$192	$96	$96	$96	$96

Recommendation

The Governor recommends allocating $192,000 for FY 2007 and ongoing funding of $96,000 in FY 2008 and FY 2009, in order to provide a safe and neutral site for parent and child interaction and visitation.

Background

Parenting Time Centers provide a healthy interactive parenting time and visitation environment for parents who are separated/divorced and for parents with children in foster homes. Parenting Time Center programs are available for use as a drop-off site, so parents who are under court order to not have contact with each other can exchange children for visitation at a neutral site.

The funding for Parenting Time Centers is used for grants to three nonprofit organizations that operate the centers. The Department of Public Safety administers the grants. The funding is transferred from MDE to the Department of Public Safety through an interagency agreement.

The appropriation language for this program was inadvertently omitted from the recommendations for FY 2006-2007. This proposal provides funding for FY 2007 and establishes ongoing funding for FY 2008-09 and a continuing base.

Relationship to Base Budget

Parenting Time Centers are funded through marriage license fee receipts in the State Government Special Revenue fund. Three dollars from each marriage license fee is statutorily designated for Parenting Time Centers. This proposal reinstates the ongoing appropriation for this program.

Statutory Change: Not Applicable.

Education activities with no expenditures beyond FY 2007 are reporting in this program.

⇒ Discontinued State Programs
⇒ Discontinued Federal Programs

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,204	3,641	3,641	3,641	7,282
Technical Adjustments					
One-time Appropriations			(3,641)	(3,641)	(7,282)
Subtotal - Forecast Base	5,204	3,641	0	0	0
Total	**5,204**	**3,641**	**0**	**0**	**0**
Expenditures by Fund					
Direct Appropriations					
General	4,065	3,641	0	0	0
Statutory Appropriations					
Misc Special Revenue	456	0	0	0	0
Total	**4,521**	**3,641**	**0**	**0**	**0**
Expenditures by Category					
Total Compensation	0	93	0	0	0
Other Operating Expenses	0	657	0	0	0
Local Assistance	4,521	2,891	0	0	0
Total	**4,521**	**3,641**	**0**	**0**	**0**
Expenditures by Activity					
State Programs	4,521	3,641	0	0	0
Total	**4,521**	**3,641**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**0.0**	**0.4**	**0.0**	**0.0**	

Statute requires a report of discontinued/nonrecurring education aids or grants if there is an expenditure in FY 2005, FY 2006, and FY 2007.

	Dollars in Thousands		
Discontinued State Programs	**FY 2005**	**FY 2006**	**FY 2007**
Special Education Cross Subsidy Reduction	$11,000		
Declining Pupil Albert Lea	150	75	
Declining Pupil Mesabi East	100	50	
On-Line Learning	1,153		
Tornado Impact-Yellow Medicine	39		
ISD 682 Roseau Flood	20	10	
District Litigation Cost	108		
NW Online College in High School			50
MN Learning Foundation			0
Kindergarten Readiness & Family Support		50	
Red Lake Agreement-DPS		456	
ABE Transition	413		
Advanced Placement Student Participation			1,000
Character Development			1,500
Scholars of Distinction			25
Chinese Language			250
Waseca Levy #829			316
TIMMS Study			500
One Time Energy Assistance Aid		3,488	
Red Lake Emergency Aid		392	
Total	**$12,983**	**$4,521**	**$3,641**

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end and forecast changes.

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	1,913	1,804	1,804	1,804	3,608
Other Revenues:					
General	158	0	1	1	2
Total Non-Dedicated Receipts	**2,071**	**1,804**	**1,805**	**1,805**	**3,610**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	3,323	3,329	3,590	3,783	7,373
Grants:					
Misc Special Revenue	3,188	2,205	1,114	1,114	2,228
Federal	587,062	649,160	653,996	653,905	1,307,901
Miscellaneous Agency	200	200	0	0	0
Gift	150	0	0	0	0
Other Revenues:					
Misc Special Revenue	3,916	3,602	3,766	3,676	7,442
Federal	299	0	0	0	0
Maximum Effort School Loan	2,254	1,000	1,000	1,000	2,000
Miscellaneous Agency	338	354	354	354	708
Gift	147	136	20	66	86
Other Sources:					
Misc Special Revenue	1	69	2	2	4
Miscellaneous Agency	53	0	0	0	0
Gift	0	50	50	50	100
Total Dedicated Receipts	**600,931**	**660,105**	**663,892**	**663,950**	**1,327,842**
Agency Total Revenue	**603,002**	**661,909**	**665,697**	**665,755**	**1,331,452**

Appropriation Unit Name	Primary Purpose	2006 Actual	2007 Budgeted	2008 Base Budget	2009 Base Budget
		Dollars in Thousands			
CHARTER SCHOOL FACILITIES	GPS	91	8,176	9,181	4,182
SCHOOL CHOICE	GPS	5,242	11,550	13,607	13,607
PUBLIC CHARTER SCHOOLS	GPS	4,469	0	0	0
		9,802	**19,726**	**22,788**	**17,789**
HURRICANE IMPACT AID	GPS	851	536	0	0
MIGRANT EDUCATION	GPS	3,291	3,020	1,810	1,816
RURAL & LOW INCOME SCHOOL	GPS	70	64	75	75
BYRD SCHOLARSHIPS	GI	663	695	10	0
DRUG & VIOLENCE PREVENT	GPS	3,450	3,667	4,214	4,220
DRUG & VIOL PREV-GOV	GPS	1,634	1,618	1,669	1,671
HOMELESS CHILDREN	GPS	405	466	517	522
EVEN START	GPS	2,031	968	962	966
TITLE V	GPS	2,980	2,614	2,623	2,633
TITLE I	GPS	93,071	115,669	115,100	115,108
TECH LITERACY CHALLENGE	GPS	5,865	6,156	4,197	4,205
COMP SCHOOL REFORM	GPS	2,472	1,130	750	0
21 CENTURY COMM LRNG	GPS	9,537	10,200	10,392	10,409
ENGLISH LANGUAGE ACQUISITION	GPS	5,283	6,608	7,220	7,330
IMPROVING TEACHER QUALITY	GPS	33,051	37,893	41,980	42,027
READING FIRST	GPS	14,060	9,579	9,716	9,740
SCHOOL HEALTH PROG	GPS	310	221	290	306
VOC ED - PERKINS	GPS	7,628	6,955	6,494	6,494
VOLUNTARY SCHOOL CHOICE	GPS	2,398	3,646	2,240	0
REFUGEE RESETTLEMENT	GPS	147	0	0	0
SERV AMER-ACH BASED 2000	SO	297	238	238	238
MATH & SCIENCE PARTNERSHIPS	GPS	1,273	1,359	1,489	1,490
		190,767	**213,302**	**211,986**	**209,250**
SPED - STATE IMPRV GRT	GPS	237	1,635	1,020	1,031
DEAF BLIND CTR	GPS	214	113	171	171
PRESCHOOL GRANT	GPS	7,939	7,755	7,986	8,031
CHILD W/DISABILITIES	GPS	170,092	181,205	181,923	182,246
SPEC ED PROG IMPROVEMENT	GPS	842	55	0	0
		179,324	**190,763**	**191,100**	**191,479**
FOOD & NUTR BREAKFAST	GPS	2,387	284	0	0
FOOD & NUTR BREAKFAST	GPS	18,941	2,458	0	0
FOOD & NUTR BREAKFAST	GPS	0	19,350	22,791	23,816
FOOD & NUTR LUNCH	GPS	11,127	524	0	0
FOOD & NUTR LUNCH	GPS	82,806	11,461	0	0
FOOD & NUTR LUNCH	GPS	0	86,465	102,334	106,939
FOOD & NUTR SPEC MILK	GPS	183	21	0	0
FOOD & NUTR SPEC MILK	GPS	599	189	0	0

Appropriation Unit Name	Primary Purpose	2006 Actual	2007 Budgeted	2008 Base Budget	2009 Base Budget
		Dollars in Thousands			
FOOD & NUTR SPEC MILK	GPS	0	611	836	874
FOOD & NUTR CACFP COMMOD	GPS	155	9	0	0
FOOD & NUTR CACFP COMMOD	GPS	536	160	0	0
FOOD & NUTR CACFP COMMOD	GPS	0	509	681	695
FOOD & NUTR CACFP FD SERV	GPS	11,837	156	0	0
FOOD & NUTR CACFP FD SERV	GPS	35,787	12,335	0	0
FOOD & NUTR CACFP FD SERV	GPS	0	34,932	49,255	51,468
FOOD & NUTR CACFP SP ADMIN	GPS	795	147	0	0
FOOD & NUTR CACFP SP ADMIN	GPS	5,145	819	0	0
FOOD & NUTR CACFP SP ADMIN	GPS	0	5,970	8,139	8,506
FOOD & NUTR SFSP SPONSOR	GPS	161	5	0	0
FOOD & NUTR SFSP SPONSOR	GPS	28	166	0	0
FOOD & NUTR SFSP SPONSOR	GPS	0	4	415	434
FOOD & NUTR SFSP OPER	GPS	1,593	77	0	0
FOOD & NUTR SFSP OPER	GPS	163	1,641	0	0
FOOD & NUTR SFSP OPER	GPS	0	36	2,409	2,519
		172,243	**178,329**	**186,860**	**195,251**
LSTA TITLE I	GPS	2,883	3,954	3,000	3,000
		2,883	**3,954**	**3,000**	**3,000**
INFANTS & TODDLERS PT H	GPS	6,175	6,953	7,568	7,587
		6,175	**6,953**	**7,568**	**7,587**
ADULT BASIC EDUC	GPS	5,983	10,724	7,002	7,362
		5,983	**10,724**	**7,002**	**7,362**
READING EXCELLENCE	GPS	46	0	0	0
		46	**0**	**0**	**0**
LONGITUDINAL DATA SYSTEM	SO	56	1,085	775	518
IDEA GSEG	SO	0	0	154	154
GEN SUPVR ENHNCMNT GRNT	SO	0	199	199	0
SAFE & DRUG FREE SCH &	SO	500	883	457	468
HEAD START FEDL	SO	125	125	125	125
FOOD & NUTR CACFP AUDIT	SO	133	0	0	0
FOOD & NUTR CACFP AUDIT	SO	379	128	0	0
FOOD & NUTR CACFP AUDIT	SO	0	379	828	852
SUMMER FOOD SAE	SO	52	0	0	0
SUMMER FOOD SAE	SO	65	21	0	0
SUMMER FOOD SAE	SO	0	55	88	91
FOOD & NUTRITION SAE	SO	1,532	0	0	0
FOOD & NUTRITION SAE	SO	1,215	1,544	0	0
FOOD & NUTRITION SAE	SO	0	2,083	3,099	3,189
CONSOLIDATED ADMIN	SO	2,821	4,051	3,581	3,689
NEGLECTED & DELINQUENT	SO	202	260	260	260

Appropriation Unit Name	Primary Purpose	2006 Actual	2007 Budgeted	2008 Base Budget	2009 Base Budget
		Dollars in Thousands			
FOREIGN LANGUAGE ASST	SO	140	0	0	0
SCH DROPOUT PREV	SO	152	1,645	1,678	1,713
STATE ASSESSMENT	SO	8,271	10,990	9,904	9,941
EDUC TASK ORDER	SO	115	130	128	132
ENHANCE ASSESSMENT COMPE	SO	426	0	1,496	1,043
TEACHER QUALITY ENHANCE	SO	3,852	1,942	895	0
COMMON CORE DATA	SO	91	12	12	12
FNS LOCAL WELLNESS	SO	0	59	14	0
		20,127	**25,591**	**23,693**	**22,187**
		587,350	**649,342**	**653,997**	**653,905**

Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

➲ Designates that this item is a change item

Agency Purpose

Minnesota Statutes 144E.001-144E.52 designate the Emergency Medical Services Regulatory Board (EMSRB) as the lead agency for emergency medical services (EMS) in the state. Its mission is to *provide leadership which optimizes the quality of emergency medical care for the people of Minnesota – in collaboration with its communities – through policy development, regulation, system design, education, and medical direction.*

The EMSRB was created in 1995 and began operations on 7/1/96. Prior to that time, EMS functions in Minnesota had been conducted by the Department of Health's EMS Section, dating to the 1960s when EMS was emerging nationally as a distinct public health component. The agency is governed by a 19-member board, comprised of 15 members appointed by the governor, one member from each the senate and house, and the commissioners of Health and Public Safety.

At A Glance

- ♦ Minnesota's ambulance services (≈300) are licensed and inspected biannually.
- ♦ 29,000 emergency medical services (EMS) Personnel emergency medical technicians (EMTs), (Paramedics and First Responders) are licensed biannually.
- ♦ 100 complaints are investigated annually with action taken as needed to ensure the safety and health of the public.
- ♦ Health Professionals Services Program (HPSP) monitors more than 500 impaired health professionals for 17 health boards and state agencies to ensure the public is protected.

The EMSRB also serves as the administering agency for the Health Professionals Services Program (HPSP), a program created and shared by the health licensing boards. M.S. 214.31 to 214.37 charge HPSP with protecting the public by monitoring impaired health professionals who are unable to practice with reasonable skill and safety by reason of illness, use of alcohol or drugs, or due to any mental, physical, or psychological condition.

Core Functions

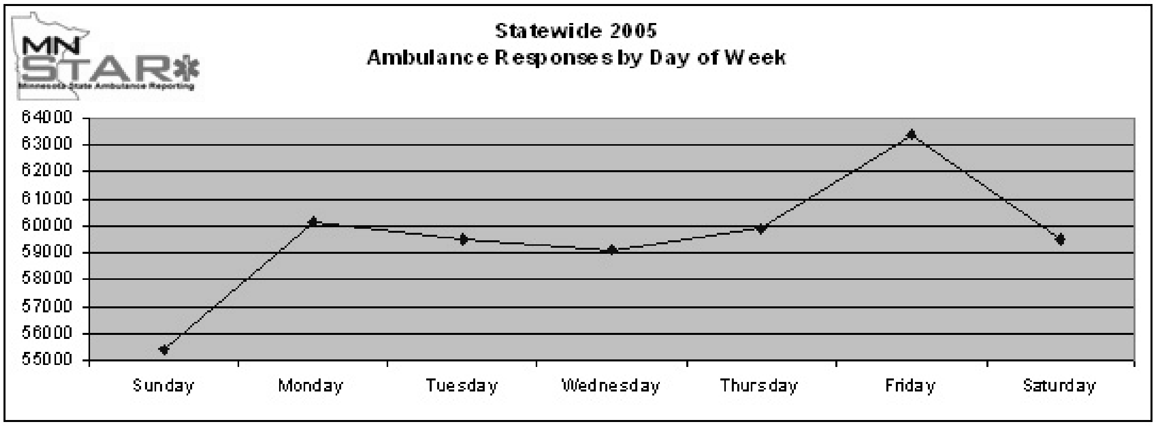
The core functions of the EMSRB stem from its purpose -- to ensure the public have access to safe and reliable pre-hospital emergency medical care. By licensing ambulance services and individual EMS personnel, and by investigating complaints against EMS providers, the EMSRB assures a minimum standard in EMS is available to the people of Minnesota. Through its grant programs, the EMSRB provides support to the ambulance services that rely on volunteers and to areas of the state where the demographics require additional resources to ensure access to ambulance response.

Operations

- ⇒ Licenses three levels of emergency medical technicians (EMTs, EMT-Intermediates and EMT- Paramedics) and registers first responders who have successfully met initial and renewal training/testing requirements.
- ⇒ Inspects and licenses ambulance services biannually, ensuring safe and reliable ambulance service.
- ⇒ Approves EMT, paramedic and first responder training programs biannually, ensuring quality training.
- ⇒ Investigates complaints from the public and EMS providers about ambulance services, EMS training programs and EMS personnel, taking action as necessary to protect the public from unsafe EMS practice.
- ⇒ Administers a variety of grant programs, including the Comprehensive Advanced Life Support (CALS) courses that teach emergency care skills to rural doctors, nurses, and emergency room personnel; regional grant programs that support EMS in the eight regions of the state; grants to support two medical resource communication centers; and a federal grant to support and enhance training in pediatric emergency care.
- ⇒ Administers programs to promote the recruitment and retention of volunteer EMTs for nonprofit ambulance services, including an EMT training reimbursement program and the EMS Personnel Longevity Award and Incentive program for retiring volunteers.
- ⇒ Administers MNSTAR (Minnesota State Ambulance Reporting) a web-based, statewide system for collecting data from licensed ambulance services on approximately 450,000 ambulance runs annually.
- ⇒ Provides planning, coordination, and technical assistance to EMS providers in disaster and terrorism preparedness throughout Minnesota.
- ⇒ Through HPSP, performs assessment and monitoring of impaired health professionals (e.g., review drug screens, treatment provider, and work site reports).

Key Measures

⇒ MNSTAR is a web-based system available to all Minnesota ambulance services for tracking and reporting ambulance responses statewide. Created and implemented by the EMSRB in 2003, this online tool enables the agency to track and report on ambulance activity in Minnesota for policy development, research, and planning. MNSTAR is also used by ambulance services to create their own reports for quality assurance, planning, and to identify training and funding needs.



⇒ Licenses and regulates approximately 300 ambulance services.
⇒ Certifies more than 29,000 EMS personnel after they have completed the required training and testing.
⇒ Approves approximately 140 training programs that conduct training courses for EMS personnel.
⇒ Designates and funds eight organizations that provide EMS support on a regional level throughout the state.
⇒ Registers approximately 200 first responder units, on a voluntary basis, statewide.
⇒ Monitors (through HPSP) over 500 health professionals to enhance public safety in health care.

Budget

The EMSRB receives its resources from a variety of sources: general fund, dedicated funds, federal grants, and fines for seat-belt violations. Because the EMS system in Minnesota is heavily dependent on a diminishing pool of volunteers, particularly in rural areas, there is no fee for certification, thereby preventing the EMSRB from becoming fee-supported. A majority of the agency's budget is dedicated to grant programs to support volunteer ambulance services. Administrative expenses, which include 15 full-time equivalent employees, accounts for 33% of the board's total expenditures. The HPSP receives its resources from the 17 participating boards and agencies. Each board pays an annual participation fee of $1,000 and a pro rata share of program expenses based on the number of licensees the board has in the program. HPSP has 7.0 full-time equivalent employees.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	2,481	2,481	2,481	2,481	4,962
Recommended	**2,481**	**2,481**	**2,633**	**2,660**	**5,293**
Change		0	152	179	331
% Biennial Change from 2006-07					6.7%
State Government Spec Revenue					
Current Appropriation	546	596	596	596	1,192
Recommended	**546**	**596**	**687**	**704**	**1,391**
Change		0	91	108	199
% Biennial Change from 2006-07					21.8%
Expenditures by Fund					
Direct Appropriations					
General	2,339	2,736	2,633	2,660	5,293
State Government Spec Revenue	516	626	687	704	1,391
Open Appropriations					
General	896	934	900	900	1,800
State Government Spec Revenue	6	6	12	12	24
Statutory Appropriations					
Misc Special Revenue	1,417	1,557	1,418	1,418	2,836
Federal	302	414	300	300	600
Gift	0	13	1	1	2
Total	**5,476**	**6,286**	**5,951**	**5,995**	**11,946**
Expenditures by Category					
Total Compensation	1,405	1,459	1,802	1,925	3,727
Other Operating Expenses	648	1,284	847	765	1,612
Payments To Individuals	306	385	385	385	770
Local Assistance	2,621	2,676	2,542	2,545	5,087
Other Financial Transactions	496	482	375	375	750
Total	**5,476**	**6,286**	**5,951**	**5,995**	**11,946**
Expenditures by Program					
Emergency Medical Services Bd	5,476	6,286	5,951	5,995	11,946
Total	**5,476**	**6,286**	**5,951**	**5,995**	**11,946**
Full-Time Equivalents (FTE)	**22.4**	**23.0**	**26.1**	**26.1**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**2,481**	**2,481**	**2,481**	**4,962**
Subtotal - Forecast Base	**2,481**	**2,481**	**2,481**	**4,962**
Change Items				
State EMS Medical Director	0	50	50	100
Emergency Preparedness Coordinator	0	75	75	150
EMS Compensation Adjustment	0	27	54	81
Total Governor's Recommendations	**2,481**	**2,633**	**2,660**	**5,293**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	**596**	**596**	**596**	**1,192**
Subtotal - Forecast Base	**596**	**596**	**596**	**1,192**
Change Items				
HPSP Case Manager	0	75	75	150
HPSP Compensation Adjustment	0	16	33	49
Total Governor's Recommendations	**596**	**687**	**704**	**1,391**
Fund: GENERAL				
Planned Open Spending	**934**	**900**	**900**	**1,800**
Total Governor's Recommendations	**934**	**900**	**900**	**1,800**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**6**	**12**	**12**	**24**
Total Governor's Recommendations	**6**	**12**	**12**	**24**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**1,557**	**1,418**	**1,418**	**2,836**
Total Governor's Recommendations	**1,557**	**1,418**	**1,418**	**2,836**
Fund: FEDERAL				
Planned Statutory Spending	**414**	**300**	**300**	**600**
Total Governor's Recommendations	**414**	**300**	**300**	**600**
Fund: GIFT				
Planned Statutory Spending	**13**	**1**	**1**	**2**
Total Governor's Recommendations	**13**	**1**	**1**	**2**

Change Item: State EMS Medical Director

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$50	$50	$50	$50
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$50	$50	$50	$50

Recommendation

The Governor recommends an increase to the Emergency Medical Regulatory Service Board's (EMSRB) annual appropriation by $50,000 to hire a part-time physician medical director (.2 FTE) with expertise in emergency medical services (EMS). A physician medical director will fill a gap in emergency medical services by creating and updating medical protocols and offering training and consultation to rural areas.

Background

The board's mission is to optimize the quality of emergency medical care for the people of Minnesota through policy development, regulation, system design, education, and medical direction. There is an increasing need for the services of an emergency physician due to the expanded responsibilities of the board. These responsibilities include the investigation of complaints about medical procedures, the oversight of medical protocols used by the state's 300 ambulance services, and the new statewide trauma system, which will require additional medical direction and training for many of the state's ambulance services. With the shortage of physicians in rural areas, most of the state's rural ambulance services lack active medical direction. These rural services often have a medical director "on paper" who has little or no time to devote to emergency medical services and lacks knowledge about emergency medicine. A State EMS Medical Director would serve as a resource to these rural ambulance medical directors by creating updated medical protocols, and offering training, and consultation so these services can benefit from the advances in emergency medical care.

Relationship to Base Budget

The board receives a $2.481 million General Fund appropriation each year. This request would increase the board's annual appropriation approximately 2%.

Alternatives Considered

The board has relied on the volunteer service of a series of physician board members to provide limited medical direction services since the board's inception ten years ago. Minnesota is the only state that relies on a volunteer to serve as its State EMS Medical Director.

Statutory Change: Not Applicable

Change Item: Emergency Preparedness Coordinator

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$75	$75	$75	$75
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$75	$75	$75	$75

Recommendation

The Governor recommends an increase to the Emergency Medical Regulatory Service Board's (EMSRB) annual appropriation by $75,000 to hire a full-time Emergency Preparedness Coordinator.

Background

Since 9-11-2001 emergency preparedness planning has become a top priority for communities across the state. As a result, the percent of time EMS staff spends on emergency preparedness planning has grown significantly. The board's current staff size is not able to adequately fulfill the multitude of duties involved with emergency preparedness planning and coordination statewide. While the EMSRB field specialists are engaged in disaster planning meetings and exercises around the state, there is a need for a full-time person to coordinate these responsibilities.

Relationship to Base Budget

The board receives a $2.481 million General Fund appropriation each year. This request would increase the board's annual appropriation approximately 3%.

Key Measures

The addition of a full-time emergency preparedness coordinator would enable the board to fulfill its responsibilities in the Governor's Executive Order and the Minnesota Emergency Operations Plan (MEOP) to coordinate emergency medical services in the event of a disaster.

Statutory Change: Not Applicable

EMERGENCY MEDICAL SERVICES REGULATORY BOARD

Change Item: HPSP Case Manager

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Govt Special Rev Fund				
Expenditures	$75	$75	$75	$75
Revenues	0	0	0	0
Net Fiscal Impact	$75	$75	$75	$75

Recommendation

The Governor recommends an increase to the Health Professionals Services Program's (HPSP) annual appropriation by $75,000 to hire a full-time case manager. An additional case manager would allow caseloads to return to the recommended level of approximately 100 clients per case manager.

Background

The Emergency Medical Services Regulatory Board (EMSRB) serves as the administering agency for the HPSP, a program shared by the health licensing boards. The HPSP is mandated in statute to monitor impaired health professionals who are unable to practice with reasonable skill and safety, by reason of illness, use of alcohol or drugs, or due to any medical, physical, or psychological condition.

The HPSP's four case managers are unable to adequately manage the program's growing number of participants to meet its statutory mandate to protect the public from persons regulated by health licensing boards who are unable to practice with reasonable skill and safety. While increasing participation in the HPSP is positive for public protection, it also strains the program's resources. In the past five years, the number of cases that have been opened and closed has increased 34%. The number of cases per case manager is 20% higher than the recommended level. Adding one full-time case manager at the beginning of the biennium would allow caseloads to return to normal levels of approximately 100 clients per case manager.

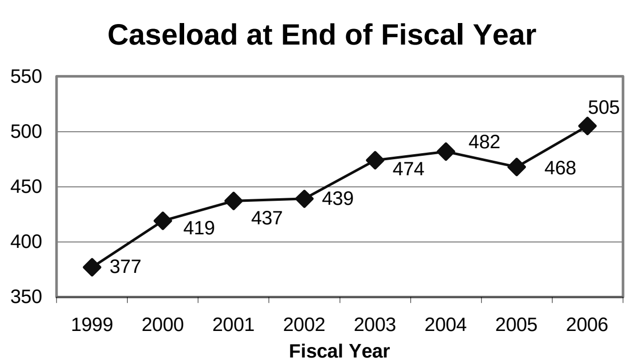
In addition to high caseloads, case managers are responding to more positive toxicology screens than ever before, which requires additional case management time. In FY 2006, the HPSP initiated Ethyl-Glucuronide (EtG) testing, which is an improved method of testing for alcohol consumption. This resulted in a total of 139 positive urine toxicology screens, 105 of which were positive for EtG. Case managers responded to more positive screens in the last year than they normally would have in a four-year period.

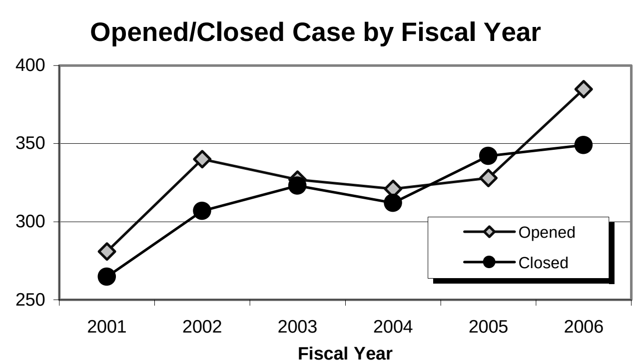
Relationship to Base Budget

The HPSP receives an annual appropriation of $596,000 from the state government special revenue fund. The addition of one full-time case manager would increase HPSP's annual appropriation 12.6%. The health licensing boards and the Department of Health are responsible for collecting revenue to cover the cost of the HPSP.

Key Measures

The addition of a full-time case manager would reduce caseloads from 120 to 100. Smaller caseloads would allow case managers to more adequately address participants who are not complying with their monitoring contracts.





Statutory Change: Not Applicable

Change Item: EMS Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$27	$54	$54	$54
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$27	$54	$54	$54

Recommendation

The Governor recommends additional funding of $27,000 in FY 2008 and $54,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the .25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Change Item: HPSP Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	16	33	33	33
Revenues	0	0	0	0
Net Fiscal Impact	$16	$33	$33	$33

Recommendation
The Governor recommends additional funding of $16,000 in FY 2008 and $33,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background
Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

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Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Departmental Earnings:					
General	84	87	87	87	174
Other Revenues:					
General	1	10	10	10	20
State Government Spec Revenue	0	10	10	10	20
Total Non-Dedicated Receipts	**85**	**107**	**107**	**107**	**214**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	83	22	22	22	44
Grants:					
Misc Special Revenue	6	0	0	0	0
Federal	302	414	300	300	600
Other Revenues:					
General	17	15	0	0	0
Misc Special Revenue	0	0	15	15	30
Gift	1	1	1	1	2
Total Dedicated Receipts	**409**	**452**	**338**	**338**	**676**
Agency Total Revenue	**494**	**559**	**445**	**445**	**890**

➲ Designates that this item is a change item

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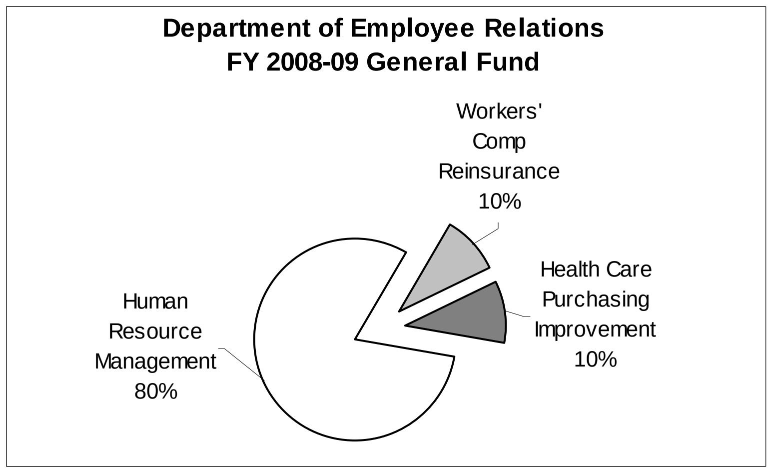
January 22, 2007

To the 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Employee Relations' recommendation for the FY 2008-09 biennial budget. This consists of an operating budget of $12,593,000 from the state's general fund, an open appropriation of $1,325,000 from the general fund for the state's required Workers' Compensation Reinsurance Association (WCRA) premium and $1,443,044 from other funds. This is an 11.2% increase from DOER's FY 2006-07 general fund operating budget (not including the WCRA open appropriation). For the agency overall from all funding sources, it represents an increase of 0.09% from the FY2008-09 forecast base.

The general fund appropriation primarily supports DOER's Human Resource Management Program which consists of the state's new Center for Health Care Purchasing Improvement, as well as existing labor relations, compensation, state agency and job applicant services, human resource technology and analytics, and internal administrative support activities. The recommended general fund appropriation represents less than 1% of DOER's total budget. The remainder is principally money collected from employees, state agencies, public employers and others for benefits such as health care and workers' compensation claims, insurance coverage and employees' pre-tax spending accounts.



As the human resource management agency for the administration, DOER provides centralized personnel and labor relations services to 90 Executive Branch agencies with approximately 52,100 employees. In addition, DOER designs and administers benefits for all of state service, covering over 120,000 employees, retirees and dependents. The agency's core strategic mission is to:

- Establish an enterprise orientation to employment policy and maintain a single employer stance, which places the state - not each agency - at manageable risk for employment and workplace issues.

- Maximize return on the state's human capital investment by negotiating labor agreements and designing and purchasing benefits that are cost effective yet comparable to the labor market in which agencies must compete to attract and retain quality employees.

- Oversee and enhance the state's human resource infrastructure.

The single most significant demand on programs and services is health care. The impact reaches far beyond the cost of the benefit itself and is felt throughout the agency - from collective bargaining by Labor Relations to Workers' Compensation to support for employees and agencies dealing with benefit choices and problems. The proposed increase for the Center for Health Care Purchasing Improvement is designed to address health care quality and cost issues, not only for DOER but more broadly for Minnesota. The Center was created in 2006 to align performance measurement and purchasing efforts to provide greater value for the State's more than $4 billion in annual spending on health care. The Center focuses on adopting common best practices and mutually reinforcing improvement strategies across state agencies and in concert with the private sector and other partners. The Center acts primarily as a catalyst for change, working with and complementing other public and private sector resources. The recommended budget will broaden and intensify the Center's impact and accelerate changes to more rapidly improve the value to taxpayers.

I look forward to working with you on the proposed budget.

Sincerely,

Patricia Anderson
Acting Commissioner

Agency Purpose

The Department of Employee Relations (DOER) is the human resource management agency of Minnesota state government. As the personnel, insurance benefits, and labor relations office, it assists all other agencies in issues relating to state employment.

The mission of DOER is accomplished, in part, through a partnership with state agency human resource professionals who are committed to the continuous improvement of human resource products and services that support state government in providing service to all citizens.

Core Functions

DOER is governed by M.S. 43A, which gives the department responsibility for three main functions:

- ♦ administering the state's merit system and provide a wide variety of human resource products and services to 120 state agencies, boards, and commissions so they are able to achieve their missions;
- ♦ negotiating and administering labor agreements and develop and administer compensation plans covering 37,300 state executive branch employees; and
- ♦ developing, implementing, and managing employee, retiree, and dependent insurance benefits for over 120,000 covered lives and workers' compensation benefits for more than 57,000 employees of the executive, legislative, and judicial branches and of quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair.

Operations

Labor Relations and Compensation represents the state executive branch in negotiating and administering collective bargaining agreements and compensation plans and in arbitrating employee grievances.

Human Resource Management (HRM) ensures that a diverse pool of qualified job applicants is available to meet state agency needs; provides consultation and resources in job analysis, recruitment, selection, affirmative action, ADA, and workforce planning; and develops and manages human resource information systems that support and enhance selection/recruiting and access to employment data. HRM assists state agencies in creating a workplace that attracts and supports diversity.

At A Glance

- ♦ Negotiates and administers eight bargaining agreements and two compensation plans affecting 37,300 state executive branch employees.
- ♦ Develops and enhances the state's human resource information systems. This biennium included moving the employee information system to a more efficient technology platform that reduces the growth in operating costs, implementing new hire on-boarding to automate employment forms and integrate with employee systems, developing a web-based tracking system to manage applicant and job vacancy information more efficiently, and migrating the workers' compensation claims system to a Windows environment.
- ♦ Processes an average of 6,000 applicant resumes per month, with more than 90% submitted through web-based self-service. The median time to fill state jobs is 45 days.
- ♦ Develops and manages health, dental, and life insurance and other benefits for state employees, retirees, and their families, totaling over 120,000 covered lives. At 7.5% of total premiums (of which DOER receives 1%), the cost of administering health benefits remains well below the industry standard of 10-15%. In 2006, the Advantage Health Plan had a 0% increase in premium growth.
- ♦ Minnesota became the first state in the nation to participate in the national pay for performance program for health care known as Bridges to Excellence.
- ♦ Continues to expand disease management programs to address the health conditions which claims data show are most prevalent among employees.
- ♦ As of July 2006, 89 public sector employer groups in Minnesota participate in the Public Employees Insurance Program.
- ♦ In FY 2005, 2,718 workers' compensation claims were filed, a 3.1% decline compared with the previous year.

The Center for Health Care Purchasing Improvement assists the state in developing and implementing best practices for health care performance measurement and health care purchasing, to promote greater transparency of health care costs and quality, and greater accountability for health care results and improvement.

Information Systems provides comprehensive information technology management, which supports the state's payroll, human resources, and employee insurance systems to ensure that they are cost effective and value added.

State Employee Group Insurance Program (SEGIP) develops and manages insurance benefits for eligible state employees, retirees, and their dependents to help attract and retain a strong and productive workforce.

Public Employee Insurance Program (PEIP) offers local units of government group health, dental, and life insurance for their eligible employees, retirees, and their dependents.

Workers' Compensation provides workers' compensation benefits to state employees, represents state agencies in workers' compensation court cases, and works with agencies to address workplace safety and health issues.

Budget

Approximately 1% of DOER's budget is from the General Fund. The other 99% is composed of revenues and expenditures for the various insurance and state employee benefit programs that the department operates.

The General Fund portion of the budget covers operating expenses for approximately 40% of the agency programs and staff including Human Resource Management and parts of Labor Relations and Compensation, Information Systems, and other internal administrative services.

Sources other than the General Fund support the remaining agency operations including the State Employee Group Insurance Program (SEGIP), the Public Employees Insurance Program (PEIP), the Workers' Compensation Program, and various pre-tax expense account programs.

The non-General Fund dollars used to operate these programs come from a variety of sources. SEGIP benefits are funded by premiums collected from state agencies, employees, and self-paid participants and by an administrative fee charged to participating employers. PEIP is funded by premiums paid by participating local units of government and their employees. State agency fees and reimbursements for claims costs generate the revenue for the Workers' Compensation Program. Pre-Tax Program revenue consists of employee contributions and agency fees for medical, dental, transit, and dependent care expense reimbursement accounts.

The number of full-time employees, as of the third quarter of FY 2006 is 138.8, with 54.6 supported by the General Fund and the remainder by the other sources described above.

Contact

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Commissioner's Office: (651) 259-3600
Home Page: http://www.doer.state.mn.us/

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	5,667	5,656	5,656	5,656	11,312
Recommended	**5,667**	**5,656**	**6,249**	**6,344**	**12,593**
Change		0	593	688	1,281
% Biennial Change from 2006-07					11.2%
Expenditures by Fund					
Direct Appropriations					
General	5,271	6,057	6,249	6,344	12,593
Open Appropriations					
General	535	582	634	691	1,325
Statutory Appropriations					
Misc Special Revenue	24,642	25,754	25,915	26,058	51,973
State Employees Insurance	521,315	574,211	634,603	710,482	1,345,085
Miscellaneous Agency	20,264	21,493	22,493	23,493	45,986
Total	**572,027**	**628,097**	**689,894**	**767,068**	**1,456,962**
Expenditures by Category					
Total Compensation	10,624	11,219	11,898	12,366	24,264
Other Operating Expenses	561,365	616,878	677,996	754,702	1,432,698
Capital Outlay & Real Property	38	0	0	0	0
Total	**572,027**	**628,097**	**689,894**	**767,068**	**1,456,962**
Expenditures by Program					
Human Resource Mgmt	6,375	7,382	7,561	7,664	15,225
Employee Insurance Division	565,652	620,715	682,333	759,404	1,441,737
Total	**572,027**	**628,097**	**689,894**	**767,068**	**1,456,962**
Full-Time Equivalents (FTE)	**138.5**	**143.3**	**146.3**	**146.3**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**5,656**	**5,656**	**5,656**	**11,312**
Subtotal - Forecast Base	**5,656**	**5,656**	**5,656**	**11,312**
Change Items				
Ctr for Health Care Purchasing Improvemt	0	500	500	1,000
Compensation Adjustment	0	93	188	281
Total Governor's Recommendations	**5,656**	**6,249**	**6,344**	**12,593**
Fund: GENERAL				
Planned Open Spending	**582**	**634**	**691**	**1,325**
Total Governor's Recommendations	**582**	**634**	**691**	**1,325**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**25,754**	**25,915**	**26,058**	**51,973**
Total Governor's Recommendations	**25,754**	**25,915**	**26,058**	**51,973**
Fund: STATE EMPLOYEES INSURANCE				
Planned Statutory Spending	**574,211**	**634,603**	**710,482**	**1,345,085**
Total Governor's Recommendations	**574,211**	**634,603**	**710,482**	**1,345,085**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**21,493**	**22,493**	**23,493**	**45,986**
Total Governor's Recommendations	**21,493**	**22,493**	**23,493**	**45,986**

Program Description:

The purpose of the Human Resource Management Program is to provide centralized personnel and labor relations services for the executive branch and development and ongoing enhancement and support of state government human resource information systems, as well as administrative services internal to DOER.

Budget Activities Included:

⇒ Administration
⇒ Agency and Applicant Services
⇒ Health Care Purchasing Improvement
⇒ Human Resource Technology and Analytics
⇒ Labor Relations and Compensation

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
			Dollars in Thousands		
Direct Appropriations by Fund					
General					
Current Appropriation	5,667	5,656	5,656	5,656	11,312
Subtotal - Forecast Base	5,667	5,656	5,656	5,656	11,312
Governor's Recommendations					
Ctr for Health Care Purchasing Improvemt		0	500	500	1,000
Compensation Adjustment		0	93	188	281
Total	**5,667**	**5,656**	**6,249**	**6,344**	**12,593**
Expenditures by Fund					
Direct Appropriations					
General	5,271	6,057	6,249	6,344	12,593
Statutory Appropriations					
Misc Special Revenue	1,104	1,325	1,312	1,320	2,632
Total	**6,375**	**7,382**	**7,561**	**7,664**	**15,225**
Expenditures by Category					
Total Compensation	5,032	5,272	5,631	5,909	11,540
Other Operating Expenses	1,343	2,110	1,930	1,755	3,685
Total	**6,375**	**7,382**	**7,561**	**7,664**	**15,225**
Expenditures by Activity					
Hr Technology & Analytics	576	625	732	676	1,408
Administration	3,411	3,981	3,448	3,476	6,924
Health Care Purchasing	0	173	674	682	1,356
Labor Relations & Compsatn	1,085	1,216	1,244	1,291	2,535
Agency & Applicant Services	1,303	1,387	1,463	1,539	3,002
Total	**6,375**	**7,382**	**7,561**	**7,664**	**15,225**
Full-Time Equivalents (FTE)	**61.2**	**64.1**	**63.8**	**63.8**	

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: HR TECHNOLOGY & ANALYTICS Narrative

Activity Description

The Human Resource (HR) Technology and Analytics activity is responsible for utilization of technology for state hiring and employment through research, development, and enhancement of statewide systems including SEMA4 HR functionality; Resumix and related software for job applicants, new hires, hiring managers, and supervisors; and WebEx and Captivate (web-based training and communication tools). In addition, this activity analyzes applicant, employee, and other personnel data to identify workforce issues and trends on a statewide and individual agency level.

Activity at a Glance

- ♦ Provides training, documentation, and support for over 2,000 designated SEMA4 users who serve state agencies and up to 52,100 employees of the executive, legislative, and judicial branches.
- ♦ Supports 170 recruitment system users in the executive and judicial branches, several thousand hiring managers and supervisors, and approximately 165,000 applicants for job openings since 2002.

Population Served

HR Technology and Analytics serves:

- ♦ state employees in the executive, legislative, and judicial branches of state government;
- ♦ the judicial branch and all 90 executive branch state agencies served by the statewide SEMA4 personnel data system; and
- ♦ state executive and judicial branch job seekers (approximately 165,000 since 2002).

Services Provided

- ♦ Identify, develop, and implement changes and enhancements to the HR component of SEMA4 and coordinate major SEMA4 changes with other analysts in DOER, the Department of Finance, and the Office of Enterprise Technology;
- ♦ ensure data integrity through auditing of employee and applicant data;
- ♦ evaluate and revise the staffing process and research new assessment, recruitment, and selection tools to meet agency needs in today's labor market;
- ♦ develop and analyze staffing metrics to identify trends on an agency and statewide basis; and
- ♦ train agency users to ensure consistency, best practices, and appropriate use of available technology.

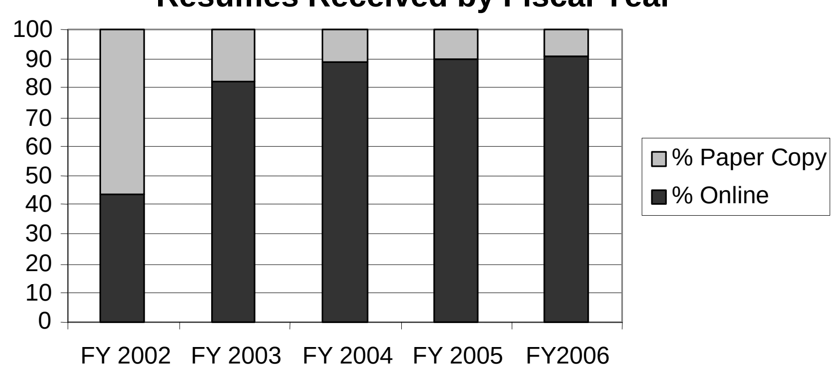
Key Measures

⇒ Successful creation and online delivery of training and communication modules for state employees and agency HR offices through WebEx and Captivate.

⇒ Implementation of web-based automated on-boarding tools to assist executive branch agencies in orientation, data collection, forms completion, and system integration for newly hired employees.

⇒ Increased use of self-service technology as measured by the percentage of resumes received, the usage of training and communication provided through WebEx and Captivate, and the number of employee data changes submitted using the self-service option.

Resumes Received by Fiscal Year



Activity Funding

This activity is financed by a General Fund appropriation.

Contact

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Human Resource Management Division Manager
Phone: (651) 259-3620

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: HR TECHNOLOGY & ANALYTICS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	524	537	657	601	1,258
Statutory Appropriations					
Misc Special Revenue	52	88	75	75	150
Total	**576**	**625**	**732**	**676**	**1,408**
Expenditures by Category					
Total Compensation	479	500	526	553	1,079
Other Operating Expenses	97	125	206	123	329
Total	**576**	**625**	**732**	**676**	**1,408**
Full-Time Equivalents (FTE)	**6.0**	**6.0**	**6.0**	**6.0**	

Activity Description

The Department of Employee Relations (DOER) Administration activity provides the agency's operational infrastructure and internal organizational services.

Population Served

DOER Administration supports the agency's staff members who provide widely varied services to:

- ♦ employees of state government and quasi-state agencies;
- ♦ the judicial and legislative branches and all 90 executive branch state agencies served by the statewide SEMA4 employee information system; and members of the general public.

Activity at a Glance

- ♦ Provides technical support for statewide human resource information systems including SEMA4 (human resources, payroll, and benefits), Resumix (applicant data and hiring support), and GenComp (Workers' Compensation claims) that serve up to 57,000 employees of the executive, legislative, and judicial branches and quasi-state agencies such as the Minnesota Historical Society and the Minnesota State Fair.

Services Provided

⇒ Information Systems Division:
- ♦ develops and implements information technology and web-based projects to assist operations within DOER and throughout the entire state agency human resource system;
- ♦ manages, supports, operates, and provides technical support for the department's applications including SEMA4 (human resources, payroll, and benefits), Resumix (applicant data and hiring support), Authoria (self-service and customer service support), and GenComp (Workers' Compensation);
- ♦ manages the SEMA4 technical staff of the Department of Finance (DOF) in the dual agency support of SEMA4; and
- ♦ analyzes, purchases, maintains, and upgrades desktop personal computer technology for all DOER employees and the agency's network, computer servers, and technology infrastructure to support a wide variety of busines functions.

⇒ The Human Resource Management Division provides department-wide operational support including human resources, mail, information processing, and reception services; and administers the statewide Combined Charities and Vacation Donation Programs.

⇒ Fiscal Services administers the agency's budget, accounting, purchasing, and payroll operations.

⇒ Communications supplies web page and graphic design services for the agency.

Key Measures

⇒ Implement and support expansion of direct electronic service delivery including automated on-boarding for new hires, personalized employee benefit and HR policy information delivery (Authoria), increased employee access to maintain personnel data (SEMA4); and shared internal and external records access (imaging).

⇒ Successfully complete and support the technology requirements for DOER's state employee insurance enrollment, including call center, online enrollment, and electronic delivery of general and individualized information to enrollees and customer service staff.

⇒ Continue to keep DOER statewide systems software up to date.

Activity Funding

This activity is financed by an appropriation from the General Fund. The Combined Charities Program is also supported by registration fees paid by charitable organizations pursuant to M.S. 309.501, subd. 3. The Insurance Administration Fund within the Employee Insurance Division finances SEMA4 system upgrades and ongoing costs related to insurance benefits processing.

Contact

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(651) 259-3602

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: ADMINISTRATION

Budget Activity Summary

	Current		Governor's Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	2,619	3,064	2,519	2,538	5,057
Statutory Appropriations					
Misc Special Revenue	792	917	929	938	1,867
Total	**3,411**	**3,981**	**3,448**	**3,476**	**6,924**
Expenditures by Category					
Total Compensation	2,463	2,392	2,276	2,383	4,659
Other Operating Expenses	948	1,589	1,172	1,093	2,265
Total	**3,411**	**3,981**	**3,448**	**3,476**	**6,924**
Full-Time Equivalents (FTE)	**25.7**	**25.0**	**23.5**	**23.5**	

Activity Description

The Center for Health Care Purchasing Improvement supports the state in its efforts to be a more prudent and efficient purchaser of quality health care services as described in M.S. 43A.312. The Center provides dedicated staffing and expertise and coordinates other resources to aid state agencies in the development and implementation of best practices for health care performance measurement and purchasing, to promote greater transparency of health care costs and quality and greater accountability for results and improvement. The Center was established in legislation passed in 2006.

Activity at a Glance

- ♦ Provides and coordinates enterprise-wide health care planning, consulting, implementation, and evaluation services for state agencies with direct health care purchasing responsibilities for more than 780,000 Minnesotans, at annual state costs of more than $4 billion.

Population Served

- ⇒ Department of Employee Relations (DOER) Commissioner and DOER health care managers.
- ⇒ Governor's Health Cabinet (commissioners of DOER, Human Services, Labor and Industry, Health, Finance, and Commerce) and other state agencies with health care purchasing responsibilities (Corrections, Administration).
- ⇒ State agency health care purchasing and administration staff.
- ⇒ Minnesota Comprehensive Health Association.

Services Provided

With the authorization of the DOER commissioner and in consultation with the commissioners of appropriate state agencies, the Center may:

- ♦ initiate projects to develop plan designs for state health care purchasing and conduct policy audits of state programs to measure conformity to state statute or other purchasing initiatives or objectives;
- ♦ require reports or surveys to evaluate the performance of current health care purchasing strategies;
- ♦ calculate fiscal impacts, including net savings and return on investment, of health care purchasing strategies and initiatives;
- ♦ support the Administrative Uniformity Committee and other groups or activities to advance agreement on health care administrative process streamlining;
- ♦ consult with the Health Economics Unit of the Department of Health regarding assessments of the health care marketplace and with the Departments of Health and Commerce regarding regulatory issues and legislative initiatives;
- ♦ work with the Department of Human Services and the Centers for Medicare and Medicaid Services to address federal requirements and conformity issues for health care purchasing;
- ♦ assist the Minnesota Comprehensive Health Association in health care purchasing strategies;
- ♦ convene medical directors of agencies engaged in health care purchasing for advice, collaboration, and exploring possible synergies;
- ♦ participate with other task forces, study activities, and similar efforts with regard to health care performance measurement and performance-based purchasing; and
- ♦ assist in seeking external funding through grants or other funding opportunities.

Key Measures

Measures will include:

- ⇒ Development and implementation of common health care performance measures.
- ⇒ Development and adoption of common incentives and rewards for health care quality and quality improvement.
- ⇒ Conformity with major national and regional health care measures and performance incentives.

Activity Funding

This activity is financed by an appropriation from the General Fund.

Contact

Director
Center for Health Care Purchasing Improvement
(651) 259-3763.

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	0	173	674	682	1,356
Total	**0**	**173**	**674**	**682**	**1,356**
Expenditures by Category					
Total Compensation	0	140	457	478	935
Other Operating Expenses	0	33	217	204	421
Total	**0**	**173**	**674**	**682**	**1,356**
Full-Time Equivalents (FTE)	**0.0**	**2.0**	**3.0**	**3.0**	

Change Item: Center for Health Care Purchasing Improvement

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation

The Governor recommends increasing the investment in the Center for Health Care Purchasing Improvement by $500,000 each year beginning in FY 2008. Minnesota health care purchasers, including the state, are abandoning their traditional roles as "passive payers" of health care bills to become prudent, proactive buyers of only the best health care value and quality. The proposed investments in the center will accelerate this change and rapidly improve the value to taxpayers for the more than $4 billion now spent annually by the state on health care.

Background

The State, through both the Departments of Employee Relations (DOER) and Department of Human Services (DHS), purchases health care on behalf of over 780,000 Minnesotans, at costs of over $4 billion annually – the single most rapidly growing component of the state budget. Despite these considerable, rapidly rising costs, there is broad consensus that the health care system is broken and in need of dramatic improvement.

For too long, health care purchasers assumed the quality of health care as a given. They have typically paid for "medical piecework" in which the volume of services and outputs, rather than desired outcomes and quality, was rewarded. The result, according to a variety of national and Minnesota-specific reports, is that U.S. health care is marked by exceptionally high costs with widely variable and often poor quality.

Purchasers have further exacerbated the piecemeal approach to health care by imposing an often confusing array of uncoordinated demands, performance measures, and incentives on the health care market. In the absence of clear, consistent expectations and rewards for excellence and value, health plans and health care providers waste additional time and money on individual, fragmented responses to differing market messages.

To achieve the greatest impact with minimal administrative burden and cost, purchasers must become aligned with common, reinforcing methods of measuring and reporting health care performance, rewarding high value health care and holding the health care system more accountable for results. The Center for Health Care Purchasing Improvement was created in 2006 to align the state's health care performance measurement and purchasing efforts so that the state – and all Minnesotans – receive far greater value in health care than is currently being delivered. It is focused on adopting common best practices and mutually reinforcing health care improvement strategies across state government agencies, in concert with the private sector and other partners. The center serves primarily as a catalyst for change by working with and complementing other state agency and public sector staff and resources, as well as resources and organizations within the private sector.

The center is a unit of DOER and builds upon a variety of experience and working relationships to achieve its mission, including those with: DOER, the Advantage program and other innovations with the state employee insurance group; agencies participating in the Governor's Health Cabinet; and health care purchasing coalitions, including the Buyers Health Care Action Group and the private-public Smart Buy Alliance, representing nearly 3/5 of all Minnesotans. The Center is thus well-positioned to provide an identifiable, dedicated source of enterprise-wide expertise, coordination, and assistance to identify and help implement best practices in state health care purchasing.

The proposed investment will broaden and intensify the center's impact as:

- an objective, credible clearinghouse of best practices and health care purchasing strategies, and source of new ideas and strategies;
- a participant in and aid to focused research and evaluation, new initiatives or pilots, and other efforts;
- convener and facilitator of public and private sector purchasers;
- common, recognizable presence in broader health care forums, discussions, and stakeholder dialogues; and
- source of information and feedback to the state on its own performance as a health care purchaser.

Relationship to Base Budget

The proposed increase in the center represents approximately 1.4% of DOER's total biennial operating budget. The proposed investment amounts to roughly 1/100 of 1% of the more than $4 billion spent by the state on health care for over 780,000 Minnesotans each year. Put in other terms, the center's proposed budget for health care purchasing improvement represents less than one hour's worth of the state's health care costs during the course of the year.

Key Measures

The Center for Health Care Purchasing Improvement was created in mid-2006. Key measures of health care purchasing alignment in the future will include metrics to assess the degree to which the state has completed:

- development and implementation of common health care performance measures;
- development and adoption of common incentives and rewards for health care quality and quality improvement; and
- conformity with major national and regional health care measures and performance incentives.

Statutory Change: Not applicable

Activity Description

Labor Relations and Compensation performs the duties assigned to the Department of Employee Relations (DOER) commissioner under the Public Employment Labor Relations Act (PELRA), including contract negotiations with the state employee unions. In addition, it administers the state's compensation system, and monitors local government subdivisions to ensure their compliance with the Local Government Pay Equity Act.

Activity at a Glance

- ♦ Serves 37,300 of the executive branch's 52,100 state employees.
- ♦ Negotiates eight collective bargaining agreements biennially, impacting about 35,100 executive branch state employees.
- ♦ Oversees and administers two unrepresented employee plans, impacting about 2,200 executive branch state workers.

Population Served

Labor Relations and Compensation works with and represents the management of 90 state agencies and boards, impacting about 37,300 executive branch state employees, and works closely with legislative committees. In addition, the Bureau's Local Government Pay Equity Program works with more than 1,500 local governments to achieve compliance with state statute.

Services Provided

Labor Relations:

- ♦ negotiates and oversees collective bargaining with the exclusive representatives for executive branch state employees assigned to 13 bargaining units (except the faculty agreements for the Minnesota State Colleges and Universities);
- ♦ presents management's positions in interest arbitration for essential bargaining units that do not have the right to strike;
- ♦ advises state agency management in their relationships with the exclusive representatives for state employees; and sets statewide policy for management's relationship with labor;
- ♦ implements major portions of collective bargaining agreements, interprets collective bargaining agreements, and advises agency management on contract administration;
- ♦ trains supervisors and managers in contract administration;
- ♦ administers grievances appealed to arbitration by exclusive representatives;
- ♦ provides investigation services and assistance to state agencies on sensitive allegations of employee misconduct; and
- ♦ oversees the Drug and Alcohol Testing Program for the 2,500 state employees required to have a Commercial Driver's License to perform their jobs.

Compensation:

- ♦ establishes an overall framework for compensation and benefits other than insurance (vacation, sick leave, holidays, expense reimbursement, severance pay, etc.);
- ♦ provides policy development and research services to executive branch management in the areas of compensation and related programs;
- ♦ estimates the fiscal impact of collective bargaining proposals, and provides policy and technical direction in the negotiation of collective bargaining agreements;
- ♦ develops or approves compensation plans for unrepresented employees of the constitutional officers and all executive branch agencies;
- ♦ administers the compliance process for the Local Government Pay Equity Act, ensuring that all political subdivisions (including cities, counties, school districts, and others) report to DOER to confirm elimination of sex-based wage inequities; and
- ♦ reviews reports received from local governments to determine compliance, assess penalties, and inform the legislature of the compliance status of local government units.

Key Measures

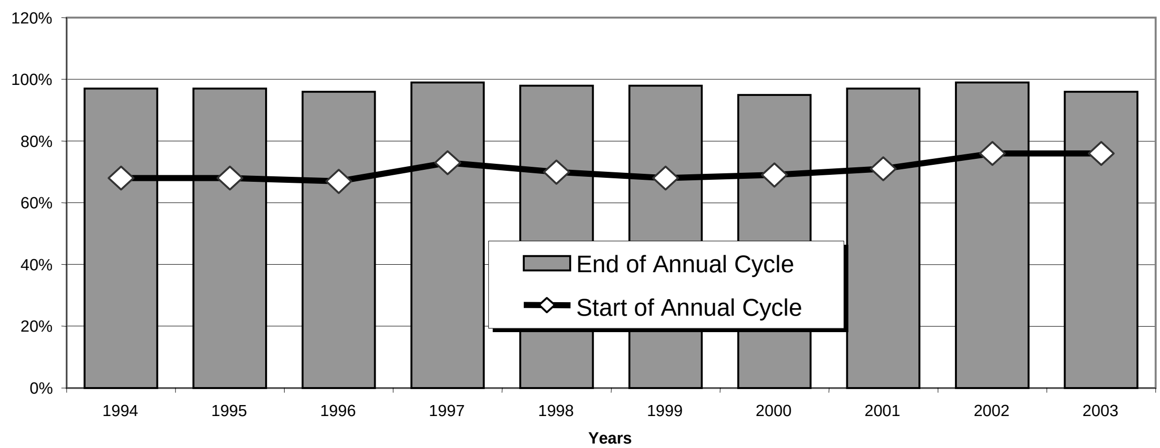
⇒ Success in settling labor contracts within the budget parameters set forth by the administration and the legislature.

⇒ Continue to increase the knowledge of supervisors and human resources personnel on labor relations issues with the goal of reducing employee grievances.

Grievance Status	FY 2003	FY 2004	FY 2005	FY 2006
New appeals to arbitration	349	327	382	316
Arbitrated	16	5	20	13
Settled	110	93	91	54
Withdrawn	309	229	283	219
Active at year end	569	455	452	519
Annual Total	349	330	382	316

⇒ Reduction in the annual number of pay equity non-compliance determinations within Minnesota's local government units.

% of Local Governments In Compliance



Note: Reporting was temporarily suspended by the legislature so no jurisdictions reported in January 2004 and 2005.

Activity Funding

The activity is financed by an appropriation from the General Fund.

Contact

Department of Employee Relations
Deputy Commissioner for Labor Relations
(651) 259-3770

Department of Employee Relations
Compensation Manager
Phone: (651) 259-3759

Labor Relations and Compensation page on the DOER web site:
www.doer.state.mn.us/lab-rel/LR Totalcomp.HTM

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: LABOR RELATIONS & COMPSATN

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	837	896	936	984	1,920
Statutory Appropriations					
Misc Special Revenue	248	320	308	307	615
Total	**1,085**	**1,216**	**1,244**	**1,291**	**2,535**
Expenditures by Category					
Total Compensation	807	860	916	963	1,879
Other Operating Expenses	278	356	328	328	656
Total	**1,085**	**1,216**	**1,244**	**1,291**	**2,535**
Full-Time Equivalents (FTE)	**10.4**	**10.8**	**11.0**	**11.0**	

Activity Description

Agency and Applicant Services provides all state agencies with direction, development, and maintenance of the applicant process, hiring, and agency training to maximize state agency efforts to attract, hire, and retain a diverse and skilled workforce.

Activity at a Glance

- ♦ Serves human resource personnel, managers, supervisors, and lead workers in all 90 executive branch agencies.
- ♦ Serves members of the general public who are interested in employment with the state of Minnesota.

Population Served

Agency and Applicant Services serves human resource (HR) personnel, managers, supervisors, and lead workers in all 90 executive branch agencies. In addition, Agency and Applicant Services works with members of the general public interested in employment with the state of Minnesota.

Services Provided

Agency and Applicant Services supports agencies in making their hiring decisions by providing oversight and consultation as needed to the many state agency HR offices. Agency and Applicant Services retains responsibility for classification and hiring services to agencies that do not have the resources needed to handle HR functions and where statewide coordination of services is necessary. Agency and Applicant Services is responsible for the following:

Consult and coordinate with state agency HR personnel, managers, and supervisors to:
- ♦ improve and coordinate HR functions on a statewide basis in collaboration with the Human Resource Directors Partnership (HRDP) and the Alliance for Cooperation and Collaboration in Employment and State Service (ACCESS);
- ♦ develop selection criteria, design and develop the selection process, and advertise vacant positions;
- ♦ recruit applicants and market the state as an employer;
- ♦ assist agency management and employees with strategic staffing, workforce planning, and redeployment; and
- ♦ classify and evaluate state positions.

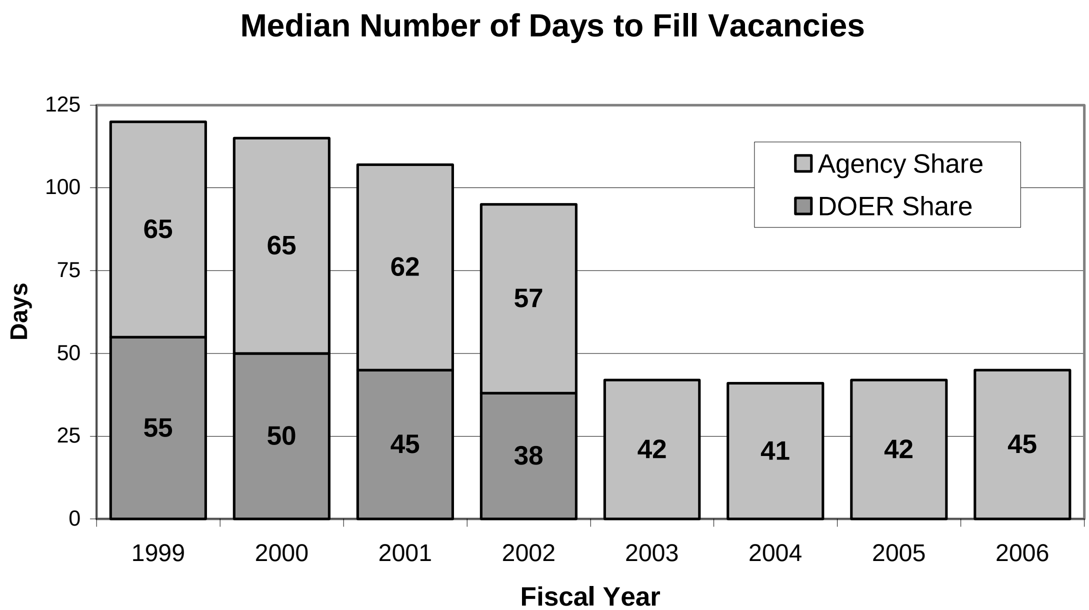
Provide services to applicants by:
- ♦ processing resumes quickly and accurately and maintaining the integrity of the Resumix applicant database;
- ♦ answering questions regarding application materials and the selection process; and
- ♦ maintaining telephone access to information on state jobs.

Support state diversity, equal employment opportunity, Americans with Disabilities Act (ADA), and affirmative action by:
- ♦ providing executive branch state agencies with services to assure their compliance with state and federal laws governing affirmative action, ADA, and equal employment opportunity;
- ♦ working with state agencies to increase representation of protected group employees in all job classifications and help them develop plans to effectively attract and retain a diverse workforce;
- ♦ training state agencies to ensure consistency and best practices in affirmative action, recruitment, and diversity; and
- ♦ offering electronic delivery of services and web-based self-service workforce diversity resources including online training, forms, reference materials, and reporting.

Key Measures

⇒ Every executive branch state agency has an approved affirmative action plan in place that meets legal requirements and coordinates with the agency's workforce plan.

⇒ The median time to fill state agency vacancies (from the date the position is open until a job offer is accepted) remains below the nation-wide median of 48 days. The Department of Employee Relations designs, maintains, and enhances the selection systems that are used by agencies to do their hiring. The speed and ease of these systems have allowed agencies to decrease their time-to-fill below national averages.



Activity Funding

This activity is financed by an appropriation from the General Fund.

Contact

Department of Employee Relations
Human Resource Management Division Manager
(651) 259-3620

State employment home page: http://www.doer.state.mn.us/employment.htm
Job Information Line: (651) 296-2616 or 1 (800) 657-3974

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: AGENCY & APPLICANT SERVICES

Budget Activity Summary

	Current		Governor's Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	1,291	1,387	1,463	1,539	3,002
Statutory Appropriations					
Misc Special Revenue	12	0	0	0	0
Total	**1,303**	**1,387**	**1,463**	**1,539**	**3,002**
Expenditures by Category					
Total Compensation	1,283	1,380	1,456	1,532	2,988
Other Operating Expenses	20	7	7	7	14
Total	**1,303**	**1,387**	**1,463**	**1,539**	**3,002**
Full-Time Equivalents (FTE)	**19.1**	**20.3**	**20.3**	**20.3**	

Program Description

The purpose of the Employee Insurance Division (EID) is to administer employee insurance benefits for the state of Minnesota's eligible state employees, retirees, and dependents.

Budget Activities Included:

⇒ State Employee Group Insurance Program (SEGIP)
⇒ Workers' Compensation Program
⇒ Public Employees Insurance Program (PEIP)
⇒ Insurance Division Non-Operating

EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Program Summary

	Dollars in Thousands				
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Open Appropriations					
General	535	582	634	691	1,325
Statutory Appropriations					
Misc Special Revenue	23,538	24,429	24,603	24,738	49,341
State Employees Insurance	521,315	574,211	634,603	710,482	1,345,085
Miscellaneous Agency	20,264	21,493	22,493	23,493	45,986
Total	**565,652**	**620,715**	**682,333**	**759,404**	**1,441,737**
Expenditures by Category					
Total Compensation	5,592	5,947	6,267	6,457	12,724
Other Operating Expenses	560,022	614,768	676,066	752,947	1,429,013
Capital Outlay & Real Property	38	0	0	0	0
Total	**565,652**	**620,715**	**682,333**	**759,404**	**1,441,737**
Expenditures by Activity					
Employee Insurance Administrat	7,966	9,798	7,938	8,514	16,452
Peip	14,704	15,000	16,800	19,200	36,000
Workers Compensation	2,979	3,056	3,149	3,226	6,375
Insurance Div Non-Operatng	540,003	592,861	654,446	728,464	1,382,910
Total	**565,652**	**620,715**	**682,333**	**759,404**	**1,441,737**
Full-Time Equivalents (FTE)	**77.3**	**79.2**	**82.5**	**82.5**	

Activity Description

The State Employee Group Insurance Program (SEGIP) administers the state of Minnesota's comprehensive employee insurance benefits package.

Population Served

SEGIP provides benefits to eligible employees, retirees, and dependents in all three branches of state government, Minnesota State Colleges and Universities, and certain quasi-state agencies. This activity covers over 120,000 individuals statewide.

Services Provided

Current employee insurance benefits administered through SEGIP include health, dental, life, long and short-term disability, and long-term care coverage, as well as pre-tax accounts. To administer these benefits, SEGIP provides the following services:

- planning, design, and implementation of benefits;
- actuarial and audit services;
- support of the collective bargaining process;
- policy analysis;
- billing and enrollment;
- vendor selection and contract management;
- customer service; and
- health risk services.

Activity at a Glance

- SEGIP is the largest single employer group health purchaser in the state, serving all three branches of state government, Minnesota State Colleges and Universities, and quasi-state agencies such as the Minnesota Historical Society.
- SEGIP provides employee insurance to state employees, retirees, and dependents – over 120,000 covered lives statewide.
- The overall cost of administering SEGIP health benefits is approximately 7.5% of total premium costs versus the industry standard of 10-15%. SEGIP receives 1% for internal administrative costs and the remainder is health plan fees.
- In 2006, the Advantage Health Plan experienced a 0% increase in premium growth.
- In 2006, the state of Minnesota became the first state in the country to participate in the National Bridges to Excellence Program providing pay for performance in health care.

The Minnesota Advantage Health Plan is a cost-tiered employee health benefits plan serving 120,000 members of SEGIP. The program creates new levels of competition and incentives for efficiency in the health care market. In 2006, the Minnesota Advantage Health Plan experienced a 0% increase in premium growth.

Historical Perspective

The state of Minnesota is the largest single employer group health purchaser in the state, and it has long played a leading role in benefits design, purchasing, and administration. In 1989, SEGIP helped pioneer the health care delivery and financing concept of "managed competition" among competing health plans. Beginning in FY 2000, SEGIP's health benefits program became fully self-insured. In 2002, it successfully implemented a new employee health benefits concept known as Advantage. Advantage's innovative use of a tiered cost structure provides important signals and incentives to the health care system to contain costs and improve value, while maintaining choices, options, and a large network of available health care providers statewide.

In addition to more than a decade of health insurance purchasing landmarks, SEGIP added optional employee long-term care insurance in 2001 and implemented a disease management function in 2003 to improve employee health and productivity while reducing claims costs. SEGIP has also increased the use of technology to more effectively and efficiently process transactions and serve customers. After SEGIP partnered with the Department of Employee Relations' (DOER's) human resources and the Department of Finance's payroll staff to add benefits administration capabilities to the state's computer system in 2003, they were an active participant in moving the employee information system to a more efficient platform that slows the growth of operating costs.

Key Measures

⇒ The 2006 Advantage employee health benefits program experienced a 0% increase in premium growth.

⇒ The overall cost of administering health benefits remains well below the industry standard of 10-15% of total premium costs, at approximately 7.5% with 1% to SEGIP for internal administrative costs and the remainder to health plans.

⇒ The percentage of employees using online insurance enrollment has increased from 38% in 1997 to 98% in 2004.

⇒ The implementation of a successful health appraisal in 2005 with 73% employee participation.

⇒ The implementation of disease management programs for several prevalent health conditions including heart disease, diabetes, asthma, and 16 chronic complex conditions. An expanded disease management program negotiated for 2005 health plan contracts addresses the next tier of high cost/prevalent conditions. These 11 conditions include low back pain, acid related disorders, and osteoarthritis. In 2006, depression was added to the list of disease management programs available for state employees and their dependents.

⇒ The development and implementation of an integrated medical and behavioral case management approach for SEGIP participants to coordinate services for both.

⇒ The state of Minnesota, along with six large private employers--3M, Carlson Companies, Medtronics, Wells Fargo, GE, and Honeywell--known as the Champions of Change, rewarded nine provider groups for meeting or exceeding a minimum standard of care for diabetics in an effort known as Bridges to Excellence. Bridges to Excellence is a national program that provides pay for performance in health care.

Activity Funding

SEGIP insurance and claims costs are funded primarily through premiums collected from state agencies and other participating groups, and from employees and retirees. These are principally pass-through funds to insurance carriers, third party administrators, and other vendors.

SEGIP's administrative revenues are collected primarily through direct, per employee charges to state agencies and other groups.

Contact

State Employee Group Insurance Program Manager
(651) 259-3710

Department of Employee Relations
Employee Insurance Division Director
(651) 259-3700

Or visit the SEGIP Main Page at: www.doer.state.mn.us/ei-segip/SEGIP.HTM

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Misc Special Revenue	1,304	1,372	1,398	1,396	2,794
State Employees Insurance	6,662	8,426	6,540	7,118	13,658
Total	**7,966**	**9,798**	**7,938**	**8,514**	**16,452**
Expenditures by Category					
Total Compensation	3,228	3,347	3,575	3,682	7,257
Other Operating Expenses	4,738	6,451	4,363	4,832	9,195
Total	**7,966**	**9,798**	**7,938**	**8,514**	**16,452**
Full-Time Equivalents (FTE)	**43.1**	**43.5**	**45.8**	**45.8**	

Activity Description

The Public Employees Insurance Program (PEIP) is a statewide health-dental-life insurance pool managed by the Department of Employee Relations (DOER) and offered to local units of government. The program provides Minnesota's public employers with the option to purchase an affordable, uniform package of health care and other benefits for employees, their dependents, and retirees.

Population Served

PEIP is available to local units of government within Minnesota including counties, cities, townships, school districts, and other jurisdictions.

Activity at a Glance

- ♦ As of July 2006, 89 public sector employer groups in Minnesota participated in PEIP. These include 15 school districts, 43 cities, 12 townships, three counties, and 16 other units of government (watershed districts, Human Resources Administration, etc.).
- ♦ The average number of employees per group is 18, with groups as large as 306 members and as small as one member.

Services Provided

The availability of PEIP helps public sector employers obtain competitive health insurance rates. In some cases, PEIP provides the lowest bid. In other cases, PEIP offers a bid that competing insurers will then attempt to match or improve upon in order to be selected. In these instances, even when PEIP is ultimately not the successful bidder, it helps local units of government negotiate with other carriers to obtain the best rates possible. In addition, PEIP offers public sector employers and their employees a choice of health plans wherever possible, while the majority of employers in the state now contract with a single carrier or health plan for health insurance.

Historical Perspective

PEIP was launched in 1989. In 1998, PEIP experienced a noticeable downturn in enrollment when the program was perceived as no longer being competitive in the market. This was addressed by altering the program design from an insured model to a self-insured model. After peaking in FY 2001, membership has steadily declined as premium rates have risen to meet anticipated claims and costs. In an effort to continue to meet market demands and best serve Minnesota's public employers, DOER is currently developing the PEIP Advantage Health Plan, patterned after the highly successful Minnesota Advantage Health Plan provided to state employees.

Key Measures

⇒ PEIP's viability and overall impact in the market are determined to a large extent by the number of participating employee groups and the number of individuals covered by the program. Because the program is not mandatory, membership fluctuates. At present, approximately 5,200 employees, retirees and dependents are covered under PEIP. This table shows participating groups and employees for the past eight years:

PEIP	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
# of groups	73	95	129	137	137	123	107	89
% change vs. previous year	4%	30%	36%	6%	0%	(10%)	(13%)	(17%)
# of employees	2,265	2,680	4,158	3,926	3,632	2,950	2,304	1,671
% change vs. previous year	17%	18%	55%	(6%)	(7%)	(19%)	(22%)	(27%)

Activity Funding

PEIP is funded by employer group premiums. Premiums collected in excess of expenses are used to minimize the rates charged to employer groups. Premium investment income is used to offset administrative expenses.

Contact

PEIP Manager, (651) 259-3747
DOER Employee Insurance Division Director, (651) 259-3700

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: PEIP

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
State Employees Insurance	14,704	15,000	16,800	19,200	36,000
Total	**14,704**	**15,000**	**16,800**	**19,200**	**36,000**
Expenditures by Category					
Total Compensation	164	193	192	198	390
Other Operating Expenses	14,540	14,807	16,608	19,002	35,610
Total	**14,704**	**15,000**	**16,800**	**19,200**	**36,000**
Full-Time Equivalents (FTE)	**2.3**	**2.5**	**2.5**	**2.5**	

Activity Description

The purpose of Minnesota's self-insured workers' compensation activity is to provide workers' compensation benefits to state employees.

Population Served

The workers' compensation activity covers approximately 57,000 employees in the executive, legislative, and judicial branches of state government and in quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair.

Activity at a Glance

- ♦ Serves approximately 57,000 employees in the executive, legislative, and judicial branches of state government and in qusi-state agencies such as the Minnesota State Fair.
- ♦ In FY 2005, 2,718 claims were filed.
- ♦ The rate of new claims declined 3.1% in FY 2005 compared to the prior year.

Services Provided

The workers' compensation activity provides services through four distinct units: claims management, legal services, disability management, and safety/industrial hygiene.

⇒ The claims management unit works with injured employees, agencies, the Department of Labor and Industry, rehabilitation and vocational specialists, medical providers and others to determine compensability, administer, and resolve state employee workers' compensation claims.

⇒ The legal services unit represents state agencies in workers' compensation court cases.

⇒ The disability management unit works with injured employees, agencies, rehabilitation and vocational specialists, medical providers and others to help state workers who have been hurt or disabled on the job to return to active employment as quickly and safely as possible.

⇒ The safety/industrial hygiene unit works with the statewide safety committee and individual safety committees in each agency to address widely varied workplace safety and health issues. These include materials handling, air quality, hazardous materials, blood-borne pathogens, biological hazards, office ergonomics, etc.

Historical Perspective

With cooperation from the statewide safety committee and individual agency safety committees, the Safety and Industrial Hygiene Unit has played a critical role in reducing the occurrence of workplace injuries over the past five years.

The active involvement of properly trained state agency personnel, in cooperation with the workers' compensation activity, has reduced the number of claims involving the loss of time from work during the past five years. The use of a certified managed care plan under contract with the workers' compensation activity has helped to control workers' compensation costs for state agencies.

Starting in FY 2003, the alternative cost allocation account was implemented to fund workers' compensation costs in small to medium-sized agencies. This account helps to stabilize costs and provide a long-term strategic funding option for participating agencies.

Key Measures

⇒ In FY 2005, 2,718 claims were filed. The rate of new claims declined 3.1% in FY 2005. Table 1 contains a breakdown of these claims.

Table 1

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2001-05	FY 2004-05
	Claims Reported					**% Change**	
Lost Time	675	672	607	647	568	(15.9)%	(12.2)%
Medical Only	2,640	2,446	2,029	2,158	2,150	(18.6)%	(0.4)%
Totals	3,315	3,118	2,636	2,805	2,718	(18.0)%	(3.1)%

⇒ Benefit costs increased 7% in FY 2005. Table 2 contains a breakdown of benefit costs for FY 2001-05.

Table 2

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2001-05	FY 2004-05
	Benefit Costs					**% Change**	
Indemnity	$7,497	$7,149	$6,967	$7,522	$7,522	0.3%	0.0%
Medical	5,785	6,557	7,262	7,236	8,596	48.6%	18.8%
Expenses	620	607	638	635	545	(12.0)%	(14.1)%
Rehabilitation	1,194	881	935	1,005	986	(17.4)%	(1.9)%
EE Atty Fees	428	480	527	554	495	15.6%	(10.6)%
Totals	$15,524	$15,674	$16,329	$16,952	$18,144	16.9%	7.0%

Activity Funding

⇒ Workers' Compensation is funded through an administrative fee assessed to all state agencies based on the numbers of employees, open claims, and transactions for each agency. In FY 2001, the annual fee was $2.7 million. In FY 2002, the annual fee was increased to $2.9 million. In FY 2004, the annual fee was reduced to $2.5 million.

Table 3

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Administrative Costs	$2.7 million	$2.9 million	$2.9 million	$2.5 million	$2.5 million	$2.5 million	$2.5 million

⇒ The agency receives a General Fund appropriation to pay the state's annual Workers' Compensation Reinsurance Association (WCRA) premium.

Contact

Department of Employee Relations
Workers' Compensation Program Manager
Phone: (651) 259-3810

Department of Employee Relations
Employee Insurance Division Director
Phone: (651) 259-3700

Workers' Compensation Activity's annual reports online: www.doer.state.mn.us/deptwide/wkr-comp.htm

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Misc Special Revenue	2,979	3,056	3,149	3,226	6,375
Total	**2,979**	**3,056**	**3,149**	**3,226**	**6,375**
Expenditures by Category					
Total Compensation	2,200	2,407	2,500	2,577	5,077
Other Operating Expenses	779	649	649	649	1,298
Total	**2,979**	**3,056**	**3,149**	**3,226**	**6,375**
Full-Time Equivalents (FTE)	**31.9**	**33.2**	**34.2**	**34.2**	

Activity Description

The Department of Employee Relations (DOER) is authorized by Minnesota statute to administer the state's employee insurance benefit and workers' compensation programs. The Insurance Division maintains Non-Operating accounts for the actual revenues and expenditures for insurance benefits and claims costs associated with these programs. These accounts are primarily pass-through funds paid by agencies and employees.

Services Provided

From the Non-Operating accounts, payments are made to third party administrators, insurance carriers, and other vendors who are under contract to pay claims and provide networks and related services. Benefit costs funded through this activity include:

⇒ Employee insurance program - premiums contributed by agencies and employees for health, dental, life, long-term care, and long and short-term disability benefits.
⇒ Workers' compensation - funds paid by agencies to cover workers' compensation claim payments and the per employee fee passed through to agencies for certified managed care services.
⇒ Pre-tax programs - pass-through employee contributions allowing pre-tax expenditures for medical, dental, transit, and dependent care expenses.
⇒ Workers' Compensation Reinsurance Association (WCRA) - statutorily required premium payment on behalf of all state agencies.

Funds are primarily payments collected from state agencies, other participating groups, employees, and retirees which are then passed through to insurance carriers, third party administrators, and other vendors. In addition, the funds are used to pay workers' compensation claims and employee pre-tax benefits.

The Insurance Division non-operating revenues and expenditures are provided in the table below. Excess revenues and investment earnings for insurance and pre-tax accounts are applied to the respective program and help to minimize future increases. The differences between workers' compensation revenues and expenditures are due to administrative fees and the timing of claims payments and various third party reimbursements. The WCRA expenditures consist of General Fund appropriations for required state government premiums.

Activity Funding

	FY 2003		FY 2004		FY 2005		FY 2006	
(Dollars in thousands)	Revenue	Expended	Revenue	Expended	Revenue	Expended	Revenue	Expended
Insurance (Fund 550)	$438,754	$436,135	$482,454	$459,812	$505,184	$471,367	$541,653	$500,563
Workers' Comp (Fund 200)	23,219	18,431	21,927	19,626	24,447	20,768	23,385	19,256
Wk Comp Managed Care (Fund 200)	1,170	1,134	1,118	1,078	1,133	1,125	1,218	1,227
Pre-Tax (Fund 200)	14,203	14,375	17,038	15,936	19,592	19,528	20,847	20,265
WCRA (Fund 100)	-0-	318	-0-	362	-0-	493	-0-	535
Total Budget Activity	$476,176	$469,259	$521,419	$495,736	$549,223	$512,156	$585,885	$540,619

Contact

State Employee Group Insurance Program Manager
(651) 259-3710

Workers' Compensation Program Manager
(651) 259-3810

Employee Insurance Division Director
(651) 259-3700

Or visit the SEGIP Main Page at: www.doer.state.mn.us/ei-segip/SEGIP.HTM

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: INSURANCE DIV NON-OPERATNG

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Open Appropriations					
General	535	582	634	691	1,325
Statutory Appropriations					
Misc Special Revenue	19,255	20,001	20,056	20,116	40,172
State Employees Insurance	499,949	550,785	611,263	684,164	1,295,427
Miscellaneous Agency	20,264	21,493	22,493	23,493	45,986
Total	**540,003**	**592,861**	**654,446**	**728,464**	**1,382,910**
Expenditures by Category					
Other Operating Expenses	539,965	592,861	654,446	728,464	1,382,910
Capital Outlay & Real Property	38	0	0	0	0
Total	**540,003**	**592,861**	**654,446**	**728,464**	**1,382,910**

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$93	$188	$188	$188
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$93	$188	$188	$188

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
	Dollars in Thousands				
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Departmental Earnings (Inter-Agency):					
Misc Special Revenue	1,170	1,170	1,170	1,170	2,340
State Employees Insurance	4,718	4,710	4,710	4,710	9,420
Departmental Earnings:					
Misc Special Revenue	4	4	4	4	8
State Employees Insurance	599	689	688	694	1,382
Other Revenues:					
Misc Special Revenue	22,379	23,301	23,744	23,746	47,490
State Employees Insurance	10,888	7,565	7,690	7,690	15,380
Other Sources:					
Misc Special Revenue	2,523	1,660	1,660	1,660	3,320
State Employees Insurance	550,189	574,574	633,173	709,593	1,342,766
Miscellaneous Agency	20,846	21,493	22,493	23,493	45,986
Total Dedicated Receipts	**613,316**	**635,166**	**695,332**	**772,760**	**1,468,092**
Agency Total Revenue	**613,316**	**635,166**	**695,332**	**772,760**	**1,468,092**

➲ Designates that this item is a change item

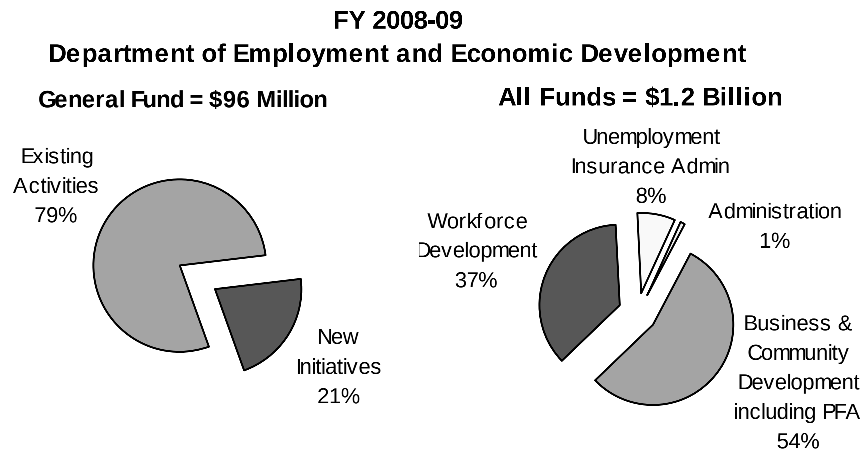
positively Minnesota
Department of Employment and Economic Development

January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Employment and Economic Development (DEED) budget recommendation for FY 2008-09. This budget includes a total of $96 million of expenditures from the state's General Fund. This recommended funding level represents $11.25 million of one-time money to recapitalize important development programs. Excluding the one-time money, the budget recommendation represents a 12% increase in base budget compared to FY 2006-07. The total budget recommendation for all funds is $1.2 billion for the FY 2008-09 biennium.

DEED is the state's principal economic and workforce development agency, with programs promoting business recruitment, expansion and retention, workforce development, international trade and community development. Its primary mission is to support the economic success of individuals, businesses, and communities by providing opportunities for growth.



These recommendations reflect the key economic development, community development and workforce development priorities of the Pawlenty administration. Some highlights of the proposed budget are:

- $10 million in one-time funding for three programs – the Minnesota Investment Fund, the Redevelopment Fund and the Urban Initiative program – which provide important financial assistance to businesses and communities to attract private investment and create quality jobs.
- $5 million in additional support for Vocational Rehabilitation and State Services for the Blind to maximize federal assistance for Minnesotans with unique needs for employment and services.
- $1.8 million in additional support for extended employment programs to assist persons with disabilities and special needs.
- $700,000 for labor market information, marketing Minnesota, and technical assistance for small communities with water problems.
- $1.25 million in one-time money for the BioBusiness Alliance of Minnesota and University Enterprise Laboratories to help support the state's bioscience industry and emerging businesses.
- $1 million to support the Minnesota youth career guide program, which assists high school students with career planning, labor market information, high growth/demand industries and occupations.

We believe the proposed budget provides a balance of assistance to business, communities, and individuals, to help meet department objectives. It also uses one-time money to recapitalize existing development programs, and to judiciously leverage available federal funding and other resources. Our department has been working closely with the Department of Revenue on important tax-related initiatives that would encourage business development throughout the state. The fiscal impact of these initiatives is presented in their budget proposal.

Sincerely,

Dan McElroy
Commissioner

Agency Purpose

The Department of Employment and Economic Development (DEED) facilitates an economic environment to produce jobs and improve the quality of the state's workforce. These actions support the economic success of Minnesota individuals, businesses, and communities by providing opportunities for growth.

Most of the statutory authority for this agency resides in M.S. Chapters 116J, 116L, 248, 268, 268A, 446A, and 469. Federal law also provides authority for multiple specific programs; see program and budget activity narratives for specific citations.

Core Functions

The agency has three major functions:

- to support business creation, expansion, relocation, and retention in Minnesota through the resources and programs of the Business and Community Development Division;
- to stabilize and stimulate the economy in times of downturn and help business retain an available skilled workforce through the benefit payments administered by the Unemployment Insurance Division; and
- to support the workforce needs of Minnesota's businesses, workers, and communities through the activities of the Workforce Development Division.

Operations

The agency's diverse programs directly serve Minnesota's businesses, communities, and workers. In addition, DEED works with a wide range of partners on the federal, state, and local level to ensure the highest levels of program coordination and quality.

At A Glance

Operating Environment. Through economic peaks and valleys, Minnesota continues to be a strong performer, with a broad industry base.

- Minnesota's 19 Fortune 500 firms represent a variety of industries, including but not limited to, health care, banking, food processing, and industrial products.
- Minnesota's economy is picking up speed. In 2004, businesses added more than 32,000 jobs – a 1.5% growth. Business expansion is even faster in 2006 with jobs already growing 1.7% – twice as fast as the nation through June.
- Growth is widespread with notable strength in the professional services sector. Even manufacturing has grown from 2004 levels.
- The state has enjoyed widespread business investment with seven greater Minnesota cities among the top 100 U.S. micropolitan areas in the number of new and expanded corporate projects in 2005.

Performance. DEED continually monitors its programs for impact, effectiveness, and efficiency.

- As of June 2006, JOBZ partners closed 252 business deals, resulting in 8,000 retained jobs and 3,800 projected new jobs.
- In FY 2006, DEED assisted over 98,500 Minnesotans to prepare for, find, or retain employment, with 33,500 being placed in jobs.

Business and Community Development programs help companies expand in or relocate to Minnesota, promote international trade, finance business expansions, and help companies find and train employees. In addition, Minnesota communities can tap into the division's financial and technical assistance programs to help spur business growth while addressing important revitalization issues – for example, through tax-exempt Job Opportunity Building Zones (JOBZ) and the Positively Minnesota Marketing partnership initiative. DEED offers grants, loans, and technical assistance for redevelopment projects and activities, including housing and commercial rehabilitation, wastewater treatment facilities and drinking water systems, and contaminated site cleanup.

Unemployment Insurance determines program tax rates for Minnesota businesses and collects those revenues for deposit into the Unemployment Insurance Trust Fund. This trust fund supplies weekly benefit payments to eligible individuals. Primarily through internet and phone-based systems, staff computes benefit entitlements for applicants, pays benefits as appropriate, and provides impartial due process hearings for applicants and employers.

Workforce Development supports Minnesota's workforce needs and serves customer populations stretching from businesses to job seekers to persons with disabilities. The major service delivery mechanism for this division is the WorkForce Center System, a unique partnership of employment and training organizations reflecting the needs of each community. In addition to the wide range of specific services offered to workers, businesses, students, and job seekers, each WorkForce Center also offers computers, fax machines, literature, and other aids to assist job seekers minimize the time they are unemployed.

Budget

Approximately 40% of the agency's FY 2006 base budget comes from federal sources, and another 51% from other funds. Only about 9% comes from the state General Fund.

The agency's base budget does not include Unemployment Insurance Trust Fund transactions (FY 2006 benefits estimated at $695 million).

Contact

Dan McElroy, Commissioner
Department of Employment and Economic Development
(651) 259-7119 or (800) 657-3858
TTY: (651) 652-9000 or (888) 665-3276
www.DEED.state.mn.us

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	54,667	65,417	65,417	65,417	130,834
Recommended	**54,667**	**65,417**	**53,654**	**42,205**	**95,859**
Change		0	(11,763)	(23,212)	(34,975)
% Biennial Change from 2006-07					-20.2%
Workforce Development					
Current Appropriation	15,427	16,327	16,327	16,327	32,654
Recommended	**15,427**	**16,327**	**9,470**	**9,470**	**18,940**
Change		0	(6,857)	(6,857)	(13,714)
% Biennial Change from 2006-07					-40.4%
Remediation Fund					
Current Appropriation	700	700	700	700	1,400
Recommended	**700**	**700**	**700**	**700**	**1,400**
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Expenditures by Fund					
Direct Appropriations					
General	55,976	56,393	53,654	42,205	95,859
Workforce Development	15,304	16,450	9,470	9,470	18,940
Remediation Fund	700	700	700	700	1,400
Open Appropriations					
Petroleum Tank Release Cleanup	6,319	6,836	6,200	6,200	12,400
Statutory Appropriations					
Clean Water Revolving Fund	400,889	229,685	207,575	205,915	413,490
Drinking Water Revolving Fund	119,785	66,311	64,291	64,435	128,726
General	1	5	5	5	10
Misc Special Revenue	34,496	41,312	8,389	6,907	15,296
Workforce Development	26,718	36,884	32,426	30,188	62,614
Transportation Revolving Fund	16,068	26,547	8,944	8,994	17,938
Federal	29,003	57,612	26,698	26,632	53,330
Federal Deed	188,504	200,947	214,651	204,806	419,457
Federal Tanf	92	0	0	0	0
Gift	332	948	1,324	369	1,693
Total	**894,187**	**740,630**	**634,327**	**606,826**	**1,241,153**
Expenditures by Category					
Total Compensation	107,290	108,251	110,602	112,947	223,549
Other Operating Expenses	44,875	58,788	59,395	44,750	104,145
Payments To Individuals	27,155	33,067	36,533	37,555	74,088
Local Assistance	160,027	205,720	148,789	132,815	281,604
Other Financial Transactions	554,840	334,804	279,008	278,759	557,767
Total	**894,187**	**740,630**	**634,327**	**606,826**	**1,241,153**
Expenditures by Program					
Business & Community Develpmt	600,447	438,599	339,136	325,145	664,281
Workforce Development	220,335	239,844	231,989	229,338	461,327
Unemployment Insurance	69,412	56,262	57,982	47,301	105,283
Administration	3,993	5,925	5,220	5,042	10,262
Total	**894,187**	**740,630**	**634,327**	**606,826**	**1,241,153**
Full-Time Equivalents (FTE)	**1,563.7**	**1,496.9**	**1,490.6**	**1,489.1**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**65,417**	**65,417**	**65,417**	**130,834**
Technical Adjustments				
One-time Appropriations		(27,744)	(27,744)	(55,488)
Subtotal - Forecast Base	**65,417**	**37,673**	**37,673**	**75,346**
Change Items				
BioBusiness Alliance	0	1,000	0	1,000
University Enterprise Laboratories	0	250	0	250
Minnesota Investment Fund	0	7,000	0	7,000
Redevelopment Grants Funding	0	2,000	0	2,000
Small Community Technical Assistance	0	100	100	200
Urban Initiative Program	0	1,000	0	1,000
Extended Employment Basic Program	0	500	500	1,000
Extended Employment Mental Illness	0	400	400	800
SSB Communication Center	0	1,000	1,000	2,000
Vocational Rehab State Match	0	1,500	1,500	3,000
Minn Youth Career Guides	0	500	500	1,000
Unemployment Fund Reimbursements	0	192	0	192
Local Labor Market Information	0	150	150	300
Positively MN Marketing	0	200	0	200
Compensation Adjustment	0	189	382	571
Total Governor's Recommendations	**65,417**	**53,654**	**42,205**	**95,859**
Fund: WORKFORCE DEVELOPMENT				
FY 2007 Appropriations	**16,327**	**16,327**	**16,327**	**32,654**
Technical Adjustments				
One-time Appropriations		(6,857)	(6,857)	(13,714)
Subtotal - Forecast Base	**16,327**	**9,470**	**9,470**	**18,940**
Total Governor's Recommendations	**16,327**	**9,470**	**9,470**	**18,940**
Fund: REMEDIATION FUND				
FY 2007 Appropriations	**700**	**700**	**700**	**1,400**
Subtotal - Forecast Base	**700**	**700**	**700**	**1,400**
Total Governor's Recommendations	**700**	**700**	**700**	**1,400**
Fund: PETROLEUM TANK RELEASE CLEANUP				
Planned Open Spending	**6,836**	**6,200**	**6,200**	**12,400**
Total Governor's Recommendations	**6,836**	**6,200**	**6,200**	**12,400**

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: CLEAN WATER REVOLVING FUND				
Planned Statutory Spending	**229,685**	**207,575**	**205,915**	**413,490**
Total Governor's Recommendations	**229,685**	**207,575**	**205,915**	**413,490**
Fund: DRINKING WATER REVOLVING FUND				
Planned Statutory Spending	**66,311**	**64,291**	**64,435**	**128,726**
Total Governor's Recommendations	**66,311**	**64,291**	**64,435**	**128,726**
Fund: GENERAL				
Planned Statutory Spending	**5**	**5**	**5**	**10**
Total Governor's Recommendations	**5**	**5**	**5**	**10**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**41,312**	**8,233**	**6,751**	**14,984**
Change Items				
Dedicating the Contamination Tax	0	156	156	312
Total Governor's Recommendations	**41,312**	**8,389**	**6,907**	**15,296**
Fund: WORKFORCE DEVELOPMENT				
Planned Statutory Spending	**36,884**	**32,426**	**30,188**	**62,614**
Total Governor's Recommendations	**36,884**	**32,426**	**30,188**	**62,614**
Fund: TRANSPORTATION REVOLVING FUND				
Planned Statutory Spending	**26,547**	**8,944**	**8,994**	**17,938**
Total Governor's Recommendations	**26,547**	**8,944**	**8,994**	**17,938**
Fund: FEDERAL				
Planned Statutory Spending	**57,612**	**26,698**	**26,632**	**53,330**
Total Governor's Recommendations	**57,612**	**26,698**	**26,632**	**53,330**
Fund: FEDERAL DEED				
Planned Statutory Spending	**200,947**	**214,651**	**204,806**	**419,457**
Total Governor's Recommendations	**200,947**	**214,651**	**204,806**	**419,457**
Fund: GIFT				
Planned Statutory Spending	**948**	**1,324**	**369**	**1,693**
Total Governor's Recommendations	**948**	**1,324**	**369**	**1,693**
Revenue Change Items				
Fund: GENERAL				
Change Items				
Dedicating the Contamination Tax	0	(156)	(156)	(312)
Fund: MISC SPECIAL REVENUE				
Change Items				
Dedicating the Contamination Tax	0	156	156	312

Program Description

The Business and Community Development Division provides technical and financial assistance to Minnesota businesses and communities to increase jobs and economic opportunities.

Budget Activities

- ⇒ Business Development Office
- ⇒ Business and Community Finance
- ⇒ Minnesota Trade Office

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	23,835	34,650	34,650	34,650	69,300
Technical Adjustments					
One-time Appropriations			(27,434)	(27,434)	(54,868)
Subtotal - Forecast Base	23,835	34,650	7,216	7,216	14,432
Governor's Recommendations					
BioBusiness Alliance		0	1,000	0	1,000
University Enterprise Laboratories		0	250	0	250
Minnesota Investment Fund		0	7,000	0	7,000
Redevelopment Grants Funding		0	2,000	0	2,000
Small Community Technical Assistance		0	100	100	200
Urban Initiative Program		0	1,000	0	1,000
Compensation Adjustment		0	82	167	249
Total	**23,835**	**34,650**	**18,648**	**7,483**	**26,131**
Remediation Fund					
Current Appropriation	700	700	700	700	1,400
Subtotal - Forecast Base	700	700	700	700	1,400
Total	**700**	**700**	**700**	**700**	**1,400**
Expenditures by Fund					
Direct Appropriations					
General	25,114	23,540	18,648	7,483	26,131
Remediation Fund	700	700	700	700	1,400
Open Appropriations					
Petroleum Tank Release Cleanup	6,319	6,836	6,200	6,200	12,400
Statutory Appropriations					
Clean Water Revolving Fund	400,889	229,685	207,575	205,915	413,490
Drinking Water Revolving Fund	119,785	66,311	64,291	64,435	128,726
General	1	5	5	5	10
Misc Special Revenue	6,192	27,993	5,969	4,768	10,737
Transportation Revolving Fund	16,068	26,547	8,944	8,994	17,938
Federal	25,347	56,848	26,698	26,632	53,330
Gift	32	134	106	13	119
Total	**600,447**	**438,599**	**339,136**	**325,145**	**664,281**
Expenditures by Category					
Total Compensation	5,171	5,748	6,272	6,408	12,680
Other Operating Expenses	3,367	4,674	4,445	2,803	7,248
Local Assistance	56,251	94,611	49,611	37,175	86,786
Other Financial Transactions	535,658	333,566	278,808	278,759	557,567
Total	**600,447**	**438,599**	**339,136**	**325,145**	**664,281**
Expenditures by Activity					
Business Development	19,858	19,769	6,051	4,747	10,798
Business & Community Finance	578,276	416,791	331,413	318,704	650,117
Trade	2,313	2,039	1,672	1,694	3,366
Total	**600,447**	**438,599**	**339,136**	**325,145**	**664,281**
Full-Time Equivalents (FTE)	**68.6**	**67.3**	**69.5**	**69.5**	

Activity Description

The Business Development Office works to attract and retain high-quality jobs and businesses. The focus of the office is three-fold: provide direct business assistance and coordination of resources; facilitate the start-up and growth of small businesses; and support the efforts of communities and regions to market themselves to new businesses. Statutory authority comes from M.S. 116J.011; 116J.66 through 116J.86; 116C.22 116C.34; and the U. S. Code, Tile 15, Section 648.

Activity at a Glance

The services of the Business Development Office facilitate business growth and community marketing efforts.

In FY 2006, the Office:

- made over 1,000 direct contacts with companies to encourage growth and expansion;
- served over 49,000 small business customers; and
- recruited over 40 economic development groups to participate in Positively Minnesota marketing events.

Population Served

This office's primary customers are businesses, including small businesses, as well as communities who choose to participate in the Positively Minnesota initiative (described below). Depending on the type of assistance requested, a wide range of businesses may be served in any given year.

Services Provided

The office contains a wide range of activities specially designed to assist Minnesota businesses:

Business Development Specialists assist businesses interested in expanding or relocating in Minnesota. Services include:

- promoting Minnesota's business assets and advantages;
- providing information on business financing,
- training and site-specific information;
- serving as a liaison with other state agencies; and
- assisting companies with other business development needs as requested.

Special emphasis is placed on the Job Opportunity Building Zone (JOBZ) program in greater Minnesota. Nine business development specialists have regional responsibilities as well as responsibility for specific industry sectors identified as high-growth, high-wage areas: medical devices and health, biosciences, industrial machinery, business services, computer software, and electronics.

Positively Minnesota BizNice helps businesses navigate through the permitting, licensing, and regulatory requirements. In conjunction with the Minnesota Pollution Control Agency from 2004-2005, the project responded to 623 inquiries, with frequent referrals and collaborations with other agencies, to facilitate Minnesota expansions.

Small Business Innovation Research (SBIR) program helps businesses access federal funding to commercialize new technologies. Staff conduct workshops, offer direct help in identifying funding sources and preparing applications, and maintain web resources. In federal funding year 2005, 45 SBIR companies received approximately $31 million to fund high-risk feasibility studies and prototype/product development.

The Business Development office also serves businesses through its **Small Business Assistance Office** with timely, accurate, comprehensive, and free information on small business startup, expansion and operation. The office has three main activities:

- publications, including the Guide to Starting a Business in Minnesota;
- one-to-one free counseling including assistance and direction on business management, operations, and permitting through 19 small business development centers (SBDCs) around the state; and
- training seminars conducted around Minnesota.

Current publication topics include securities offerings, loan documentation, doing business on the Internet, employment law issues, employee benefits, intellectual property protection, and biotechnology financing. These publications are written in collaboration with major Minnesota law firms and are regularly updated and expanded to reflect new topical developments. All publications are available to the public free-of-charge and are available in hard-copy format, on CD, and as downloads from DEED's web site.

Through its network of nine regional and 13 sub-regional and outreach locations, the SBDCs provide free one-to-one, confidential, quality business development assistance to existing and prospective businesses to promote growth, profitability, innovation, increased productivity, management improvement, and employment and economic development.

The **Positively Minnesota Marketing Initiative** partners with other economic development entities to market Minnesota outside its borders. With minimal state investment, the funds of non-state partners are leveraged to support ongoing marketing of Minnesota to national and international business leaders looking for locations to grow. The initiative showcases Minnesota's assets at international events attended by corporate site selectors and industry leaders.

The **MNPRO (**Minnesota Properties and Community Profiles) **Data Base** is an electronic resource that supports the work of the business development office, Positively Minnesota marketing, and the JOBZ program. This database is an integrated, data-intensive web site (www.mnpro.com) within the DEED site, which combines a commercial property tracking system with Minnesota community profiles. It is a free, one-stop place to get detailed information on available land and buildings, and on the communities in which they are located. It is also the primary source for locating all tax-free properties designated through the JOBZ program

Other Specific Business Initiatives include:

- Minnesota Manufacturers' Advocate, which connects state government to the multiple manufacturing trade associations and their initiatives to insure competitiveness;
- Biosciences Development, which coordinates state support for these emerging industries, including support for the Bio Business Alliances;
- an annual Manufacturers Week;
- an annual Development Conference;
- marketing of DEED programs at trade shows and conferences;
- maintenance of the Business Expansion database to track and report Minnesota expansions for national marketing; and
- the E-Commerce Certification Program, which recognizes communities that have implemented plans for support of electronic.

The office also administers grants for **WomenVenture** and the **Metropolitan Economic Development Association**; these Twin Cities-based nonprofit organizations provide business customers with resources and assistance to help them grow. Other pass-through grants and special appropriations to specific recipients are also administered through the office.

Key Measures

Measures are based on a state fiscal year (July-June), except for small business measures which are measured on a calendar year. Job creation in business expansions is estimated for 2004.

	2003	**2004**	**2005**
Number of business expansions assisted	120	150	209
Number of jobs created in those expansions	4,850	6,500	7,210
Percentage of those expansions in Greater Minnesota	70%	75%	80%
Customers (and hours) of Small Business Development Centers	3,587 (38,121)	3,529 (36,586)	3,679 (137,585)

Customers contacting Small Business Assistance Office	48,300	48,360	49,900
Copies of SBAO publications distributed (digitally and print)	114,964 (63,540)	115,690 (64,290)	135,676 (62,710)

Activity Funding
Approximately 60% of activity funding comes from the state General Fund, and 40% federal sources.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	18,147	30,040	30,040	30,040	60,080
Technical Adjustments					
One-time Appropriations			(26,967)	(26,967)	(53,934)
Subtotal - Forecast Base	18,147	30,040	3,073	3,073	6,146
Governor's Recommendations					
BioBusiness Alliance		0	1,000	0	1,000
University Enterprise Laboratories		0	250	0	250
Compensation Adjustment		0	37	76	113
Total	**18,147**	**30,040**	**4,360**	**3,149**	**7,509**
Expenditures by Fund					
Direct Appropriations					
General	18,114	18,573	4,360	3,149	7,509
Statutory Appropriations					
Misc Special Revenue	380	250	230	230	460
Federal	1,332	812	1,355	1,355	2,710
Gift	32	134	106	13	119
Total	**19,858**	**19,769**	**6,051**	**4,747**	**10,798**
Expenditures by Category					
Total Compensation	1,766	1,895	1,940	1,989	3,929
Other Operating Expenses	860	960	881	788	1,669
Local Assistance	17,232	16,914	3,230	1,970	5,200
Total	**19,858**	**19,769**	**6,051**	**4,747**	**10,798**
Full-Time Equivalents (FTE)	**24.1**	**22.7**	**24.2**	**24.2**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$0	$0	$0

Recommendation
The Governor recommends one-time funding of $1 million for the Biobusiness Alliance in FY 2008-09. These funds must be matched by the private sector.

Background
In February 2003 Governor Pawlenty announced his Bioscience initiative aimed at growing high-skilled, high-wage jobs within the state of Minnesota. He also established the Minnesota Bioscience Council, a blue-ribbon taskforce of public and private sector industry leaders created to provide the Governor and the legislature with recommendations on how to grow Minnesota's bioscience industry. The Council was spun-off as the BioBusiness Alliance in the fall of 2004 to encourage private sector leadership and ensure that the state's bioscience development efforts focused on long-term objectives.

The BioBusiness Alliance spent 2005 focusing on the formation of the organization and conducting an in-depth study of Minnesota's bioscience industry. That study was completed last spring and identified Minnesota's strengths and weaknesses and opportunities for success, and established the framework for developing a roadmap for guiding Minnesota's bioscience efforts. The study also identified Minnesota's top bioscience markets as: Cardiology, Scientific Research, Oncology, Orthopedics, Pain Management, Additives, Diagnostic Testing, and Biofuels.

That study forms the basis of the next phase, and the focus of this initiative, the development of a 20-year strategy for growing Minnesota's bioscience industry.

Relationship to Base Budget
This appropriation is not part of DEED's base budget.

Key Measures
⇒ Complete an update, with accurate industry measures and industry database, of the original bioindustry assessment first done in 2006, including workforce gap analysis in partnership with DEED and MnSCU.
⇒ During 2007, employ the Biobusiness Resource Network to support the startup, move, or expansion in Minnesota of two companies, among many requesting support.
⇒ Complete development of a plan for statewide bioscience community and supporting infrastructure.

Statutory Change: Not Applicable

Change Item: University Enterprise Laboratories

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$250	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$250	$0	$0	$0

Recommendation

The Governor recommends $250,000 for University Enterprise Laboratories (UEL) to support its efforts to encourage the growth of early-stage and emerging bioscience companies in a state-of-the-art laboratory-based incubator.

Background

UEL was created in response to a growing need for bioscience industry support, especially in developing and commercialization of new technology. UEL is a non-profit business incubator strategically located in proximity to both the Minneapolis and Saint Paul campuses. It has been supported by the University of Minnesota, cities of Saint Paul and Minneapolis, and several private entities. Current capitalization and financing structure do not allow lease rates to attract and support the emerging and start-up businesses UEL was intended to accommodate.

Relationship to Base Budget

There is no General Fund base for this activity.

Key Measures

Long term results will be Minnesota-based bioscience businesses that will attract new private investment and create many high-paying technological and professional jobs. Currently there are 22 tenants.

Statutory Change: Not Applicable

Activity Description

The Business and Community Finance office offers financial assistance to local areas and businesses in order to support sustainable business development and expansion. Financing activities seek to help create high-quality jobs, through statewide and specifically targeted programs. In addition to job creation, specifically targeted programs also leverage private investment, increase tax base, and enhance business development projects.

Statutory authority comes from M.S. 41A.022 (Agricultural and Economic Development Program), 116J.423 (21st Century Minerals Fund), 116J.431 (public infrastructure grants), 116J.551 through 116J.558 (contamination clean-up grants), 116J.571 through 116J.575 (greater Minnesota redevelopment grants), 116J.8731 (Minnesota Investment Fund), 116J.980 (small cities development grants), 116M (Urban Initiative), 116J.64 (Indian Business Loans), chapter 446A (Public Facilities Authority), and 469.310 through 469.320 (Job Opportunity Building Zones).

Activity at a Glance

- The Business and Community Finance office uses a variety of financing options to spur job creation and economic growth.
- As of 6-30-2006, the Job Opportunity Building Zones (JOBZ) initiative facilitated 252 business deals, resulting in 8,004 retained jobs and 3,845 projected new jobs.
- In FY 2005, the office's Minnesota Investment Fund and Urban Initiative program combined $6 million to leverage $232 million in private investment. In addition, the office provided 88 community finance grants worth $31.5 million for business development infrastructure in greater Minnesota, clean up of contaminated sites, and development of small cities.
- The Public Facilities Authority funded 28 water and wastewater projects for $79 million and six county credit enhancement projects for $46 million in FY 2006.

Population Served

The office serves businesses and communities, directly and through partnerships with economic development agencies, utilities, banks, local governments, and others.

The office also indirectly serves those communities' residents through (1) construction and renovation of affordable infrastructure, (2) creation of additional tax base through business and housing development, (3) removal of public health threats through contaminated site cleanup, and (4) creation of tax-free business development properties through the Job Opportunity Building Zones (JOBZ) initiative.

Services Provided

Services are designed to assist in the creation of high-quality jobs. Specifically:

⇒ **JOBZ** stimulates economic development activity in rural areas of Minnesota by providing local and state tax exemptions (including corporate franchise tax, income tax, sales tax, property tax for improvements, and wind energy production tax). In early 2004, ten zones with 325 subzones (as well as one Agricultural Processing Facility Zone) were created until 2015.

⇒ **Contamination Clean-Up Grants** provides grants to local governments and local development agencies to clean up soil and groundwater contamination so a site can serve as a housing or business location.

⇒ The **Redevelopment Grant Program** provides funding for local governments to acquire and prepare sites for redevelopment.

⇒ **Small Cities Development Grants (SCDG)** channel federal Community Development Block Grant funds for the rehabilitation or construction of housing or municipal infrastructure, as well as downtown revitalization projects.

⇒ **Greater Minnesota Business Development Public Infrastructure Grants (GMPI)** provide funds to local governments for public infrastructure extension projects in support of business development.

⇒ The **Minnesota Investment Fund** helps local units of government improve and strengthen their business and economic base by providing financing for business expansions and relocations. At least 50% of total project costs must be privately financed through owner equity and other lending sources. Awards may not exceed $500,000. Most applications selected for funding have at least 70% private financing.

⇒ The **Urban Initiative Program (UIP)** assists businesses in creating jobs in low-income areas of the Twin Cities.

⇒ The **Agricultural and Economic Development Program** makes small business development loans through low interest rate loans and issues tax-exempt revenue bonds for business expansion.
⇒ **Indian Business Loans** support the development of Indian-owned and operated businesses and promote economic opportunities for Native American people throughout Minnesota. (Applications are submitted to the Department of Employment and Economic Development (DEED) and then forwarded to the appropriate Tribal Council for further consideration and approval.)
⇒ The **21st Century Minerals Fund** makes strategic investments in value-added mineral processing to assist the state's mining industry in the global economy.

The Business and Community Finance Office also houses the administrative staff for the **Public Facilities Authority (PFA)**. The PFA consists of the commissioners of six agencies (DEED and the Minnesota departments of Finance, Agriculture, Health, Transportation, and the Minnesota Pollution Control Agency [MPCA]) and issues bonds to finance loans for municipal infrastructure projects. These bonds have AAA or AA ratings from all three major rating agencies. (All wastewater and drinking water bonds have AAA ratings.) The PFA also manages the following programs:
⇒ **Water Pollution Control Revolving Fund** *(also known as the Clean Water State Revolving Fund [SRF]).* The PFA, in conjunction with the MPCA, provides loans to municipalities for construction of wastewater infrastructure projects. It also provides funding for the Department of Agriculture's Best Management Practices Loan Program, the MPCA's Clean Water Partnership Loan Program, and DEED's Tourism Loan Program.
⇒ **Drinking Water Revolving Fund**. The PFA, in conjunction with the Department of Health, provides loans to municipalities for construction of drinking water infrastructure projects. The fund is also used by the Department of Health to address other federal mandates such as technical assistance to small communities and public water supply supervision.
⇒ **Wastewater Infrastructure Funding (WIF) Program**. The PFA provides supplemental grant and loan funds to high environmental priority communities with high-cost wastewater needs.
⇒ **Total Maximum Daily Load (TMDL) Grant Program**. The PFA provides grants to municipalities for up to one-half the cost of wastewater or stormwater projects made necessary by wasteload reductions under approved TMDL plans. In 2006, the PFA received 32 TMDL applications totaling $42 million for $7 million in available funds.
⇒ **Clean Water Legacy Phosphorus Reduction Grant Program**. This program was created in 2006 to provide up to 75% grants to municipalities for the cost of wastewater treatment facilities to reduce the discharge of total phosphorus to one milligram per liter or less. Priority is given first to new projects and then to reimbursement grants for projects that started construction prior to 7-1-2006. In 2006, the PFA received 48 applications totaling $17.5 million for $2,310,000 in available funds.
⇒ **Small Community Wastewater Treatment Program**. This program was created in 2006 to provide loans and grants to governmental units to replace failing septic systems with publicly owned individual sewage treatment systems or small cluster systems. Priorities are based on the MPCA's Project Priority List. Recipients may receive a grant for up to 10% of the first year's award to contract for technical assistance services from the University of Minnesota Extension Service.
⇒ **Transportation Revolving Loan Fund.** The PFA, in conjunction with the Department of Transportation, makes loans for eligible transportation projects.
⇒ **County Credit Enhancement Program.** Counties can apply to the PFA for credit enhancement for their general obligation bonds issued to fund construction of criminal justice facilities, social service facilities, or solid waste facilities.
⇒ **Methamphetamine Laboratory Cleanup Fund.** The PFA provides loans to cities and counties to finance the cleanup of lab sites affected by conditions or chemicals associated with the manufacturing of methamphetamine. The loans are repaid from revenues derived from the property itself, including special assessments.

Key Measures

Measures are based on a state fiscal year (July-June). JOBZ data is January through November 2004 only.

	2002	2003	2004	2005	2006
JOBZ					
Projects	NA	NA	91	96	23
Projected job creation	NA	NA	1,189	1,528	1,128
Projected job retention	NA	NA	1,387	4,242	2,375
Private investment leveraged (millions)	NA	NA	$80.3	$101.8	$110.0
SCDG					
Projects	31	35	32	35	35
Awards (millions)	$21.9	$21.0	$20.2	$19.7	$18.7
Investment leveraged (millions)	NA	NA	NA	NA	$28.9
Contaminated Cleanup					
Projects	21	20	20	26	9
Awards (millions)	$9.7	$7.6	$8.1	$10.5	$4.3
Private investment leveraged (millions)	$266.6	$211.5	$205.3	$183.7	$453.0
MIF and UIP					
Awards (millions)	$4.2	$2.6	$2.3	$6.0	$7.3
Actual job creation	1,097	544	393	837	889
Share of jobs at $12/hour or more	70%	56%	68%	64%	NA
Private investment leveraged (millions)	$60.0	$22.6	$49.6	$232	$195
GMPI and Redevelopment					
GMPI Projects	NA	NA	25	26	NA
GMPI projected jobs created	NA	NA	462	900	NA
Redevelopment projects	NA	NA	NA	1	11
Redevelopment awards (millions)	NA	NA	NA	$1.0	$9.2
Public Facilities Authority					
Clean Water SRF projects	18	19	21	14	6
Clean Water project totals (millions)	$126.7	$175.0	$197.5	$95.2	$49.0
Drinking Water SRF projects	17	26	27	16	16
Drinking Water project totals (millions)	$17.4	$52.9	$73.2	$40.1	$22.5
WIF projects	8	4	2	3	12
WIF project totals (millions)	$10.4	$2.7	$.6	$5.1	$15.7

Activity Funding

The budget for office activities is from federal sources such as the U.S. Department of Housing and Urban Development, as well as state General Fund and Special Revenue funds. The Special Revenue funds are revolving loan funds, where new loans are funded from the repayments of old loans' principal and interest. MIF is also a revolving fund, with an appropriation from the General Fund.

This activity's budget does *not* include the tax exemptions from JOBZ; the Department of Revenue maintains those projections. The PFA's unique structure and bonding authority requires a separate accounting structure from the normal state budget (see M.S. 446A.04, 446A.12, 446A.16, and 446A.20). PFA manages assets in excess of $1.5 billion.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	4,263	3,185	3,185	3,185	6,370
Technical Adjustments					
One-time Appropriations			(467)	(467)	(934)
Subtotal - Forecast Base	4,263	3,185	2,718	2,718	5,436
Governor's Recommendations					
Minnesota Investment Fund		0	7,000	0	7,000
Redevelopment Grants Funding		0	2,000	0	2,000
Small Community Technical Assistance		0	100	100	200
Urban Initiative Program		0	1,000	0	1,000
Compensation Adjustment		0	23	47	70
Total	**4,263**	**3,185**	**12,841**	**2,865**	**15,706**
Remediation Fund					
Current Appropriation	700	700	700	700	1,400
Subtotal - Forecast Base	700	700	700	700	1,400
Total	**700**	**700**	**700**	**700**	**1,400**
Expenditures by Fund					
Direct Appropriations					
General	5,712	3,215	12,841	2,865	15,706
Remediation Fund	700	700	700	700	1,400
Open Appropriations					
Petroleum Tank Release Cleanup	6,319	6,836	6,200	6,200	12,400
Statutory Appropriations					
Clean Water Revolving Fund	400,889	229,685	207,575	205,915	413,490
Drinking Water Revolving Fund	119,785	66,311	64,291	64,435	128,726
General	1	5	5	5	10
Misc Special Revenue	4,787	27,456	5,514	4,313	9,827
Transportation Revolving Fund	16,068	26,547	8,944	8,994	17,938
Federal	24,015	56,036	25,343	25,277	50,620
Total	**578,276**	**416,791**	**331,413**	**318,704**	**650,117**
Expenditures by Category					
Total Compensation	2,291	2,606	3,079	3,144	6,223
Other Operating Expenses	1,396	2,984	3,207	1,658	4,865
Local Assistance	38,931	77,635	46,319	35,143	81,462
Other Financial Transactions	535,658	333,566	278,808	278,759	557,567
Total	**578,276**	**416,791**	**331,413**	**318,704**	**650,117**
Full-Time Equivalents (FTE)	**30.6**	**30.7**	**31.4**	**31.4**	

Change Item: Dedicating the Contamination Tax

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	($156)	($156)	($156)	($156)
Special Revenue Fund				
Expenditures	$156	$156	$156	$156
Revenues	$156	$156	$156	$156
Net Fiscal Impact	$156	$156	$156	$156

Recommendation
The Governor recommends dedicating the proceeds of the contamination tax (M.S. 270.97) to the Contamination Cleanup Grant Program (M.S. 116J.551 – 558).

Background
The contamination tax was created to fund the Contamination Cleanup Grant Program, but never delivered the amount of resources originally expected. Proceeds from the tax were dedicated to the contaminated site cleanup and development account in the General Fund, but were never appropriated to the program. Funds had been collecting in the account in the Revenue Department for more than 10 years before the legislature cancelled it in the 2006 session. The amount collected over that period of time was $1.3 million.

This initiative dedicates the proceeds of the contamination tax to the contaminated grant program for which it was originally intended.

Relationship to Base Budget
The General Fund base budget for the contaminated grant program is $1,481,000 per year. It also has a base budget in the Petroleum Tank Cleanup Fund of $6.2 million per year. This represents to a 10% increase to the General Fund budget, or 2% increase over both funds.

Key Measures
To date, the Contamination Cleanup Grant Program has created over 17,000 jobs, retained over 8,700 jobs, induced a private investment of over $2 billion and cleaned up over 2,000 acres of land.

Statutory Change: A statutory change is needed to M.S. 270.97 to dedicate the proceeds of the contamination tax to an account in the special revolving fund, for the Contamination Cleanup Grant Program.

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$7,000	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$7,000	$0	$0	$0

Recommendation

The Governor recommends one-time funding of $7 million in FY 2008 for the Minnesota Investment Fund Program. The funds will be used to provide financing for economic development projects throughout the state.

Background

The Minnesota Investment Fund provides grants to help add new workers and retain high-quality jobs on a statewide basis. The focus is on industrial, manufacturing, and technology-related industries to increase the local and state tax base and improve the economic vitality of Minnesota. The program has been very successful since it's inception in 1985. The program has ceased receiving a state appropriation in 2005, yet the program continues to be one of the most sought after economic development financing programs at Department of Employment and Economic Development (DEED). The program runs on a pipeline structure, which is currently over-subscribed.

Relationship to Base Budget

There is no General Fund base for this activity.

Key Measures

This request would generate:

- 1,500 new jobs;
- $40,000,000 in private investment.

Statutory Change: No statutory changes are needed.

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$2,000	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,000	$0	$0	$0

Recommendation
The Governor recommends one-time funding of $2 million for FY 2008 for the Redevelopment Grant Program.

Background
The Redevelopment Grant Program provides an incentive for the private sector to redevelop sites that help with economic development of communities, providing jobs, and increased tax base. Without public dollars to assist with the extra cost of redeveloping previously used sites, these under-utilized and often abandoned sites sit idle, causing blight, crime, and producing no jobs and tax base. The Redevelopment Grant Program has been very successful since it's inception in 1998 in helping communities across Minnesota with redevelopment costs such as demolition and infrastructure improvements necessary for redevelopment to occur.

The Redevelopment Grant Program was created as a statewide program in 1998. It was a successful and popular program when it was funded from 1998-2001. The program went unfunded for several years. During this time, the program was converted to a Greater Minnesota program, leaving the metro area without a redevelopment funding source. In 2006, the program received an appropriation again with bonding dollars and continues to be available for Greater Minnesota redevelopment projects only.

There are many redevelopment projects throughout all of Minnesota that need assistance with the expensive costs associated with redeveloping sites. This financing request is to finance a Redevelopment program that is statewide, benefiting all of Minnesota.

Relationship to Base Budget
There is no General Fund base for this activity.

Key Measures
This request will allow for the creation of 1,000 new jobs and induced a private investment of over $30,000,000.

Statutory Change: No statutory changes are needed to fund this program. However, there is a legislative request in to change the program from a Greater Minnesota only program back into a statewide program.

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$100	$100	$100	$100
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$100	$100	$100	$100

Recommendation

The Governor recommends base level funding of $100,000 per year for Public Facilities Authority's (PFA) Small Community Wastewater Treatment Program. This program provides grants to small unsewered communities for technical assistance to address failing septics and straight pipes contributing to impaired waters. This is part of the Governor's overall Clean Water recommendation.

Background

Under the proposed revisions to 446A, grants would be limited to $10,000 plus $500 per connection up to a maximum of $40,000 for site evaluation and technical assistance to identify possible solutions (septic replacement, community mounds or conventional municipal treatment processes), and to develop local government capacity to implement and maintain the proposed project once built. Over 100 communities have been identified in the southeast fecal coliform Total Management Daily Load (TMDL) study. Several more TMDL studies near completion identify fecal coliform pollution in part caused by failing septic or straight pipe communities.

Relationship to Base Budget

There is no General Fund base for this activity.

Key Measures

The PFA will target communities ranked high on the Pollution Control Agency's priority list due to failing septics and straight pipes that are contributing to identified water impairments. Within one to two years, communities receiving technical assistance grants should be ready to make the necessary improvements to bring them into compliance with the TMDL requirements. This request will enable the PFA to provide assistance to four to six small communities in identifying feasible wastewater treatment facilities.

Statutory Change: The PFA is proposing revisions to M.S. Chapter 446A, which include providing upfront technical assistance funding through the Small Community Wastewater Treatment Program.

Change Item: Urban Initiative Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$0	$0	$0

Recommendation
The Governor recommends that the Urban Initiative Program receive a one-time appropriation of $1 million in FY 2008. This will enable this small business loan program to support a growing minority business community and an expanded service area.

Background
The Urban Initiative program was originally capitalized in 1995 with $6 million of state General Funds. This was a one-time appropriation that has provided capital to a network of lending organizations which have made over 560 loans for a total of almost $11.3 million (as of July 2006) to small businesses in the Twin Cities. This original $6 million has leveraged an additional $45 million in primarily private funds.

As of the end of the 2005 fiscal year alone, the 109 businesses which were still repaying their Urban Initiative loans had created 435 jobs paying an average of $13.33 per hour.

Grants are currently available to 10 non-profit lending organizations operating in various parts of the Twin Cities. The program requires that all repayments of the state's portion of the Urban Initiative loans made by these organizations must be returned to the state. These repayments are deposited in the Urban Initiative account and the accumulated funds have been disbursed again and again, based on an organization's performance. The repayments however consist only of the loan's principle. Interest payments are retained by the organizations in order to cover some of their technical assistance and other administrative costs.

This funding will enable the program to continue its current level of lending for three to four years.

Relationship to Base Budget
There is no General Fund base for this activity.

Key Measures
This request would generate an additional:
- $7.5 Million of private funds which the program leverages;
- 150 new jobs created paying $13.00 per hour.

Statutory Change: Not Applicable.

Activity Description

The Minnesota Trade Office (MTO) supports business development and expansion by promoting exports and foreign direct investments that contribute to the growth of the state's economy. Specific statutory authority stems from M.S. 116J.966.

Population Served

While any business may take advantage of MTO services, the agency primarily helps small- and medium-sized manufacturers and service providers.

Services Provided

MTO services are divided into five broad categories:

Export counseling and technical assistance. The MTO is staffed with a team of international trade representatives with broad international business experience who can help guide companies through the challenges of conducting international business. Through confidential and personalized meetings, MTO trade representatives help companies evaluate their export readiness, assist with market research, identify market opportunities, provide market intelligence and regulatory information, identify potential distributors, partners, agents, and buyers, and much more. The MTO now has a Trade Assistance Help Line to streamline assistance to companies.

Export promotion services. The MTO arranges numerous export promotional events, including trade missions and trade shows, to help companies acquire market information, explore market opportunities, and meet prospective distributors, partners, agents, and buyers.

Export education and training services. In partnership with other organizations, the MTO provides cutting-edge training seminars and workshops for new and experienced exporters. Education programs include fundamentals for beginners, how to conduct international market research, topical seminars on specific and technical aspects of exporting, daylong "immersion" courses focused on the business climate and requirements of specific countries such as China and Japan, and detailed market and industry briefings. The MTO offers education and training programs in St. Paul and at select locations throughout Minnesota.

International business resources. To ensure Minnesota companies have the very latest market intelligence at their disposal, the MTO works with the Department of Employment and Economic Development (DEED) library to maintain an extensive collection of information on foreign markets. Open to the public Monday through Friday (9:00 a.m. - 4:00 p.m.) and staffed with professional researchers, the resource center is replete with economic data, export statistics, international trade periodicals, company directories, a wide variety of electronic and internet-based market research tools, as well as materials to help companies learn the mechanics of exporting and the art of conducting business in other cultures. Companies also can access valuable research resources on the MTO web site, www.exportminnesota.com

Protocol Assistance. The MTO provides assistance to visiting foreign delegations and dignitaries, especially those meeting with the governor or lieutenant governor.

Activity at a Glance

- The Minnesota Trade Office promotes exports and foreign direct investments that contribute to the growth of the state's economy.
- Minnesota's exports to China increased 71% in 2005, more than four times faster than the U.S.
- Recognizing the opportunities in the China marketplace, the office launched the Minnesota–China Partnership to enhance the state's relationship with China.
- In 2005, the Office received 38 foreign delegations/dignitaries, provided technical assistance to 551 companies and completed 28 education programs.
- The Office also organized two trade missions to Sri Lanka and China in 2005. The China mission, led by Governor Pawlenty, was the largest mission to China ever organized by any state from the U.S.

Key Measures
Measures are based on a calendar year. For the past several years, Minnesota manufactured exports have grown significantly, and in some years, outperformed U.S. export growth rates.
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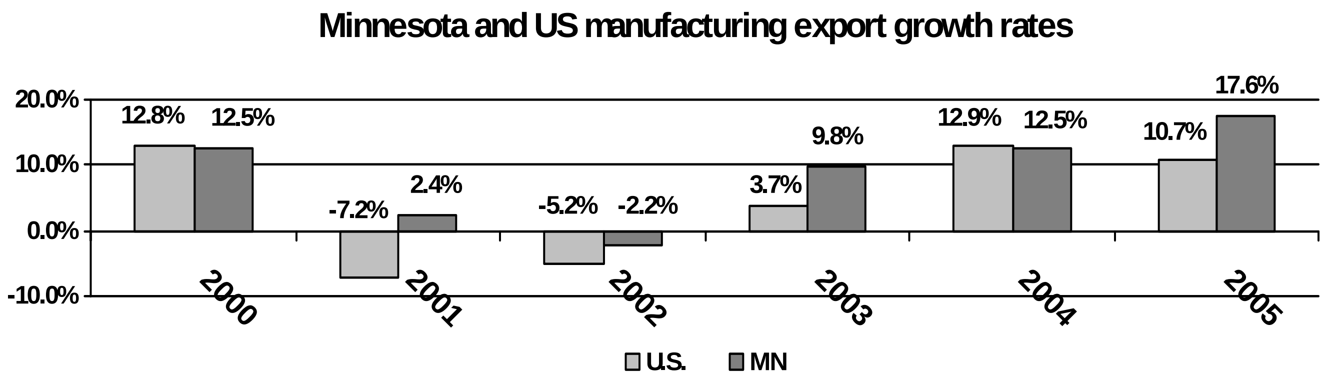

Source: Origin of Movement Series, U.S. Department of Commerce - Census Bureau – Foreign Trade Division and World Institute of Social and Economic Research (WISER).

Activity Funding
The MTO receives $1.425 million annually from the General Fund.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	1,425	1,425	1,425	1,425	2,850
Subtotal - Forecast Base	1,425	1,425	1,425	1,425	2,850
Governor's Recommendations					
Compensation Adjustment		0	22	44	66
Total	**1,425**	**1,425**	**1,447**	**1,469**	**2,916**
Expenditures by Fund					
Direct Appropriations					
General	1,288	1,752	1,447	1,469	2,916
Statutory Appropriations					
Misc Special Revenue	1,025	287	225	225	450
Total	**2,313**	**2,039**	**1,672**	**1,694**	**3,366**
Expenditures by Category					
Total Compensation	1,114	1,247	1,253	1,275	2,528
Other Operating Expenses	1,111	730	357	357	714
Local Assistance	88	62	62	62	124
Total	**2,313**	**2,039**	**1,672**	**1,694**	**3,366**
Full-Time Equivalents (FTE)	**13.9**	**13.9**	**13.9**	**13.9**	

Program Description

Workforce Development supports workforce needs of Minnesota's businesses, workers and communities. Customers served stretch from businesses to job seekers to persons with disabilities.

Budget Activities

This program includes the following budget activities:

⇒ Adult Services
⇒ Business Services
⇒ Youth Programs
⇒ Disability Determination
⇒ Services for the Blind
⇒ Extended Employment
⇒ Independent Living
⇒ Vocational Rehabilitation

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	27,255	27,790	27,790	27,790	55,580
Technical Adjustments					
One-time Appropriations			(310)	(310)	(620)
Subtotal - Forecast Base	27,255	27,790	27,480	27,480	54,960
Governor's Recommendations					
Extended Employment Basic Program		0	500	500	1,000
Extended Employment Mental Illness		0	400	400	800
SSB Communication Center		0	1,000	1,000	2,000
Vocational Rehab State Match		0	1,500	1,500	3,000
Minn Youth Career Guides		0	500	500	1,000
Compensation Adjustment		0	86	172	258
Total	**27,255**	**27,790**	**31,466**	**31,552**	**63,018**
Workforce Development					
Current Appropriation	15,427	16,327	16,327	16,327	32,654
Technical Adjustments					
One-time Appropriations			(6,857)	(6,857)	(13,714)
Subtotal - Forecast Base	15,427	16,327	9,470	9,470	18,940
Total	**15,427**	**16,327**	**9,470**	**9,470**	**18,940**

	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	28,484	28,805	31,466	31,552	63,018
Workforce Development	15,304	16,450	9,470	9,470	18,940
Statutory Appropriations					
Misc Special Revenue	2,424	2,214	2,420	2,139	4,559
Workforce Development	26,718	36,884	32,426	30,188	62,614
Federal	3,656	764	0	0	0
Federal Deed	143,357	153,918	154,989	155,633	310,622
Federal Tanf	92	0	0	0	0
Gift	300	809	1,218	356	1,574
Total	**220,335**	**239,844**	**231,989**	**229,338**	**461,327**

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Category					
Total Compensation	71,297	71,730	72,187	73,535	145,722
Other Operating Expenses	18,194	24,023	23,976	22,693	46,669
Payments To Individuals	27,153	33,067	36,533	37,555	74,088
Local Assistance	103,691	111,024	99,093	95,555	194,648
Other Financial Transactions	0	0	200	0	200
Total	**220,335**	**239,844**	**231,989**	**229,338**	**461,327**
Expenditures by Activity					
Adult Services	90,112	101,835	100,167	96,643	196,810
Business Services	14,872	16,686	10,995	10,804	21,799
Youth Programs	18,348	18,158	12,762	12,260	25,022
Disability Determination	21,185	22,152	22,752	23,277	46,029
Services For The Blind	15,617	16,983	18,752	18,262	37,014
Extended Employment	14,378	14,123	14,017	14,026	28,043
Independent Living	3,644	3,637	3,308	3,308	6,616
Vocational Rehabilitation	42,179	46,270	49,236	50,758	99,994
Total	**220,335**	**239,844**	**231,989**	**229,338**	**461,327**
Full-Time Equivalents (FTE)	**985.8**	**964.3**	**953.8**	**952.3**	

Activity Description

Adult Services includes a broad range of employment and training programs. These programs include those for the general public (e.g., Job Seeker services) and those for eligible populations (e.g., Dislocated Worker, Veterans, etc.) Taken together, they form a critical strategy of preparing today's workforce for tomorrow's global economy.

Statutory authority is from Title V of the Federal Older Americans Act of 1965; Public Law 106-501 as amended by the Comprehensive Older Americans Act of 2000; U.S. Code, Chapter 42, Section 3056; U.S. Code, Titles 8, 26, 29, and 38; U.S. Code Title 7, Chapter 51, Section 2015(d); U.S. Code Title 45; the Workforce Investment Act (WIA) of 1998, Title 1B (Public Law 105-220); the Wagner-Peyser Act as amended by Public Law 97-300; the Jobs For Veterans Act (Public Law 107-288); and M.S. 116L.17, 256D.051, 256J, 268.60 through 268.62; and 268.96.

Activity at a Glance

- Adult Services provide a wide variety of employment and training services to job seekers and businesses.
- Some services are available to all job seekers and others are provided to targeted groups of individuals.
- Rate of entering employment following service delivery varies significantly by program and client skill levels.
- Workforce Investment Act Title 1B Adult and the Dislocated Worker services have the highest re-entered employment rate – all exceed 81%.

Population Served

Job seeker services are available to anyone. All other programs provide services to individuals in targeted populations.

Services Provided

There are several major programs in this budget activity:

The **Dislocated Worker** program serves individuals who have or will be separated from their employment permanently. To be eligible to participate in the program, a customer must first be eligible for Unemployment Insurance. Special enrollment priority is given to workers unlikely to return to their former occupation or industry due to changes in the job market. Self-employed workers, farmers, and homemakers can also be dislocated workers. Some workers may also be entitled to additional benefits under Trade Readjustment Assistance (TRA) and/or other assistance under the Trade Adjustment Assistance Act (TAA) which serves workers whose jobs have been lost to foreign competition.

Services through **Workforce Investment Act Title 1B Adult** for job seekers include preliminary assessment of skill levels, aptitudes, and abilities; support services; occupational training; on-the-job training; job search assistance; placement assistance; and career counseling. Information is also available on a full array of employment-related services, including information about local education and training service providers, labor market information, job vacancies, and skills necessary for in-demand jobs. Local workforce councils select specific services and providers for their areas.

Job Seeker Services (formerly called Job Service), funded by the federal Wagner-Peyser Act, provide labor exchange services to individuals seeking employment and to employers recruiting job applicants. Job seeker services are provided at WorkForce Centers; such services include access to computer-based and written materials on available jobs and career information, classes on effective work search and how to write resumes, and referrals to training and supportive services with other WorkForce Center partners and community-based agencies. Staff also provide businesses with information on the labor market, prevailing wage, labor laws, recruitment strategies, retention strategies, human resource practices, etc.; sponsors classes designed to meet human resources needs; and assists in hosting job fairs and in mass-recruitment efforts.

Veterans Programs, in concert with Job Seeker Services, assure that specialized employment and training services are provided to Minnesota veterans. Services include job-ready assessment; and job preparation and placement assistance. A *Transition Assistance Program (TAP)* workshop is provided for returning Minnesota

National Guard, Reserves, and their spouses. Staff conduct reintegration meetings throughout the state with returning veterans and their spouse to explain and facilitate employment and training needs. Services are available at most WorkForce Centers. Veterans Programs also provide employers with information on the benefits of hiring former service members, the labor market, prevailing wage, labor laws, recruitment strategies, retention strategies, human resource practices, etc.

Veterans Programs work with licensing and certification agencies to remove possible barriers to the acceptance of military training or experience when applying for a needed license or certification. Staff work closely with unions and apprenticeships to facilitate a smooth transition to the civilian work force. More information is available at http://www.deed.state.mn.us/veterans/index.htm.

Through the **Senior Community Service Employment Program (SCSEP)**, individuals work in part-time jobs at senior citizen and day care centers, schools, hospitals; programs for people with disabilities; fire prevention programs; and beautification, conservation, and restoration projects. Annual physical examinations, personal and job-related counseling, job training (if necessary), and in some cases, placement into unsubsidized jobs, are part of the services. Participants may work up to 1,300 hours per year, average 20-25 hours per week, and earn the prevailing wage. Local agencies and national sponsors provide programs in all 87 Minnesota counties.

Opportunities Industrialization Centers (OICs) provide community-based specialized employment and training services. OICs have proven successful in recruiting and serving those clients, often minority or welfare recipients that either never enroll or are not successful in mainstream training programs. Comprehensive services include: outreach/recruitment; counseling; remedial education; motivational and pre-vocational training; skills training; and job development/placement. A key component of the OICs' education and training programs is their partnership with industry and accreditation of their education programs.

OICs operate in Minneapolis and St. Paul (Summit Academy OIC, American Indian OIC, East Metro OIC) as well as on the Mille Lacs Indian Reservation (Anishinabe OIC) and in Bemidji (Northwest Indian OIC). The OIC State Council is the administrator of state funds to the programs; the council coordinates all state-level activities, provides technical assistance and resource development, and develops new OICs.

The **Minnesota Family Investment Program (MFIP)** provides support for families to move from welfare to unsubsidized employment. It is a mandatory program and welfare benefits are limited for most people to 60 months in a lifetime. Services include assessment and development of an employment plan. The plan may include job search assistance, getting a high school diploma or General Equivalency Diploma (GED), learning English as a Second Language (ESL), short-term technical training, etc. Support services are provided on an individual basis. The program is jointly administered by the Department of Human Services and DEED through an interagency agreement. Services are provided statewide by counties, usually through service providers such as WorkForce Centers, community action agencies, and county employment and training providers.

The **Food Support Employment and Training (FSET) program** assists those on food support (but not receiving other cash assistance) with services to result in employment and self-sufficiency. In return for monthly food support, participants must comply with work requirements. FSET services include: assessment, employment plan, job training (may include high school diploma/GED, ESL, or short-term vocational training), and support services if determined appropriate on an individual basis. The program is jointly administered by DEED and the Department of Human Services. Specific FSET services are administered statewide by counties, usually through service providers such as WorkForce Centers, community action agencies, and county employment and training providers.

The **Displaced Homemaker (DHP) program** provides pre-employment services to empower homemakers to enter or re-enter the labor market. Customers are women or men who have worked mainly in the home for a minimum of two years caring for home and family. Due to loss of family financial support (usually through death, disability, or divorce), these customers must support themselves and their families. Services include workshops, support groups and networking, one-to-one personal or vocational counseling, job seeking and keeping methods, leadership development, decision-making skills, and assistance with developing an action plan. Other services may include referral for remedial education, childcare, legal assistance, housing, and other support services. Transportation, childcare, and work or school expenses are covered as funds are available. Services are free for those who are income-eligible and a sliding fee scale has been developed for those who earn more. Six displaced homemaker program sites provide services across 48 counties.

Department of Human Services' Diversionary Work Program (DWP) is a short-term work-focused program to help families move immediately to employment rather than go on welfare. It includes intensive, up-front services to focus on a family's strengths and break-down barriers to work. The program was implemented statewide on 7-1-2004. All adults are considered job seekers and, with few exceptions, will need to focus on immediate employment. Families may receive cash benefits based on need and may also get needed services to move quickly to work. Eligibility is limited to four months in a twelve-month period.

Key Measures

All measures are on a state fiscal year basis.

	2003	2004	2005
Dislocated Worker (WIA)			
Entered employment rate	84.2%	87.1%	87.6%
Employment retention rate at six months	92.2%	93.1%	93.8%
Average wage replacement in six months	79.1%	82.4%	84.3%
Employment and credential rate (i.e., received diploma or degree within nine months of exiting program)	66.6%	69.4%	71.2%
Dislocated Worker (State)			
Entered employment rate	80.3%	81.3%	81.1%
Employment retention rate at six months	92.9%	93.4%	92.7%
Average wage replacement in six months	81.5%	79.9%	80.5%
WIA Title IB Adult			
Entered employment rate	84.7%	87.7%	88.5%
Employment retention rate at six months	87.8%	89.9%	89.1%
Average earnings change in six months	$4,679/year	$4,826/year	$5,271/year
Employment and credential rate	71.5%	75.6%	74.3%
Job Seeker Services			
Job Service entered employment rate	NA	NA	63%
Job Service employment retention rate at six months	NA	NA	83%
Senior Community Service Employment Program			
Number of senior customers served through SCSEP	400	418	432
Percentage of older adult customers who enter unsubsidized employment (federal target = 20%)	20%	20%	20%
Opportunities Industrialization Centers			
Job seekers served by OICs	2,973	3,129	2,811
Percentage of OIC customers completing employability skills training	76%	76%	69%
Percentage of completing OIC customers who gain employment	69%	52%	51%
Minnesota Family Investment Program			
Total MFIP customers	62,700	50,895	45,265
Percentage of MFIP customers who left the program employed	38%	40.4%	40%
Average hourly wage of successfully placed MFIP customers	$9.26	$9.24	$9.36

Food Support Employment & Training			
Total FSET customers	7,125	5,940	6,277
Percentage of leaving FSET customers who gain employment	22%	23%	26%
Average hourly wage of successfully placed FSET customers	$8.40	$8.39	$9.94
Displaced Homemaker			
Total DH customers	1,023	920	1,009
Percentage of DH customers gaining employment	30.6%	38%	30%
Average hourly wage of successfully placed DH customer	$11.06	$10.38	$9.93
Diversionary Work Program			
Total DWP customers	NA	14,192	16,086
Percentage of DWP customers gaining employment	NA	35%	40%
Average hourly wage of successfully placed DWP customer	NA	$9.57	$9.78

Activity Funding

WIA Adult, Job Seeker Services, Veterans and SCSEP funding is from federal sources. The Dislocated Worker program receives both federal and state (Workforce Development Fund) allocations. OICs receive state funding through the Workforce Development Fund. Note that OICs only get a portion (about 15%) of their total funding from the state and none from the federal government; private and local funding make up a large part of their resource stream. All funding for the Displaced Homemaker program is from Special Revenue sources. All FSET funding comes from federal sources. MFIP and DWP funding is a mix of state and federal funds.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	305	515	515	515	1,030
Technical Adjustments					
One-time Appropriations			(210)	(210)	(420)
Subtotal - Forecast Base	305	515	305	305	610
Total	**305**	**515**	**305**	**305**	**610**
Workforce Development					
Current Appropriation	1,625	1,625	1,625	1,625	3,250
Technical Adjustments					
One-time Appropriations			(500)	(500)	(1,000)
Subtotal - Forecast Base	1,625	1,625	1,125	1,125	2,250
Total	**1,625**	**1,625**	**1,125**	**1,125**	**2,250**
Expenditures by Fund					
Direct Appropriations					
General	305	515	305	305	610
Workforce Development	1,625	1,625	1,125	1,125	2,250
Statutory Appropriations					
Misc Special Revenue	889	1,000	1,000	900	1,900
Workforce Development	23,229	31,897	32,426	30,188	62,614
Federal	3,656	764	0	0	0
Federal Deed	60,408	66,034	65,311	64,125	129,436
Total	**90,112**	**101,835**	**100,167**	**96,643**	**196,810**
Expenditures by Category					
Total Compensation	26,159	24,564	23,646	23,502	47,148
Other Operating Expenses	4,301	8,546	8,203	7,861	16,064
Payments To Individuals	2,650	5,800	5,800	5,800	11,600
Local Assistance	57,002	62,925	62,518	59,480	121,998
Total	**90,112**	**101,835**	**100,167**	**96,643**	**196,810**
Full-Time Equivalents (FTE)	**302.9**	**259.6**	**252.1**	**250.6**	

Activity Description

The Business Services activities provide employment and training services to businesses. Statutory references include: the Small Business Job Protection Act of 1996 (Public Law 104-188); the Taxpayer Relief Act of 1997 (Public Law 105-34); the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147); the Wagner-Peyser Act as amended by Public Law 97-300; and U.S. Code, Titles 8, 26, 29, and 38. Statutory authority for the Minnesota Job Skills Partnership is from M.S. 116L; that and all programs in M.S. 116L are accountable to the Job Skills Partnership Board.

Activity at a Glance

- Business Services provide a comprehensive and consistent approach to employment and training services to businesses.
- Services include helping businesses find, retain, and train employees; business-education partnerships; and programs provided to employers who hire individuals in targeted populations.
- Business Services Specialists will visit more than 3,000 businesses in 2006. Industry Specialists work with businesses in the manufacturing, healthcare, transportation, and financial services industries.
- Minnesota's Job Bank has increased employer accounts three-fold since 2002 to now total more than 26,000.
- The Minnesota Job Skills Partnership program trained more than 27,000 workers and leverage nearly $36 million in private investment in 2005.

Population Served

Business services are available to all Minnesota businesses and Minnesota employers.

Services Provided

The following are the major components of the Business Services activities:

Business Services Field Operations is an initiative established in 2004. Business Services Specialists connect business with government resources. Business resource needs include recruitment of qualified workers, workforce retention strategies, labor laws, and information on the labor market. Referrals to training, local and regional service providers, and other government services are provided. The 35 Business Services Specialists are available through the statewide network of WorkForce Centers; they coordinate their activities with Job Seeker Services (see a list of the Business Services Specialists at www.deed.state.mn.us/bizdev/bss/).

Industry Specialists are four professionals who work closely with a statewide network of partners in creating industry-specific solutions to meet the recruitment, training, and retention needs of businesses in the manufacturing, healthcare, transportation, and financial services industries. The manufacturing Industry Specialist's services are delivered through an innovative workforce development partnership between DEED and the Minnesota Precision Manufacturing Association (www.mpma.com/debra.html).

Minnesota's Job Bank (MJB) (www.mnworks.org) is a web-based labor exchange that links business with job seekers. Minnesota's businesses can post their job opportunities, search the database for resumes, store their resume searches, and contact qualified applicants for interviews; job seekers can post their resumes, search the database for job openings, and contact businesses about positions. It is the premier job listing tool with the largest employment database in the state, and it is used by Minnesota WorkForce Centers as well as most public employment and training programs across Minnesota.

Minnesota's Job Skills Partnership Program (MJSP) (www.deed.state.mn.us/mjsp/) is the state's primary funding vehicle for upgrading the skills of the incumbent workforce. It acts as a catalyst between businesses and educational institutions to develop cooperative training projects for either new jobs, retention, or skills upgrades for current employees. MJSP awards grants to educational institutions partnered with business to help the partnerships develop training programs specific to business needs; provides loans for job training activities; and provides grants to help low-income individuals receive training.

The **Foreign Labor Certification Program** enables U.S. businesses to hire foreign workers on a permanent or temporary basis. The program reviews employer applications, assists agricultural employers seeking seasonal workers, and issues prevailing wage determinations to employer applicants.

The **Work Opportunity Tax Credit (WOTC) and Welfare to Work Tax Credit (WtW) programs** provide a federal tax credit to employers as an incentive for hiring members of targeted groups who traditionally have difficulty finding jobs.

Key Measures

Measures are on a state fiscal year basis. MJB data is not cumulative and is shown as point-in-time for each June.

	2002	2003	2004	2005	2006
Business Visits	NA	NA	3,077	2,433	3,396
Minnesota's Job Bank					
MJB Employer Accounts	8,552	12,837	17,105	21,559	26,494
MJB Active Job Openings	NA	18,125	26,428	27,896	23,877
MJB Active Job Seekers	130,934	134,846	169,358	173,487	164,692
Minnesota Job Skills Partnership Program					
Number of MJSP grant awards	48	42	31	71	60
MJSP grants awards (millions)	$10.8	$8.4	$7.0	$15.2	$10.4
Number of workers trained through MJSP	14,535	9,393	10,124	27,455	10,602
Private dollars leveraged through MJSP (millions)	$21.0	$15.2	$15.0	$35.8	$20.2

Activity Funding

The funding for the entire annual budget of these activities, with the exception of MJSP, is from federal sources, primarily the U.S. Department of Labor. The MJSP is funded from the state general fund and the Workforce Development fund.

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EMPLOYMENT & ECONOMIC DEV DPT
Program: WORKFORCE DEVELOPMENT
Activity: BUSINESS SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	6,785	6,785	6,785	6,785	13,570
Subtotal - Forecast Base	6,785	6,785	6,785	6,785	13,570
Governor's Recommendations					
Compensation Adjustment		0	10	19	29
Total	**6,785**	**6,785**	**6,795**	**6,804**	**13,599**
Expenditures by Fund					
Direct Appropriations					
General	7,921	7,686	6,795	6,804	13,599
Statutory Appropriations					
Misc Special Revenue	568	13	200	0	200
Workforce Development	3,013	4,987	0	0	0
Federal Deed	3,278	4,000	4,000	4,000	8,000
Federal Tanf	92	0	0	0	0
Total	**14,872**	**16,686**	**10,995**	**10,804**	**21,799**
Expenditures by Category					
Total Compensation	2,866	3,364	3,374	3,383	6,757
Other Operating Expenses	1,001	1,295	1,295	1,295	2,590
Local Assistance	11,005	12,027	6,126	6,126	12,252
Other Financial Transactions	0	0	200	0	200
Total	**14,872**	**16,686**	**10,995**	**10,804**	**21,799**
Full-Time Equivalents (FTE)	**30.6**	**37.1**	**36.1**	**36.1**	

Activity Description

Disability Determination Services (DDS), in accordance with federal law and regulations, determines if Minnesota applicants meet federal criteria for disability cash benefits under the Social Security Administration's Disability Insurance or Supplemental Security Income program. Statutory authority stems from the federal Social Security Act, Section 221, 42 USC 421.

Activity at a Glance

- DDS determines if applicants meet federal criteria for benefits under the Social Security Administration's Disability Insurance or Supplemental Security Income program.
- DDS serves about 50,000 Minnesota residents every year.
- The time required for determination decisions has fallen 4.7% since 2003 while accuracy has increased.

Population Served

The primary customers of DDS are the approximate 50,000 Minnesota residents who file applications annually for disability benefits or are reviewed for continuing eligibility for payments.

Services Provided

In addition to providing determinations on eligibility for disability payments, the DDS also refers disability applicants who may benefit from rehabilitation services to the Department of Health's Children with Special Health Needs Program.

Key Measures

Measures are reported on a federal fiscal year basis (October – September). “Continuing disability workload completion” refers to performance relative to federal targets for completing reviews of persons already on benefits, so numbers may exceed 100%. Workload goals were adjusted by the Social Security Administration in the last two fiscal years as state DDSs converted their business processes from paper claims to electronic claims.

	2003	2004	2005
Individuals receiving Social Security Disability	132,000	144,299	NA
Benefits paid (average monthly and in millions)	$83	$84	NA
New determinations reviewed	48,465	53,476	47,653
Days in decision-making	94.5	91	90.1*
Accuracy of decisions	97%	97.7%	99.1%**
Continuing disability workload completion	102%	97.6%	99.8%

* Through May 2006
** Through August 2006

Activity Funding

This budget activity is funded entirely by the U.S. Social Security Administration.

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EMPLOYMENT & ECONOMIC DEV DPT
Program: WORKFORCE DEVELOPMENT
Activity: DISABILITY DETERMINATION

Budget Activity Summary

	Dollars in Thousands				
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Federal Deed	21,185	22,152	22,752	23,277	46,029
Total	**21,185**	**22,152**	**22,752**	**23,277**	**46,029**
Expenditures by Category					
Total Compensation	10,555	10,900	11,300	11,625	22,925
Other Operating Expenses	4,064	4,252	4,252	4,252	8,504
Payments To Individuals	6,566	7,000	7,200	7,400	14,600
Total	**21,185**	**22,152**	**22,752**	**23,277**	**46,029**
Full-Time Equivalents (FTE)	**168.5**	**167.0**	**167.0**	**167.0**	

Activity Description

The Extended Employment (EE) program makes it possible for persons with significant disabilities to maintain jobs and careers in the community. Statutory authority is from M. S. 268A.13 - 268A.15.

Population Served

EE customers are Minnesotans with significant disabilities who require ongoing employment services and supports to maintain or advance their employment in the community.

Activity at a Glance

- Extended Employment services are highly intensive services for those Minnesotans with significant disabilities who require ongoing employment services and supports.
- Over 6,900 Minnesotans work about 5.3 million paid hours every year and earn more than $28 million in wages through Extended Employment.

Services Provided

The basic EE program provides funding for supported and center-based employment of persons with severe disabilities through a statewide network of 31 community rehabilitation programs (CRPs). Supported employment provides ongoing support for persons working in the larger community in a variety of employment settings. Center-based employment provides ongoing support for persons who work in manufacturing, service, and retail enterprises operated by the CRP.

Supported employment services are also provided to persons with serious mental illness who secure employment through the innovative Coordinated Employability Projects, in collaboration with the Mental Health Division of the Department of Human Services. Similarly, supported employment services are also provided to persons who are deaf or hard of hearing through a grant to the Minnesota Employment Center for Persons who are Deaf or Hard of Hearing.

Key Measures

Measures are on a federal fiscal year basis (October – September).

	2003	2004	2005
EE/BASIC			
Number of customers employed (100% are employed)	6,476	6,311	6,042
Total number of hours worked	5,323,151	5,216,072	5,054,289
Average annual and weekly number of hours worked	822 (16/wk)	827 (16/wk)	837 (16/wk)
Total wages earned (millions)	$26.3	$26.4	$26.3
Average and weekly wages earned	$4,071 (77/wk)	$4,181 ($80/wk)	$4,346 ($84/wk)
EE/SERIOUS MENTAL ILLNESS			
Number of customers employed	727	667	569
Total number of hours worked	323,367	262,960	201,900
Average and weekly number of hours worked	443 (8.5/wk)	394 (7.6/wk)	354 (6.8/wk)
Total wages earned (millions)	$2.4	$2.1	$1.7
Average and weekly wages earned	$3,313 ($64/wk)	$3,148 ($61/wk)	$2,909 ($56/wk)

Activity Funding

Funding for this budget activity is from state funds, split roughly 40/60 between the General Fund and the Workforce Development Fund.

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EMPLOYMENT & ECONOMIC DEV DPT
Program: WORKFORCE DEVELOPMENT
Activity: EXTENDED EMPLOYMENT

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	6,014	6,014	6,014	6,014	12,028
Subtotal - Forecast Base	6,014	6,014	6,014	6,014	12,028
Governor's Recommendations					
Extended Employment Basic Program		0	500	500	1,000
Extended Employment Mental Illness		0	400	400	800
Compensation Adjustment		0	8	17	25
Total	**6,014**	**6,014**	**6,922**	**6,931**	**13,853**
Workforce Development					
Current Appropriation	7,795	7,995	7,995	7,995	15,990
Technical Adjustments					
One-time Appropriations			(900)	(900)	(1,800)
Subtotal - Forecast Base	7,795	7,995	7,095	7,095	14,190
Total	**7,795**	**7,995**	**7,095**	**7,095**	**14,190**
Expenditures by Fund					
Direct Appropriations					
General	6,107	6,128	6,922	6,931	13,853
Workforce Development	7,795	7,995	7,095	7,095	14,190
Statutory Appropriations					
Workforce Development	476	0	0	0	0
Total	**14,378**	**14,123**	**14,017**	**14,026**	**28,043**
Expenditures by Category					
Total Compensation	425	438	446	455	901
Other Operating Expenses	48	34	34	34	68
Local Assistance	13,905	13,651	13,537	13,537	27,074
Total	**14,378**	**14,123**	**14,017**	**14,026**	**28,043**
Full-Time Equivalents (FTE)	**5.5**	**5.5**	**5.5**	**5.5**	

Change Item: Extended Employment Basic Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation
The Governor recommends that $1 million be added to the basic funding for the Extended Employment program for the biennium. This change will replace one-time funding from the workforce development fund with permanent funding from the General Fund. This change will continue the present level of employment support services for individuals with severe disabilities who are currently employed.

Background
The 2005 legislature provided funding of $1 million for the biennium to the Extended Employment program in one-time (non-base) funding from the workforce development fund. These funds were to increase rates for the outcome based funding provided by the Extended Employment basic program.

Overall, 28 rehabilitation facilities share in these funds which provide services to approximately 6,000 individuals annually who have severe disabilities. These services maintain individuals in employment. This program is outcome based and the individual providers are paid only for the hours actually worked in employment by individuals with severe disabilities. Supported and community employment provide ongoing employment support services for persons working in the larger community in a variety of employment settings. Center-based employment provides ongoing support for persons who work in manufacturing, services, and retail enterprises operated by the community rehabilitation program.

Providing permanent funding will maintain the capacity to provide on-going support and the ability of vocational rehabilitation staff in the Work Force Centers to place individuals with severe disabilities into meaningful employment.

Relationship to Base Budget
The annual base for this program is $11,784,000 (General Fund; $4,864,000 Workforce Development Fund; $6,920,000). This request will increase this by 4%.

Key Measures
This request will allow the program to:
- continue jobs for 200 to 350 individuals with serious disabilities;
- avoid spending $547,500 to $958,000 in case service funding to place these individuals in new employment.

Statutory Change: Not Applicable

Program: **Workforce Development**
Change Item: Extended Employment Mental Illness

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$400	$400	$400	$400
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$400	$400	$400	$400

Recommendation

The Governor recommends that $800,000 be added to the General Fund base for the Extended Employment program for persons with serious mental illness (EE SMI). This change will replace one-time funding from the workforce development fund with permanent General Fund funding. This change will continue the present level of employment support services for individuals with serious mental illness who are looking for work or are currently employed.

Background

The 2005 legislature provided funding of $200,000 in SFY 2006 and $400,000 in SFY 2007 to the Extended Employment program in one-time (non-base) funding from the workforce development fund. These funds were provided to transition eight new projects providing employment support services from short-term federal funding.

These dollars were added to an existing permanent base funding of $1 million for a total of $1.6 million. Overall, 26 projects share in these funds, which provide services to approximately 800 individuals who have severe mental illness. These services maintain individuals in employment and provide placement to employment if necessary. The projects were developed with the assistance of county social service agencies and the Department of Human Services. Individuals in the program work in the community for competitive wages. The results compare favorably with programs across the nation.

Providing permanent funding will continue employment for 175 to 225 individuals with serious mental illness. In addition, it will assist vocational services and county human service programs to place individuals with serious mental illness into jobs.

Relationship to Base Budget

Since the dollars in the one-time appropriation are from the Workforce Development Fund, this change request increases the program's General Fund base from $1 million to $1.4 million each year.

Key Measures

This request will allow the program to:

- continue jobs for 175 to 225 individuals with serious mental illness;
- avoid spending $480,000 to $6l5,000 in case service funding to place these individuals in new employment.

Statutory Change: Not Applicable

Activity Description

The Independent Living (IL) program activity provides services and training that enable Minnesotans with significant disabilities to live independently in the community. Statutory authority is from the federal Rehabilitation Act of 1973, as amended, and M.S. 268A.11.

Population Served

IL customers are persons with significant disabilities who request services to help them live independently in their communities.

Activity at a Glance

- Each year, Independent Living services make it possible for over 5,000 Minnesotans with significant disabilities to live independently in communities of their choice,
- Clients include more than 300 people who get assistance moving out of nursing homes or who gain independence skills that prevent costly and unnecessary institutional care.

Services Provided

There are four core IL services: individual and systems advocacy, information and referral, IL skills training, and peer counseling. IL services maximize the independence, productivity, and empowerment of people with disabilities.

IL services are provided through: (1) a grant program that supports a network of eight community-based, non-residential private, nonprofit Centers for Independent Living; and (2) the state's Vocational Rehabilitation (VR) program and its 17 IL/VR counselors.

Key Measures

The measures are on a federal fiscal year basis (October – September).

	2002	2003	2004	2005
Total number of persons served by IL services	5,906	5,026	4,557	4,847
Total instances of service (including duplicate customers)	19,390	21,803	27,222	24,033
Percentage of IL goals met across all customers (IL goals-set divided by IL goals-attained)	65%	73%	79%	72%

Activity Funding

Funding is from the state General Fund and federal sources. Funding is generally about 50% to 60% from state appropriations and the remainder from a federal appropriation.

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EMPLOYMENT & ECONOMIC DEV DPT
Program: WORKFORCE DEVELOPMENT
Activity: INDEPENDENT LIVING

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,690	1,690	1,690	1,690	3,380
Subtotal - Forecast Base	1,690	1,690	1,690	1,690	3,380
Total	**1,690**	**1,690**	**1,690**	**1,690**	**3,380**
Expenditures by Fund					
Direct Appropriations					
General	1,690	1,690	1,690	1,690	3,380
Statutory Appropriations					
Federal Deed	1,954	1,947	1,618	1,618	3,236
Total	**3,644**	**3,637**	**3,308**	**3,308**	**6,616**
Expenditures by Category					
Total Compensation	182	216	216	216	432
Other Operating Expenses	48	76	76	76	152
Payments To Individuals	111	120	120	120	240
Local Assistance	3,303	3,225	2,896	2,896	5,792
Total	**3,644**	**3,637**	**3,308**	**3,308**	**6,616**
Full-Time Equivalents (FTE)	**3.3**	**3.3**	**3.3**	**3.3**	

Activity Description

State Services for the Blind (SSB) assists blind, visually impaired, DeafBlind, and print-handicapped Minnesotans to achieve vocational and personal independence. Statutory authority is from U.S. Code, Title 2, Chapter 5; Title 20, Section 107 et. seq.; Title 29, Sections 16 and 701 et. seq.; M.S. 248.01 through 248.11; and Minn. Rules 3321 and 3325.

Activity at a Glance

- State Services for the Blind assists blind, DeafBlind and visually impaired Minnesotans to achieve personal and vocational independence.
- More than 670 Communication Center volunteers assist in serving over 14,000 customers every year.
- Over 100 customers annually find paid work as a result of SSB's Workforce Development Services.
- Approximately 3,000 blind or visually impaired seniors use SSB's services each year to become more self-sufficient.
- From newspapers and books on radio, to guidance on low vision aids, to assistance in setting up their own business, SSB has been a resource for the blind, DeafBlind, and visually impaired since 1923.

Population Served

SSB serves Minnesotans who are blind, visually impaired, DeafBlind, and print-handicapped. It also serves those businesses looking for highly skilled and qualified workers.

Services Provided

There are several key services provided by SSB:

Workforce Development Services ensures customers receive the rehabilitation services necessary to prepare for, seek, gain, or retain employment. Services may include vocational assessment and counseling; training in adjustment to blindness, braille, use of assistive technology, job seeking skills, and vocational skills; job placement assistance; and job adaptation assistance. Informed customer choice drives the services provided. The customer and counselor work together to write appropriate services into an employment plan. Rehabilitation counselors in 14 field offices (including 13 WorkForce Centers), as well as a network of private vendors across Minnesota, provide these workforce development services.

Workforce Development Services also includes the **Business Enterprise Program (BEP)**. BEP provides appropriate training and support to blind Minnesotans so they can become self-employed in their own vending business. Specific services include training to operate small businesses and placement in self-employment franchise opportunities on federal, state, county, city, and some private property. Small businesses include operating convenience shops, vending machine sites, vending machine routes, and vending machines on interstate and state highways. BEP is delivered throughout the state by professional, technical, and clerical staff who provide training, management assistance, and technical support to legally blind vendors.

Senior Services assist blind, visually impaired, and DeafBlind Minnesotans age 55 and older regain or maintain their personal independence. Such services do not focus on employment. Staff provide services across three different levels, according to customer needs: informational, assessment (including guidance on possible low vision aids or other devices), and intensive. In intensive services, the customer receives help via a plan for needs ranging from braille and cane travel instruction to money and household management skill development. Senior services are provided to individuals or groups of individuals by SSB staff and private contract vendors.

Assistive and Adaptive Technology Services are provided as support to *Workforce Development Services* and *Senior Services* in delivering solutions so their customers have access to the printed word at work and in their daily lives. Solutions may include screen-reading or enlargement software, braille output devices, and system interfaces. This section assists the Department of Employment and Economic Development (DEED) and other entities in the review and development of accessible web-based products and also conducts research and development in new technology that will assist all customers in being productive and independent citizens. Services are provided statewide by SSB access technology staff.

The **Communication Center** serves as a public library for blind, visually impaired, DeafBlind, and print-handicapped Minnesotans. Through transcription and reading services, customers have access to the same print media as sighted Minnesotans. The Center lends transcribed textbooks and leisure reading books (braille or tape), lends and repairs special radio receivers, and lends and repairs cassette players (through the Library of Congress Talking Book Program). The Center broadcasts a 24-hour radio reading service through a closed-circuit radio network (Radio Talking Book) that includes six greater Minnesota outreach sites: Fergus Falls, Mankato, Duluth, Rochester, St. Cloud, and Grand Rapids. These sites allow the Center to broadcast local news within their communities. The Center, with partial funding from the Minnesota Department of Commerce's Telecommunication Access Fund, provides two 24-hour audio newspaper reading services: Dial-In News (metropolitan area newspapers) and NFB-Newsline for the Blind (some local and over 200 national newspapers). These services are accessed using a telephone. The Center provides all of these audio, print, and digital communication services through state staff and a network of over 670 volunteers.

Key Measures

Measures are on a federal fiscal year basis (October – September) except where indicated.

	2002	**2003**	**2004**	**2005**
Percentage of workforce development customers achieving paid employment after receiving vocational rehabilitation services	51%	40%	42%	46%
Average hourly wage for workforce development services customers employed full-time	$12.86	$14.43	$11.95	$14.92
Percentage of workforce development services customers achieving an employment outcome earning at least minimum wage	82%	97%	96%	98%
Percentage of customers exiting intensive Senior Services who achieved all self-care and communication goals	80%	81%	90%	92%
Braille text pages produced by the Communication Center (measured on state fiscal year)	712,380	651,183	686,838	756,904
Audio equipment maintained and circulated by the Communication Center	21,409	22,028	21,710	21,011

Activity Funding

About 60% of SSB funding is from federal sources, about 30 percent from the state General Fund, and the rest from state Special Revenue and gift sources.

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Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Direct Appropriations by Fund					
General					
Current Appropriation	4,940	4,940	4,940	4,940	9,880
Subtotal - Forecast Base	4,940	4,940	4,940	4,940	9,880
Governor's Recommendations					
SSB Communication Center		0	1,000	1,000	2,000
Compensation Adjustment		0	68	136	204
Total	**4,940**	**4,940**	**6,008**	**6,076**	**12,084**
Expenditures by Fund					
Direct Appropriations					
General	4,940	4,940	6,008	6,076	12,084
Statutory Appropriations					
Misc Special Revenue	967	1,201	1,220	1,239	2,459
Federal Deed	9,410	10,039	10,312	10,597	20,909
Gift	300	803	1,212	350	1,562
Total	**15,617**	**16,983**	**18,752**	**18,262**	**37,014**
Expenditures by Category					
Total Compensation	8,028	8,248	8,585	8,927	17,512
Other Operating Expenses	3,129	3,995	4,327	3,395	7,722
Payments To Individuals	4,438	4,716	5,816	5,916	11,732
Local Assistance	22	24	24	24	48
Total	**15,617**	**16,983**	**18,752**	**18,262**	**37,014**
Full-Time Equivalents (FTE)	**120.8**	**122.8**	**122.8**	**122.8**	

Change Item: SSB Communication Center

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$1,000	$1,000	$1,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$1,000	$1,000	$1,000

Recommendation

The Governor recommends $1 million each year to State Services for the Blind (SSB) for operation of the Communication Center (CC) to provide access to the printed word by blind, visually impaired and print handicapped Minnesotans.

Background

Of the current funding for the CC, $900,000 comes from SSB's Vocational Rehabilitation (VR) program. Our federal funding partner has indicated that it may require all federal Title I VR-blind dollars be spent for their primary purpose, individual vocational rehabilitation plans leading to employment. The requested funds also include $100,000 to satisfy the required state match ($1 state to $4 federal), which has fallen short for the first time in over 20 years because state funding has not kept pace with federal inflationary increases.

If the federal funds are restricted, the VR funding will either have to be replaced with state funds, or the CC budget will be reduced. If the latter option is chosen, SSB will have to develop a plan to restrict services to sight impaired clients, a process known as order of selection. The effect of the order of selection would be to prioritize degrees of disability, and deny services to clients that are currently eligible.

The general public accesses the printed word from the public library system, a service funded by all taxpayers (including persons with a print handicap). The CC serves a similar function for persons unable to access print: it is their public library. It does so in partnership with the Minnesota Library for the Blind and Physically Handicapped. The CC carries out significant additional functions to ensure Minnesotans have access to the printed word.

In addition to the financial support necessary to carry out the program, the CC utilizes 665 volunteers to deliver materials for a variety of uses: K-12 education, postsecondary education, vocational and a vocational reading. These volunteers are recruited, tested, trained, and then are in a position to be productive. The value of their gift of time and talent to the state is over $1.7 million per year.

Relationship to Base Budget

The current General Fund base budget is $4.94 million per year. This change will increase the SSB base budget by 20%.

Key Measures

This budget increase will permit SSB to maintain the current level of service in its CC and Vocational Rehabilitation-blind program. Without the increase, current levels of service will be reduced. SSB serves:

- ♦ 14,000 customers through the Communication Center
- ♦ 1,100 customers through the Vocational Rehabilitation program

Statutory Change: Not Applicable

Activity Description

The Vocational Rehabilitation (VR) program is the state's comprehensive, statewide program that assists persons with significant disabilities to seek, gain, and retain employment. Statutory authority is from the federal Rehabilitation Act of 1973, as amended, and Minnesota Statute 268A.

Population Served

VR program customers are persons with severe disabilities. That is, their disabilities cause serious functional limitations in one or more important areas of life activity and they require multiple VR services over an extended period of time to achieve an employment goal. Nearly half of VR customers are receiving public support at the time they apply for VR.

Activity at a Glance

- Vocational Rehabilitation (VR) program assists persons with significant disabilities to seek, gain, and retain employment
- VR customers access services from the state's WorkForce Center System via a strong partnership of public and private providers,
- Between 2,200 and 3,300 VR customers overcome significant barriers and enter the workplace annually.
- The average hourly wage of exiting customers with full-time employment is $11.29, with 96 percent of all working VR customers making more than minimum wage.

Services Provided

VR services include assessment, vocational evaluation, training, rehabilitation counseling, assistive technology, and job placement. The services are coordinated by 146 VR counselors working out of the state's WorkForce Center System and delivered to program participants through a strong partnership of public and private providers.

Key Measures

Measures are based on a federal fiscal year (October – September), except where noted.

	2002	2003	2004	2005
Percentage of customers achieving paid employment after receiving services	61%	55%	57%	58%
Average hourly wage of exiting customers with full-time employment	$10.78	$10.88	$11.04	$11.29
Percent of paid, employed customers making more than minimum wage	94%	95%	95%	96%

Activity Funding

Funding for this program is from the state General Fund and federal funds. The General Fund appropriations are required matching dollars for federal funding; each state dollar brings in about $3.70 of federal funds.

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EMPLOYMENT & ECONOMIC DEV DPT
Program: WORKFORCE DEVELOPMENT
Activity: VOCATIONAL REHABILITATION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	7,521	7,671	7,671	7,671	15,342
Subtotal - Forecast Base	7,521	7,671	7,671	7,671	15,342
Governor's Recommendations					
Vocational Rehab State Match		0	1,500	1,500	3,000
Total	**7,521**	**7,671**	**9,171**	**9,171**	**18,342**
Expenditures by Fund					
Direct Appropriations					
General	7,521	7,671	9,171	9,171	18,342
Statutory Appropriations					
Federal Deed	34,658	38,593	40,059	41,581	81,640
Gift	0	6	6	6	12
Total	**42,179**	**46,270**	**49,236**	**50,758**	**99,994**
Expenditures by Category					
Total Compensation	22,325	23,400	24,200	25,000	49,200
Other Operating Expenses	5,330	5,563	5,563	5,563	11,126
Payments To Individuals	13,388	15,431	17,597	18,319	35,916
Local Assistance	1,136	1,876	1,876	1,876	3,752
Total	**42,179**	**46,270**	**49,236**	**50,758**	**99,994**
Full-Time Equivalents (FTE)	**345.2**	**361.0**	**361.0**	**361.0**	

Change Item: Vocational Rehab State Match Increase

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,500	$1,500	$1,500	$1,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,500	$1,500	$1,500	$1,500

Recommendation
The Governor recommends that $3 million be added to the base funding for the Vocational Rehabilitation program to match federal Rehabilitation Service funding for employment programs which serve Minnesotans with disabilities. The increase will match $13 million in federal funds.

Background
The federal funding for the Vocational Rehabilitation program requires a 21.3% state match. The state match is currently provided as a ‘hard’ match, a direct appropriation to vocational rehabilitation, and a ‘soft’ match, state dollars appropriated to other rehabilitation programs, a portion of which is specifically identified as support vocational rehabilitation services that are provided through the agency.

Federal funding for the Vocational Rehabilitation program increases at an average rate of 2% to 4% per year. Direct state funding used for match has not been increased since 1999. During that period, the federal increases were matched with “soft” match once the limits of the hard match were reached. Historically, the soft match was funded from Extended Employment and projects working with rehabilitation service providers. No increase in state match limits the state’s ability to maximize the use of federal vocational rehabilitation dollars for employing individuals with disabilities. In addition, there is a “maintenance of effort” provision in the federal law that can trigger paybacks if a required level of match is not achieved.

Inability to secure future increases in federal funding available to Minnesota would dramatically reduce the agency’s capacity to provide needed vocational rehabilitation services to Minnesotans with disabilities. On an annual basis, the loss of federal funding increase would reduce both staff resources and service funding, negatively impacting our ability to successfully rehabilitate over 1,200 individuals into gainful employment. Under federal regulations such an inability to provide needed services could necessitate reinstituting a waiting list for vocational rehabilitation services.

Relationship to Base Budget
This increases the program’s base budget of $7,051,000 by $1,500,000, an increase of 2%.

Key Measures
The $1.5 million annual increase will allow the state to retain $13 million in federal funds.

Statutory Change: Statutory change of the language for use of Independent Living funds as state match may need to be included**,** pending clarification from RSA regarding the memorandum of understanding.

Activity Description

The Youth Programs budget activity provides economically disadvantaged and at-risk youth with employment and training. Statutory authority is from the federal Workforce Investment Act (WIA) and M.S. 116L.361, 116L.362, 116L.3625, 116L.363, 116L.364, 116L.365, 116L.366, 116L.56, 116L.561; and Session Laws 2006, Chapter 282, Article 11, Section 2, Subd. 20.

Activity at a Glance

- Youth Programs provide economically disadvantaged and at-risk youth with employment and training.
- The youth programs serve nearly 6,400 economically disadvantaged and at-risk youth every year.
- Youth are served through a network of public and private nonprofit providers, WorkForce Centers, and local educational agencies.
- DEED's youth programs provide quality, cost-effective services that minimize future costs involved in juvenile courts out-of-home placements and public assistance.

Service levels per year:

- 4,065 served through the Workforce Investment Act (WIA);
- 3,596 served through the Minnesota Youth Program;
- 650 served through the Minneapolis Summer Youth Employment Program; and
- 260 served through Youthbuild.

Population Served

Services are provided to economically disadvantaged and at-risk youth in all 87 counties. Minnesota communities and families benefit from the community service projects undertaken by participants each year.

Services Provided

There are four distinct programs under this budget activity:

The **WIA Title I Youth Formula Grant** serves youth between the ages of 14 and 21 who are economically disadvantaged and one or more of the following: basic skills deficient, pregnant or parenting, homeless, a runaway, foster child, or a youth who needs additional assistance to complete an educational program or to secure and hold employment.

Local service providers design an individual service strategy based on each youth's objective assessment. Short-term goals are updated and reassessed as the participant moves through the program. Long-term goals relate to educational attainment and placement in employment, education, and/or training. Services available at the local level include: internships, occupational skills training, paid and unpaid work experience, leadership development, counseling, mentoring, support services, and summer employment.

The **Minnesota Youth Program (MYP)** serves economically disadvantaged and at-risk youth between the ages of 14 and 21 in summer youth and year-round activities. MYP eligibility criteria offers critical flexibility at the local level to better serve youth and families.

WIA and MYP services are coordinated through a network of public and private nonprofit youth service providers. Youth providers are held accountable to the local Workforce Investment Board, which is responsible for strategic planning, program oversight, coordination of resources, and selecting youth service providers.

The **Minneapolis Summer Youth Employment Program** is a new initiative that began on 7-1-2006, providing summer work experience for at-risk, economically disadvantaged youth between the ages of 14 and 21.

The **Youthbuild Program** targets older youth between the ages of 16 and 24 who are dropouts and potential dropouts, youth at risk of involvement with the juvenile justice system, chemically dependent and disabled youth, homeless, teen parents, and public assistance recipients. At-risk youth increase their basic skills, employability skills, and leadership skills; and communities benefit from the highly visible renovation and construction projects undertaken by participants. Public and private nonprofit agencies operate ten community-based Youthbuild Programs: four programs operate in the Twin Cities metropolitan area and six serve youth in greater Minnesota.

Key Measures

Measures are provided on a fiscal year basis.

	2002	2003	2004	2005*
WIA Youth Formula Grant				
Younger Youth Skill Attainment	91.30%	91.90%	90.10%	89.70%
Younger Youth Diploma/Equivalent Attainment	76.80%	78.10%	75.70%	72.70%
Younger Youth Placement in Post Secondary Education, Military, and Apprenticeship	74.40%	77.10%	76.70%	69.60%
Older Youth Placement	72.90%	72.30%	78.00%	82.00%
Older Youth Retention	83.90%	84.20%	85.60%	87.10%
Older Youth Wage Gain	$4,098	$4,151	$4,495	$4,695
Older Youth Credential	50.00%	48.50%	50.50%	68.50%
Minnesota Youth Program (MYP)				
Youth Placed in Jobs	NA	5,011	3,829	3,596
Average Cost Per Participant	NA	$1,046	$1,024	$834
Percent of Youth Ages 14-18 Receiving High School Diploma or Equivalent	NA	76%	76%	75%
Percent of Youth Ages 14-18 Who Attained Basic Skills, Work Readiness, and/or Occupational Skills	NA	88%	89%	88%
Percent of Youth Ages 19-21 Placed in Unsubsidized Employment	NA	88%	89%	77%
Percent of Youth Ages 19-21 Attaining a Credential	NA	56%	58%	40%
Six-Month Retention Rate For Youth Ages 19-21	NA	90%	91%	88%
Earnings Change For Youth Ages 19-21	NA	N/A	$4,925	$4,596
Minnesota Youthbuild Program				
Percentage of Youthbuild completers who obtained a high school diploma or GED	70%	88%	83%	83%
Percentage of Youthbuild completers who entered employment with a starting wage of at least $10.00 per hour	80%	75%	82%	82%
Units of affordable housing constructed or renovated by Youthbuild participants	150	72	31	31
* estimates				

Activity Funding

Minnesota's final allocation for the WIA Youth Formula Grant for PY 2006 is $8.1 million. State funding for MYP totals $3.0 million and Youthbuild totals $754,000 (each state dollar matched by one local dollar). Funding for the Minneapolis Summer Youth Employment Program is $1.25 million.

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EMPLOYMENT & ECONOMIC DEV DPT
Program: WORKFORCE DEVELOPMENT
Activity: YOUTH PROGRAMS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	175	175	175	350
Technical Adjustments					
One-time Appropriations			(100)	(100)	(200)
Subtotal - Forecast Base	0	175	75	75	150
Governor's Recommendations					
Minn Youth Career Guides		0	500	500	1,000
Total	**0**	**175**	**575**	**575**	**1,150**
Workforce Development					
Current Appropriation	6,007	6,707	6,707	6,707	13,414
Technical Adjustments					
One-time Appropriations			(5,457)	(5,457)	(10,914)
Subtotal - Forecast Base	6,007	6,707	1,250	1,250	2,500
Total	**6,007**	**6,707**	**1,250**	**1,250**	**2,500**
Expenditures by Fund					
Direct Appropriations					
General	0	175	575	575	1,150
Workforce Development	5,884	6,830	1,250	1,250	2,500
Statutory Appropriations					
Federal Deed	12,464	11,153	10,937	10,435	21,372
Total	**18,348**	**18,158**	**12,762**	**12,260**	**25,022**
Expenditures by Category					
Total Compensation	757	600	420	427	847
Other Operating Expenses	273	262	226	217	443
Local Assistance	17,318	17,296	12,116	11,616	23,732
Total	**18,348**	**18,158**	**12,762**	**12,260**	**25,022**
Full-Time Equivalents (FTE)	**9.0**	**8.0**	**6.0**	**6.0**	

Change Item: Minn Youth Career Guides

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation

The Governor recommends that $500,000 per year be appropriated to the Department of Employment and Economic Development (DEED) to implement the Career Guides initiative.

Background

This proposal seeks $500,000 in FY 2007 and $500,000 in FY 2008 to implement the Career Guides initiative. This model has already been piloted with positive results in 14 Workforce Service Areas in FY 2005-06. Start-up issues have been addressed and links to education partners are in place as a result of the pilot project.

Post-secondary students majoring in counseling (or related fields), will be trained as Career Guides and placed in local educational agencies to bring career exploration to over 200,000 youth per year. Career exploration activities will be customized for each school district depending on the needs of the school district and students.

A comprehensive training component for the Career Guides is built into the program design: staff from the WorkForce Center partnership, post-secondary schools, local labor market analysts, and school districts will provide the training. After completion of the training, the interns will be assigned to the local educational agencies.

High school students will be assisted in career exploration and the development of career plans based on their individual interests and strengths, knowledge of the labor market and high growth/demand industries and occupations. In addition to connecting students to on-line resources, activities may include career days, job shadowing, mock interviews, field trips to local businesses, and post-secondary schools. Career Guides will provide career exploration and career counseling to high school students through classroom presentations and one-on-one advising.

Career Guides will work with local guidance counselors to administer career assessments and inventories, review labor market information (including high growth/demand occupations), career portfolios and explore post-high school plans, including post-secondary admissions requirements and financial aid.

This initiative enables DEED and local workforce investment partners to address unmet needs through a partnership between the workforce development and education systems.

Relationship to Base Budget

This is a new initiative and is not in the current base budget.

Key Measures

Return on Investment: Over 200,000 youth will be served each year by approximately 150 interns in approximately 200 participating schools across the state. Interns receive academic credit and a wage/stipend. The expected cost would be only $2.50 per youth. Benefits to the community and state are realized due to:

- reduced dropout rates
- increased number of youth entering post-secondary training
- increased awareness of high growth industries and occupations among youth and parents, meeting the needs of Minnesota businesses for a prepared and available workforce.

Statutory Change: Not Applicable

Program Description

The Unemployment Insurance (UI) program provides a temporary partial wage replacement to those Minnesota workers who become unemployed through no fault of their own. UI is an economic stabilizer and stimulator in time of economic downturn and helps retain an available skilled workforce for businesses. Statutory authority is from U.S. Code (Title 42, Chapter 7; and Title 26, Chapter 23) and M.S. 268.

Population Served

The primary customer of the UI program is the more than 283,000 Minnesotans who applied for unemployment benefits in 2005. Of those applicants, 178,000 were paid UI benefits of $636 million. Also, approximately 125,000 Minnesota employers subject to the UI law are required to provide wage information on their 2.9 million employees which is used to calculate benefit entitlement and UI taxes due.

Program at a Glance

- ⇒ The UI program provides a temporary partial wage replacement to workers who become unemployed through no fault of their own.
- ⇒ Over 283,000 Minnesota residents applied for UI benefits in 2005.
- ⇒ If an application is approved, a worker can be paid up to 50% of his or her average weekly wage, subject to a state maximum (currently $521) for up to 26 weeks.
- ⇒ Nearly $900 million in premiums (taxes) were collected from more than 125,000 employers covered by the program and placed in the UI trust fund and used exclusively for the payment of UI benefits.

Services Provided

UI staff determines benefit entitlement to applicants, pays weekly benefits to eligible applicants, and provides impartial due process hearings for applicants and employers who appeal initial UI decisions. Individuals likely to remain unemployed for lengthy periods are referred to their local WorkForce Center for appropriate job-seeking assistance, job training, or other help. The UI system is based on an insurance model, with premiums paid by employers based upon their “experience” with the system; that is, those with higher lay-offs pay-in at higher rates. In 2005, premiums (taxes) totaling over $895 million were collected from more than 125,000 employers covered by the program and placed in the UI trust fund. UI staff determines if employers are subject to the law, collects revenues, and audits employer accounts to ensure proper payments are made to the trust fund. Employers and benefit applicants access UI services via the Internet at www.uimn.org or the telephone.

Key Measures

UI measures are calculated on a calendar year basis; however, the trust fund is monitored quarterly. On 7-1-2006, the UI trust fund had a balance of $208.5 million, which is an improvement of $289.1 million over last year when the trust fund was in borrowing status from the federal treasury.

	2003	2004	2005
First benefit payments made within 14 days	89.3%	91.6%	89.6%
New employer status determinations made within 90 days	88.0%	91.8%	82.5%

The first phase of the UI Technology Initiative Project was implemented in June 2005. Phase One of the project focused on reengineering and redesigning a paper-intensive 30-year-old tax system and corresponding business processes. It was delivered on time and under budget. Additionally, business cycle times were reduced by over 65% and staff needed to do the associated work was reduced by 72%.

Program Funding

Administration of the UI program is funded by a federal grant from the U.S. Department of Labor and is administered by the Department of Employment and Economic Development (DEED) through locations in St. Paul and St. Cloud.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Unemployment Fund Reimbursements		0	192	0	192
Total	**0**	**0**	**192**	**0**	**192**
Expenditures by Fund					
Direct Appropriations					
General	0	0	192	0	192
Statutory Appropriations					
Misc Special Revenue	25,877	11,105	0	0	0
Federal Deed	43,535	45,157	57,790	47,301	105,091
Total	**69,412**	**56,262**	**57,982**	**47,301**	**105,283**
Expenditures by Category					
Total Compensation	28,282	27,963	29,132	29,951	59,083
Other Operating Expenses	21,863	26,976	28,765	17,265	46,030
Local Assistance	85	85	85	85	170
Other Financial Transactions	19,182	1,238	0	0	0
Total	**69,412**	**56,262**	**57,982**	**47,301**	**105,283**
Expenditures by Activity					
Unemployment Insurance	69,412	56,262	57,982	47,301	105,283
Total	**69,412**	**56,262**	**57,982**	**47,301**	**105,283**
Full-Time Equivalents (FTE)	**464.6**	**421.6**	**421.6**	**421.6**	

Program: **Unemployment Insurance**
Change Item Unemployment Fund Reimbursements

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$192	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$192	$0	$0	$0

Recommendation
The Governor recommends $192,000 to reimburse the Unemployment Insurance Trust Fund for certain entities which are unable to pay delinquent amounts.

Background
State and political subdivisions are required by law to reimburse the Unemployment Insurance Trust Fund for all benefits paid to former employees. Some are unable to pay (i.e. the defunct Corrections Ombudsman's Office and a number of Charter Schools).

Relationship to Base Budget
This is one-time funding. There is no General Fund base for this activity.

Key Measures
Compliance with state law. (M.S. 268.052, subd 3, (5))

Statutory Change: Not Applicable

Program Description

Administration includes the fiscal, human resources, information systems, communications and marketing, and leadership activities for the agency. Proper administration ensures compliance with federal and state laws and regulations, as well as more effective, efficient, and accountable programs.

Program at a Glance

During the past year, administrative staff of DEED provided:

- ⇒ Fiscal and budgetary support for an approximately $600 million agency.
- ⇒ Payroll and human resources support for about 1,500 full time employees.
- ⇒ Information and marketing services include centralized communication, public relations, marketing, labor market information, analysis and program evaluation services.
- ⇒ The services assist customers throughout the economy – from business and job seekers to educators and workforce and economic development professionals – as well as internal DEED staff.
- ⇒ Each year, staff complete more than 300 communication and graphic design projects.
- ⇒ DEED's web site hosted more than 2.3 million user sessions in 2005.
- ⇒ Analysts respond to approximately 4,000 requests annually.

Population Served

The division directly supports the department operating divisions by providing services necessary to operate programs, develop policies, and provide technical business, community and workforce assistance.

The division's services and products also serve a varied external marketplace including such customers as businesses, economic developers, students, job seekers, education and training planners, workforce development professionals, policymakers, government entities, media, and the general public.

Services Provided

Fiscal Services performs accounting, budgeting, financial reporting, payroll, and purchasing functions. Also provided is general oversight to ensure compliance with state and federal laws, regulations, and guidelines for sound fiscal management. Additional responsibilities include overseeing building maintenance, out-state lease management, warehousing, and printing and mailroom operations.

Human Resources administers the agency's personnel, employee development, and equal opportunity systems. Included are compensation/classification, benefits, recruitment and selection, performance management, workforce planning, internal/external complaint investigations, and accessibility for employees and consumers.

Information Systems provides centralized computer and information services support agency wide. This includes designing, acquiring, maintaining, and servicing the information resource tools and technology of the agency. They ensure agency compliance with state policies, goals, and guidelines for information technology.

Information and Marketing manages the Department of Employment and Economic Development's (DEED's) marketing and public relations activities, and provides critical support to the agency's web site and Positively Minnesota initiative. It also includes the department's business/economic development analysis, program measures and evaluation, labor market information (LMI) office, and library operations. The group adds efficiency through centralized services, maintains the independence of the evaluation and analysis functions, and develops and implements a single department-wide communications plan integrating the activities of the operating divisions.

The Commissioner's Office, in addition to its traditional leadership and support role, includes key accountability activities such as legislative relations and performance measurement of DEED's services.

Key Measures

Measures are based on a State Fiscal Year (July – June). Hire and separation numbers include all categories: temporary, emergency, classified, unclassified, layoff, resignation, involuntary termination, and death.

	2004	2005	2006
Percentage of payments made to vendors within 30 days	98.7%	98.6%	98.8%
Number of hires/Number of separations	46/127	39/161	33/111
Percentage of job audits completed within 30 days of receipt (and total audits completed)	97% (109)	87% (99)	96% (132)
DEED web site user sessions/visits (millions)	NA	1.9	2.3
Product downloads from DEED web site (millions)	NA	11.5	13.5
Requests handled by analysts and LMI HelpLine	4,500	3,200	3,300

Program Funding
DEED uses federal and state resources to support administrative activities.

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	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	3,277	2,977	2,977	2,977	5,954
Subtotal - Forecast Base	3,277	2,977	2,977	2,977	5,954
Governor's Recommendations					
Local Labor Market Information		0	150	150	300
Positively MN Marketing		0	200	0	200
Compensation Adjustment		0	21	43	64
Total	**3,277**	**2,977**	**3,348**	**3,170**	**6,518**
Expenditures by Fund					
Direct Appropriations					
General	2,378	4,048	3,348	3,170	6,518
Statutory Appropriations					
Misc Special Revenue	3	0	0	0	0
Federal Deed	1,612	1,872	1,872	1,872	3,744
Gift	0	5	0	0	0
Total	**3,993**	**5,925**	**5,220**	**5,042**	**10,262**
Expenditures by Category					
Total Compensation	2,540	2,810	3,011	3,053	6,064
Other Operating Expenses	1,451	3,115	2,209	1,989	4,198
Payments To Individuals	2	0	0	0	0
Total	**3,993**	**5,925**	**5,220**	**5,042**	**10,262**
Expenditures by Activity					
Administration	3,993	5,925	5,220	5,042	10,262
Total	**3,993**	**5,925**	**5,220**	**5,042**	**10,262**
Full-Time Equivalents (FTE)	**44.7**	**43.7**	**45.7**	**45.7**	

Change Item: Local Labor Market Information

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$150	$150	$150	$150
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$150	$150	$150	$150

Recommendation

The Governor recommends $150,000 each year to fund the analysis, production and dissemination of labor market information through Department of Employment and Economic Development (DEED's) Labor Market Information Office (LMI) and its Regional Analysts.

Background

DEED's LMI Office and the Regional Analysts have been the source of numerous informational products and services, including:

- the semi-annual job vacancy survey found at http://deed.state.mn.us/lmi/publications/jobvacancy.htm
- publication of the monthly *MN Employment Review* and the quarterly *MN Economic Trends*
- the development, enhancement and maintenance of the website at http://deed.state.mn.us/lmi/
- production of long-term and short-term industry and occupational employment projections
- frequent presentations of analysis and information through specialized publications and presentations by LMI staff and Regional Labor Market Analysts
- information necessary for effective management of curricula offerings by Minnesota State Colleges and Universities, the biannual budgetary forecasts by the Department of Finance, regional planning by the Met Council and other local planning organizations, workforce and economic development programs at DEED, and numerous others.

These have been produced in recent years entirely with grants and contracts from the U.S. Department of Labor. These funding streams are now being re-directed toward other national and regional projects, leaving states to provide labor market intelligence with their own resources.

Relationship to Base Budget

There are currently no General Funds for this activity.

Key Measures

A lack of quality information and poor decision-making that results is one of the most prevalent sources of economic inefficiency. The high level of demand for LMI products and services is evidence that users of all kinds, from around the state, find this information valuable. This demand is indicated by the following 2005 measures:

- 1,715,000 web visits to http://deed.state.mn.us/lmi/ by 817,000 customers
- 2,500 direct customer contacts and another 62,700 contacts through mail or e-mail subscription lists
- 4,700 *MN Economic Trends* subscribers
- 160 staff-provided presentations, trainings, and briefings.

The level of demand as measured by these indicators has been increasing over the past few years.

Statutory Change: Not Applicable

Program: Administration

Change Item: Positively MN Marketing

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$200	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$200	$0	$0	$0

Recommendation

The Governor recommends $200,000 for expenses related to Positively Minnesota marketing. These funds will be matched by public and private partners to support external marketing of Minnesota for new business development.

Background

The Department of Employment and Economic Development's (DEED's) promotional responsibilities for economic development include marketing Minnesota outside the state to encourage new investment and job creation. Presently DEED has only limited funds for this purpose, relying almost entirely on partner contributions, which are limited. If Minnesota wants to compete globally for new business development, it must have a stronger presence and strong state leadership. These efforts will be guided by DEED and the Positively Minnesota partnership which includes over 40 economic development organizations committed to the same purpose.

Relationship to Base Budget

There is no General Fund base for this activity.

Key Measures

Matching funds from non-state partners; number of new contacts considering locations in Minnesota; job creation related to those investments.

Statutory Change: Not applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$189	$382	$382	$382
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$189	$382	$382	$382

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Change Item: Tax Credit For Emerging Business Development

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	(6,000)	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$6,000	$0	$0	$0

Information Purposes

Discussed and accounted for in the Tax presentation

Recommendation

The Governor recommends a one-time income tax credit for investors who provide emerging and developing businesses with seed and equity capital investment capped at $6 million. Under this proposal, accredited investors would be eligible for a 25% non-refundable tax credit for investment in a regional angel investment network, which primarily invests in emerging and expanding small businesses. The maximum credit would be $600,000 per network.

Background

Since the burst of the Internet bubble in 2001, money for seed and start-up stage companies has shrunk dramatically — from 17% of institutional venture capital to 2-3%. Most venture capital firms make minimum investments of $5-7 million, though early-stage companies have needs between $500,000 and $2 million. In addition, venture capital investment has been concentrated in a handful of states. They include California (47% of venture capital investment), Massachusetts (11%), and Texas, New York, New Jersey, Washington, Colorado, and North Carolina (these six together comprise 22%). This leaves 42 other states, including Minnesota, with less than 20% of the venture capital investments. Recognizing this lack of early-stage capital, many states have supported the launch of various new venture capital programs with objectives including job creation, competitiveness, economic growth, and promotion of certain types of businesses.

Relationship to Base Budget

This new program calls for a one-time income tax credit capped at $6 million, thus reducing tax revenue by a maximum of $6 million.

Key Measures

The key measure is an increase in angel investment in Minnesota, as evidenced by:

- ♦ Increased dollar amount of angel investor network investment
- ♦ Increased number of deals
- ♦ Increased number of angel investment network groups
- ♦ Usage of the available angel investment tax credits

Statutory Change: M.S. 290.06

Change Item: Proposal To Make JOBZ A 10 Year Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	$(100)	$(300)	$(700)	$(1,200)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$100	$300	$700	$1,200

Information Purposes

Discussed and accounted for in the Tax presentation

Recommendation

The Governor recommends making the Job Opportunity Building Zone Program (JOBZ) benefits available for a full ten years for any qualifying business that enters the program prior to the program's expiration data of December 31, 2015.

Background

Since the creation of the program in 2003, ten JOBZ zones have been established encompassing over 29,000 acres in more than 325 subzone communities across Greater Minnesota. The program offers several types of tax exemptions for qualified businesses who operate in the zones and sign a business subsidy agreement. Tax exemptions are good from the time a business signs a subsidy agreement until December 31, 2015, when the program expires. The program has been successful to date, with 262 businesses operating in the zones, creating a total of 4,012 jobs, paying an average hourly wage of $15.82 and making capital investments of over $394 million as of September 2006. The JOBZ program is the marquee rural economic development stimulus program of current years.

As the program continues into its fourth year, the number of years a new business entering into the program has to claim tax exemptions is diminishing. For this reason, the appeal of the program is not as great as it was in the beginning and will continue to deteriorate as time approaches the program's end date. Therefore, it is proposed to extend the duration of JOBZ in an effort to keep this successful program assisting with the economy of Greater Minnesota.

Relationship to Base Budget

Extending the JOBZ program would result in a loss of tax revenue to the General Fund.

Key Measures

This proposal is estimated to maintain JOBZ participation at approximately 60-70 businesses per year, averaging 15 new jobs and $1.5 million in new investment per project.

Statutory Change: M.S. 469.312

Change Item: Sales Tax Exemption For A Large Corporate Expansion

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	(3,815)	(2,295)	(1,495)	(1,100)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,815	$2,295	$1,495	$1,100

Information Purposes

Discussed and accounted for in the Tax presentation

Recommendation

The Governor recommends a sales and use tax exemption for the construction materials, tools, equipment, furniture, and fixtures necessary for the expansion of a major Minnesota employer.

Background

This Minnesota employer currently has over 6,000 employees on their campus in the metro area. They are planning an expansion of their facilities that will lead to the construction of a new office building and a data center. The cost for the construction materials, supplies, furniture and fixtures for the facilities is estimated to be $63,000,000, with a total project cost of approximately $100,000,000.

Besides Minnesota, they are looking at two other states for these new facilities. In order for Minnesota to remain competitive as the company weighs its location options, the lowering of the tax burden on the construction of the facilities is necessary. The proposed bill language would provide an exemption from paying sales and use taxes on the cost of construction materials and supplies, furniture and fixtures and all technical and personal property used to construct and equip the facilities.

Relationship to Base Budget

This proposal would result in a loss of sales tax revenue to the General Fund.

Key Measures:

This expansion is estimated to lead to 2,000 new high-paying jobs over four years, as well at least a $100 million investment in new facilities.

Statutory Change: M.S. 297A

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
	Dollars in Thousands				
Non Dedicated Revenue:					
Other Revenues:					
General	64	57	49	42	91
Other Sources:					
General	575	370	330	332	662
Petroleum Tank Release Cleanup	22	3	3	3	6
Taxes:					
Workforce Development	16,117	17,077	10,220	10,220	20,440
Total Non-Dedicated Receipts	**16,778**	**17,507**	**10,602**	**10,597**	**21,199**
Dedicated Receipts:					
Departmental Earnings:					
Clean Water Revolving Fund	1,452	1,566	1,621	1,592	3,213
Drinking Water Revolving Fund	336	359	391	401	792
Misc Special Revenue	1,681	723	765	779	1,544
Grants:					
Clean Water Revolving Fund	19,857	16,095	16,095	16,095	32,190
Drinking Water Revolving Fund	21,012	15,563	13,000	13,000	26,000
Misc Special Revenue	59	74	74	74	148
Transportation Revolving Fund	40	0	0	0	0
Federal	28,787	57,504	26,698	26,632	53,330
Federal Deed	187,138	197,679	214,651	204,806	419,457
Federal Tanf	92	0	0	0	0
Other Revenues:					
Clean Water Revolving Fund	42,353	40,002	40,001	40,001	80,002
Drinking Water Revolving Fund	9,315	8,571	9,881	9,881	19,762
Misc Special Revenue	29,744	9,751	8,270	8,269	16,539
Workforce Development	1,501	904	800	700	1,500
Transportation Revolving Fund	2,516	2,472	1,866	1,650	3,516
Federal	253	65	0	0	0
Gift	553	647	1,224	359	1,583
Other Sources:					
Clean Water Revolving Fund	351,113	152,255	158,245	158,218	316,463
Drinking Water Revolving Fund	98,756	49,220	49,900	50,300	100,200
General	3	3	-153	-153	-306
Misc Special Revenue	1,068	810	971	956	1,927
Transportation Revolving Fund	11,617	12,737	7,067	7,307	14,374
Federal	0	3	0	0	0
Taxes:					
Misc Special Revenue	111	100	100	100	200
Workforce Development	23,429	24,109	30,176	28,038	58,214
Total Dedicated Receipts	**832,786**	**591,212**	**581,643**	**569,005**	**1,150,648**
Agency Total Revenue	**849,564**	**608,719**	**592,245**	**579,602**	**1,171,847**

Federal Program ($ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
USHUD Small Cities Comm Dev Block Grant	Yes	GPS	$23,240	$52,737	$23,000	$22,934
USSBA Small Business Development Centers	Yes	OP/GPS	1,332	812	1,355	1,355
EPA Brownfield Cleanup	Yes	GPS	20	1,292	1,260	1,260
USHUD Lead Based Paint	Yes	SO	756	1,006	83	83
Youth Services	0	GPS	12,464	11,153	10,937	10,435
Adult Services	0	SO,GPS	65,198	63,491	65,311	64,125
Business Services	0	SO	3,370	4,000	4,000	4,000
Vocational Rehabilitation	Yes	SO,GPS,GI	34,074	38,593	40,059	41,581
Independent Living	Yes	SO,GPS,GI	1,954	1,947	1,618	1,618
Services for the Blind	Yes	SO,GPS,GI	9,342	10,039	10,312	10,597
Bureau of Labor Statistics	0	SO	1,576	1,872	1,872	1,872
Unemployment Insurance	0	SO	42,487	45,157	57,790	47,301
Disability Determination	0	SO	20,457	22,152	22,752	23,277
Agency Total			$216,270	$254,251	$240,349	$230,438

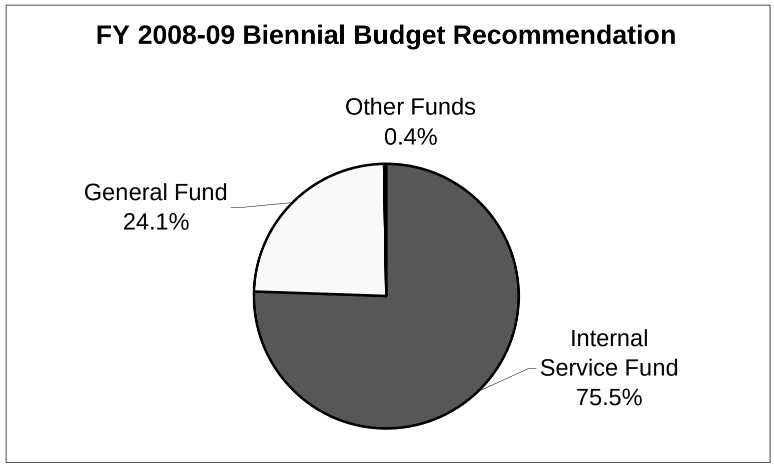
Key:
Primary Purpose
SO = State Operations
GPS = Grants to Political Subdivision
GI = Grants to Individuals
GCBO = Grants to Community Based Organizations

➲ Designates that this item is a change item

January 22, 2007

To the 2007 Legislature

On behalf of Governor Pawlenty, I am pleased to submit the Office of Enterprise Technology's budget recommendations for the FY 2008-09 budget. This budget consists of $54.9 million from the state's general fund, $172.1 million from the Enterprise Technology internal service fund, and $1.0 million from other funds, as exemplified in the chart below, and is a 39.8% increase from FY 2006-07 total spending and a 26.3% increase from the FY 2008-09 forecast base.



Modernizing Minnesota's technology infrastructure is not an option; it's an imperative. Increased retirements in the workforce, the demands of our citizens and businesses, ever-increasing security threats, and the continuing pressure on governments at all levels to do more with less dictate that the State of Minnesota build a secure, efficient and up-to-date enterprise information technology platform for effective government-to-government, government-to-business and government-to-citizen service.

To meet the challenges of the future, Minnesota government must transform in three areas:

- Re-engineer and make more efficient the processes by which we conduct business in order to address the constant pressure to reduce costs and the anticipated decrease in workforce over the next 10 years.
- Modernize antiquated systems to enable and secure vital business processes and to meet citizens' increasing demand for anytime/anywhere access to government information and services.
- Consolidate the State's complex and silo'ed infrastructure for purposes of efficiency and security.

The value to the State over time will be both improved service and dollar savings that can be applied to priority programs. However, an initial strategic investment is required to manage the transformation and implement the modernization.

The following summarizes the agency's key change initiatives included in the budget recommendations. They reflect the Governor's priority on information technology transformation and address the expectations of OET's founding legislation.

Comprehensive Enterprise Security Program:
In an environment of ever-increasing security threats from criminals, cyber-terrorists and hackers, additional funding is needed to develop and maintain an Enterprise Security Program for the State of Minnesota. This program will include central direction of critical core security services and proactive security management that encompasses all of state government in order to address the onslaught of security challenges. It will also assure continuation of business functionality in the event of a natural or man-made disaster.

Enterprise Information Management:
Historically, oversight, coordination and planning were decentralized and information merely aggregated at the state level. Legislation and an executive order in 2005 clearly articulated the need for central leadership and an expansion in the oversight capabilities of enterprise technology and of the measurement, analysis and planning resources needed for proper coordination of more than $600 million in technology expenditures annually. This can only come about through sharing of information and systems and through coordination and consolidation of common functions and resources, providing for both greater efficiency and improved service levels for agencies and programs. Additional funding is needed at the front-end to accomplish this CIO oversight and coordination.

IT Service Consolidation:
A significant portion of the State's total IT dollars are spent on unnecessarily duplicated services and systems for common utility and maintenance functions such as e-mail, data centers and data management. These functions can be more efficiently and productively delivered centrally, with resulting savings and service improvements. Centralizing the state's IT infrastructure will allow more efficient deployment of agency resources directly on mission-related activities and will improve stability and availability through increased use of shared information and common business processes. Additional funding is needed for upgrading the systems and processes that will effectively provide these infrastructure services, including staff and resources, enterprise customer support and business management tools, and the modernization of information management systems and infrastructure.

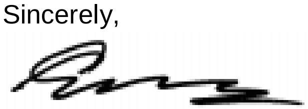
Minnesota Electronic Licensing System:
The Drive to Excellence identified as a first priority the creation of a single, shared e-licensing system for over 600 license types, that are currently serviced by 800 full-time staff in 40 plus state agencies and boards, using more than 60 independent licensing systems, at an annual expense of $60 + million. This budget recommendation includes funding is needed for investments in start-up costs for technology upgrades, acquisition of development resources, and platform development to forward the e-licensing collaboration effort of five agencies for Phase 1 of a one-stop licensing system for professional, occupational and business licenses, replacing individual licensing systems for state agencies.

Small Agency Technology:
The smallest agencies, boards and councils often do not have the resources to keep up with their most basic office automation and business technology needs. Without fundamental technology underpinnings, the smallest agencies are constrained from harnessing the benefits of technology to serve the needs of their customers and are vulnerable to viruses, security breaches and other risks. A small infusion of resources in this biennium and a modest change to the base for maintenance and operations in future biennia is needed to address these critical functions and allow these unique agencies to serve the needs of Minnesota citizens.

In establishing the Office of Enterprise Technology in 2005, the Governor and the Minnesota Legislature made their expectations clear that the State's information technology resources would be managed as a strategic investment on an enterprise level. The State Chief Information Officer and OET have been charged with the task of restructuring, streamlining and updating enterprise IT practices, organization and infrastructure in order to fully realize the benefits of its vision. We look forward to working with you to realize that vision.

Thank you for your support.

Sincerely,



Gopal Khanna
State Chief Information Officer

Agency Purpose

The mission of the Office of Enterprise Technology (OET) is to support the transformation of public services by effective information management and efficient delivery of services to government and its customers. This mission is carried out by developing statewide enterprise strategies and standards, overseeing technology investments, and creating a secure and efficient information management environment. OET has broad statutory authority to set state information technology (IT) direction and policy, to provide services, and to manage and direct state IT resources. This mission is further reinforced by M.S. 16E that directs the development of:

- an information technology governance structure at a statewide enterprise level;
- an enterprise information technology management organization (OET) capable of leading a statewide transformation to increased shared services; and
- resource allocation processes and standards.

At A Glance

To carry out its mission, OET:

- Provides technology and telecommunications services to state agencies and political subdivisions
- Develops new statewide enterprise governance structure, planning process, and service level agreement processes for new consolidated, shared, and utility services including shared data centers
- Develops organizational structure for new OET agency including strategic plan, workforce development, and realignment of staffing and resources to better scale to transformational model and customer needs
- Sets state standards and manages IT hardware, software, and professional/technical service contracts
- Develops enterprise security program and governance.

Core Functions

OET's 2006 Strategic Plan outlines several strategies to further the mission of the organization:

- transform OET / organization and workforce development
- define the scope and offerings of services
- transform decision-making processes
- implement enterprise security and identify management programs
- leverage IT contracting and procurement processes for best value
- develop comprehensive funding mechanisms for enterprise IT
- embrace a strong portfolio management program
- lead the development of an enterprise architecture
- provide the foundation for seamless integration of eGovernment.

These strategies are pursued through several core functions within the following five program areas:

Enterprise Planning and Management – managing a strong state architecture including business, information, application, and technology components; managing strategic planning processes incorporating statewide information management strategies, business needs, and administration priorities and ensuring that IT plans and review processes are properly integrated with enterprise technology and architecture standards, state budget processes, and legislative packages; managing a statewide portfolio of technology projects, applications, staff and operations as enterprise assets to leverage technology and data for maximum efficiency and impact; and managing OET's funds and financial processes and collaboratively working with agency partners to find funding models and mechanisms for enterprise-wide investments and system modernizations, utility services, OET and agency-centered shared services, and emerging services.

Enterprise Technology Services (ETS) – delivering utility and shared information and telecommunications technology systems and services through OET's internal service fund to enable faster, better, more efficient services to Minnesota's public sector. Includes aggregation of demand, integration of multi-platform systems to minimize redundancy of procurement and staffing requirements for economies of scale, and scalability of shared and utility resources (storage, processing, and network capacity) to meet the varying peak demands for resources. New in FY 2007 is a two-tiered encryption program for all state agencies: government-to-government encryption and government-to-citizens-and-businesses.

Enterprise Application Development (EAD) – phasing out the current North Star web portal and engaging agency partners in seeking a cost-effective, standard enterprise infrastructure and Minn.gov web portal interface. Includes management of user access, authentication, and authorization and user detection to government IT applications assuring citizens of data, process, and transactional integrity. The goal is to deliver seamless, unified, and secure EAD services that will support electronic access to government information and services by citizens and business partners that is independent of time, geography, and government organization and allows for information and technology sharing between agencies for reduced costs.

Enterprise Security – managing a more robust, comprehensive, and consistent enterprise-wide security environment and structure. Includes security architecture, enterprise security planning, vulnerability assessment, administration, security monitoring, interception, incident response, remediation, compliance, and business continuation of the state's critical, time-sensitive IT infrastructure, systems, and services with minimal interruption or essential change in the event of a disaster. The high-priority need by OET and agencies for these heightened security services has been buttressed by the recent risk assessment done by the Office of the Legislative Auditor.

IT Standards and Resource Management (ISRM) – managing the IT acquisition process for hardware, software, and professional/technical services that builds on the architecture and state standard and leverages the buying power that goes with aggregation and focused procurement. Includes economies of scale and improvements in support through standardization of investments.

Operations

Current OET customers include citizens of Minnesota, state agencies and constitutional offices, courts, public school systems and higher education institutions, and local political subdivisions of the state. OET works with other agencies by charging internal service rates, developing interagency agreements for collaborative partnerships or shared utility / common functions, sharing loaned agency staff, and leveraging resources for enterprise IT savings.

In the transformation of the OET organization, the department has refocused to place a stronger emphasis on cost and task matrices and value-adding services to better align services with ongoing customer needs and to become more citizen-centric. OET is also in the process of developing service metrics and service level agreements. OET has redefined or resized processes and organizations and has retired services that are not competitive or for which no real market has emerged. A number of factors were considered in the retirement process including customer impact, availability of alternative solutions, and the historical financial performance of the services.

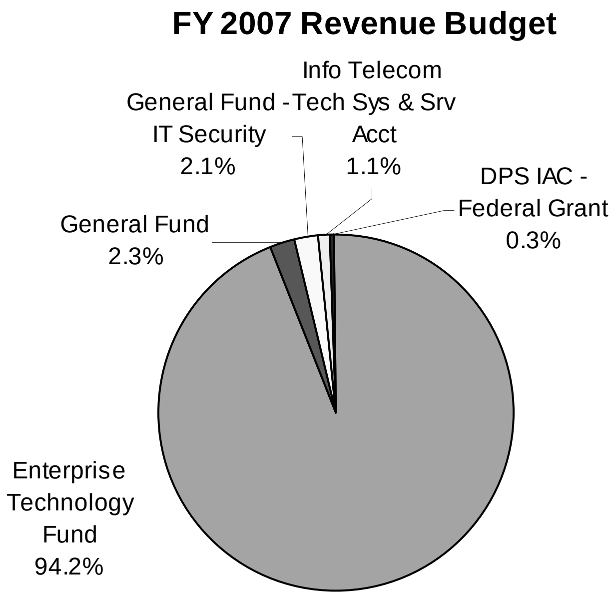
Budget

OET's services are funded primarily by the enterprise technology fund through cost-recovery / charge back rates. OET also receives a general fund appropriation, which was increased in the 2006 legislative session for management of a comprehensive and consistent statewide security structure. Also in 2006, the information / telecommunication technology systems and services account was established to capture savings for reinvestment on behalf of the enterprise. Through an interagency agreement, OET receives a portion of vendor administrative fees charged by the Department of Administration for IT purchases. Additionally, federal funds have been received during the past several years through interagency agreements with the Department of Public Safety (DPS), Emergency Management and Preparedness Division, for homeland security leasehold improvements and IT cyber-security assessments and initiatives.

The cost recovery rate structure for the enterprise technology fund has been realigned to be more transparent and equitable to agencies, reflecting actual costs of services provided. Agencies are impacted differently based on their needs and usage.

OET continues to explore additional funding mechanisms for the programs and functions identified above that are legislatively mandated or critical to fully realizing the transformation of OET. This includes long-term savings that are realized through aggregation and consolidation of services and economies of scale.

The following pie chart represents the FY 2007 revenue budget:



OET's employs 347.6 FTE. Of this total, 93.5% is funded by the enterprise technology fund, 5.5% is funded by the general fund, and 1.0% is funded by the information and telecommunication technology systems and services account. As a result of data center and other IT service consolidations, FTE count and funding for OET may increase, typically with a corresponding decrease in the other agencies.

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	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,803	3,703	3,703	3,703	7,406
Recommended	**1,803**	**3,703**	**36,025**	**18,892**	**54,917**
Change		0	32,322	15,189	47,511
% Biennial Change from 2006-07					897.4%
Expenditures by Fund					
Direct Appropriations					
General	1,557	3,961	36,025	18,892	54,917
Statutory Appropriations					
Misc Special Revenue	0	1,000	500	500	1,000
Federal	450	300	0	0	0
Enterprise Technology Fund	70,709	85,108	85,246	86,835	172,081
Total	**72,716**	**90,369**	**121,771**	**106,227**	**227,998**
Expenditures by Category					
Total Compensation	25,478	30,684	36,840	39,594	76,434
Other Operating Expenses	47,238	57,185	84,931	66,633	151,564
Other Financial Transactions	0	2,500	0	0	0
Total	**72,716**	**90,369**	**121,771**	**106,227**	**227,998**
Expenditures by Program					
Enterprise Technology Services	57,579	63,688	72,910	71,546	144,456
Enterprise Planning & Mgmt	11,545	18,611	18,256	18,188	36,444
Enterprise Application Devlpmt	1,390	1,605	16,663	1,725	18,388
Enterprise It Security	2,202	4,865	12,342	13,168	25,510
Isrm	0	1,600	1,600	1,600	3,200
Total	**72,716**	**90,369**	**121,771**	**106,227**	**227,998**
Full-Time Equivalents (FTE)	**293.1**	**347.6**	**386.9**	**383.9**	

		Dollars in Thousands		
		Governor's Recomm.		**Biennium**
	FY2007	**FY2008**	**FY2009**	**2008-09**
Fund: GENERAL				
FY 2007 Appropriations	**3,703**	**3,703**	**3,703**	**7,406**
Subtotal - Forecast Base	**3,703**	**3,703**	**3,703**	**7,406**
Change Items				
IT Service Consolidation	0	7,049	4,455	11,504
Minnesota Electronic Licensing System	0	15,000	0	15,000
Comprehensive Enterprise Security Progrm	0	8,163	8,909	17,072
Small Agency Technology	0	1,456	1,000	2,456
Enterprise Information Management	0	612	741	1,353
Compensation Adjustment	0	42	84	126
Total Governor's Recommendations	**3,703**	**36,025**	**18,892**	**54,917**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**1,000**	**500**	**500**	**1,000**
Total Governor's Recommendations	**1,000**	**500**	**500**	**1,000**
Fund: FEDERAL				
Planned Statutory Spending	**300**	**0**	**0**	**0**
Total Governor's Recommendations	**300**	**0**	**0**	**0**
Fund: ENTERPRISE TECHNOLOGY FUND				
Planned Statutory Spending	**85,108**	**85,246**	**86,835**	**172,081**
Total Governor's Recommendations	**85,108**	**85,246**	**86,835**	**172,081**

Program Description

The mission of Enterprise Technology Services (ETS) is to provide information technology and telecommunications systems and services to state agencies and other public sector entities. The mission is to ensure that state technology investments are aligned with an overall enterprise management approach and to streamline service delivery through business process change and enabling technology. ETS serves Minnesota's public sector by delivering cost-effective, value-added information technology and telecommunication services through a service-oriented architectural approach to utility and shared infrastructure and best practice deployment. ETS actively promotes an enterprise approach that builds on the state's potential capability for shared IT management and the leveraging of opportunities for partnerships and vendor relationships for efficient, cost effective service delivery. Underlying strategies for ETS are aggregation of demand and integration of distributed and centralized systems to minimize redundancy and provide scalability of shared and utility resources, efficiencies and economies of scale.

Budget Activities Included:

⇒ Computing Services
⇒ Telecommunication Services

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	0	0	7,049	4,455	11,504
Statutory Appropriations					
Enterprise Technology Fund	57,579	63,688	65,861	67,091	132,952
Total	**57,579**	**63,688**	**72,910**	**71,546**	**144,456**
Expenditures by Category					
Total Compensation	20,844	23,820	25,605	27,628	53,233
Other Operating Expenses	36,735	39,868	47,305	43,918	91,223
Total	**57,579**	**63,688**	**72,910**	**71,546**	**144,456**
Expenditures by Activity					
Computing Services	22,656	29,684	38,409	36,655	75,064
Telecommunication Services	34,923	34,004	34,501	34,891	69,392
Total	**57,579**	**63,688**	**72,910**	**71,546**	**144,456**
Full-Time Equivalents (FTE)	**243.0**	**272.6**	**272.5**	**272.5**	

Change Item: IT Service Consolidation

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$7,049	$4,455	$4,455	$4,455
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$7,049	$4,455	$4,455	$4,455

Recommendation

The Governor recommends $7.049 million in the first year and $4.455 million in the second year to fund the consolidation of IT services. This funding is for additional staff and resources, enterprise management tools and modernization of information management systems, and improvement of business processes to consolidate common IT functions.

Background

Management of IT as an enterprise-wide investment is a trend gaining great momentum in both public and private sectors. Containing the costs of IT is one motivation, but even more important is letting business-side workers concentrate on customers and mission-critical work, while reducing the resources that must be dedicated to supporting decentralized IT systems. Enterprise management requires not only technical capabilities, but also significantly more attention to planning, rigorous application of an enterprise architecture, coordination among application developments and adherence to organizational management standards. For major corporations, this is the key to remaining competitive in a global economy. Similarly, government can gain efficiency and improve service levels to citizens.

At the current time, a significant portion of total state IT expenditures is used for decentralized management of common IT functions. These functions can be more efficiently and effectively managed and delivered centrally, yielding savings and service improvements. This initiative will achieve greater consolidation by supporting the following resources:

Staffing. Adding several key positions will enable OET to successfully coordinate consolidation projects, manage the resulting ongoing service relationships, and ensure agreed-upon service levels are met. These include positions such as information technology specialists, accounting and auditing staff, and human resource professionals.

Management tools. Modernization of contemporary management tools used by leading edge private and public sector entities will enable OET to transform and standardize its business processes and improve collaboration between work units. These changes, coupled with OET's Enterprise view of IT, will contribute measurably to creating a more effective OET workforce, who will provide faster, better and more efficient response to consolidation requirements and other agency needs. Current practices, developed for a less demanding IT environment, are simply not scalable or flexible enough to meet current needs, let alone deal with management of a half-billion dollar enterprise IT organization.

Start-up costs and life-cycle expenses. Deployment of new IT services, consolidation of data centers, and other common IT functions may require additional staff augmentation such as, but not limited to, those above. There will also be software/hardware maintenance, licensing, professional/technical costs and similar budgetary tails into following biennia. When these investments are made, we expect to begin realizing some of the savings associated with coordination of effort and consolidation of demand.

The target date for the consolidation effort for most of Enterprise IT is June 2010, although some organizations and legacy systems may not be completed for some time after that date because of the state's existing inventory of legacy systems and technologies. This direction is stipulated in M.S.16E and the 2006 Strategic Information Management Master Plan.

Relationship to Base Budget

$85.0 million of the estimated $600.0 million in state IT spending flows through OET's internal service fund. Consolidation of IT services is expected to result in an extremely significant increase in workload for OET as agency-level IT operations and purchasing are centralized.

Key Measures

Planned/projected milestones for systems modernization IT consolidation are below:

Description	FY08	FY09	FY10	FY11
Equipment & Facilities Management	50%	75%	95%	
♦ Hardware & Software Inventory Management				
♦ Software & Hardware Maintenance				
♦ Incident, Problem and Change Management				
♦ Facility Management, Preventive Maintenance Scheduling and Work Order Generation				
Service Level Management	25%	50%	75%	95%
♦ Service Level Agreements				
♦ Real-time SLA Performance Reporting/Dashboards				
♦ Early Warning of Service Level Breaches				
Financial Management	50%	75%	95%	
♦ Budget, Cost estimating and Cost Accounting/Allocation to Product Lines and Product Codes				
♦ Unit Volume Forecasting and Rate-Setting				
♦ Web-Enabled Billing/Invoicing/Collections				
Customer Relationship Management Tools		50%	95%	
♦ Contact Management				
♦ Web-enabled Service Distribution				
Consolidation Projects				
♦ Data Center Consolidation Projects Completed (cumulative)	20%	40%	60%	70%
♦ Number of IPT Phones deployed (cumulative)	40%	50%	53%	62%
♦ Email System Deployed to Number of Agencies (cumulative)	33%	66%	75%	95%

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$795	$1,755	$1,755	$1,755	$1,755	$1,755
Supplies	40	40	40	40	40	40
Hardware	800	300	300	300	300	300
Software	1,467	1,000	1,000	1,000	1,000	1,000
Facilities	0	0	0	0	0	0
Services	3,932	1,350	1,350	1,350	1,350	1,350
Training	15	10	10	10	10	10
Grants	0	0	0	0	0	0
TOTAL	$**7,049**	$**4,455**	$**4,455**	$**4,455**	$**4,455**	$**4,455**

Statutory Change: Not Applicable

Activity Description

The mission of Computing Services is to enable faster, better, and more efficient services to Minnesota's public sector through shared computing infrastructure and services. Underlying strategies for Computing Services are aggregation of demand and integration of systems to minimize redundancy of procurement, hardware, software, maintenance agreements, professional/technical services, and staffing requirements to provide efficiencies and economies of scale. The scalability of shared and utility resources (storage, processing and network capacity) meets the varying peak demands for computing resources. This activity is described in M.S. 16E.19, subd. 1: "integrate and operate the state's centralized computer facilities to serve the needs of state government."

Activity at a Glance

OET's Computing Services provides central and distributed data processing and storage such as:

- ♦ 6.3 million online transactions processed per day
- ♦ 20 million web pages served per year
- ♦ One million feet of printed output per month
- ♦ Quick, reliable and secure back-up and restoration using Axion product

Population Served

In accordance with M.S. 16E.18, subd. 2, any public sector entity within Minnesota may participate in Computing Services. Current customers represent state agencies, the legislature, courts, institutions of higher education, cities, and counties. In FY 2006, Office of Enterprise Technology's (OET's) largest Computing Services customers and their applications were:

⇒ *Department of Human Services (DHS)*: PRISM (the Child Support System), MAXIS (the eligibility determination system for TANF / MFIP (Temporary Assistance for Needy Families / Minnesota Family Investment Program), food stamps, Medicaid, and other social service programs), Medicaid Management Information System (MMIS) (Medicaid and other medical insurance programs' claims processing), and Shared Master Index (SMI).

⇒ *Departments of Finance (DOF) and Employee Relations (DOER)*: Statewide procurement/accounting system (MAPS), Information Access (IA) Warehouse and human resources/payroll system (SEMA4).

⇒ *Department of Employment and Economic Development (DEED)*: Unemployment insurance data.

⇒ *Department of Public Safety (DPS)*: Criminal Justice Information System (CJIS), which is used by state, local government, municipal police departments and sheriffs, correctional institutions, Department of Natural Resources (DNR), and others, with ties to the Federal Bureau of Investigation and other national law enforcement systems.

⇒ *Department of Revenue (DOR)*: Income tax returns and refund checks, state sales tax, and property tax records and processing.

⇒ *Department of Commerce (DOC):* License renewal and lookup, and electronic document filing and lookup.

Services Provided

Application Hosting Services includes zSeries-based Central Processing Unit (CPU) batch and Customer Information Control System (CICS) online transactions, data transfer, and WebSphere Web transaction processing services across all operating systems with the full range of support for 7 X 24 X 365 operations, production control, networking, security, databases and technical support. Also included are Linux-based virtual servers and other "distributed" servers. Application Hosting provides the server platform, operating system, monitoring, security, and other shared and utility support needed to host an agency's business application.

Storage Management Services includes controlled storage and 7 X 24 X 365 monitoring of disk, tape and virtual tape media, and back up and restoration of computerized data from a distributed environment, aligning common technical and service support capabilities.

Print Services offers high-speed laser printing to meet specialized printing needs, typically not available from commercial printers. These services offer a one-stop print and mailing service through a partnership with the Department of Administration's Central Mail.

e-Reporting Services provides for PC-based, web viewing or retention of stored e-reports.

Equipment Hosting Services provide state-of-the-art data center space, environmentals, utilities, security, and monitoring for agencies' distributed servers. Equipment Hosting is often delivered in a bundled-manner with several other services to include server/Operating System (OS) support, database administration, network, storage, continuity, and other utility services.

Data Entry Services translates hard copy public, sensitive and nonpublic data into an electronic format that can be delivered to partners using a variety of media including diskette, compact disk and tape, as well as file transfer protocol (FTP).

Enterprise Messaging Services manages the state's messaging infrastructure, commonly referred to as the Mail Hub. The Mail Hub acts as an email funnel for all executive branch agencies. Email addresses not containing the state standard email format are re-written to provide a common email format, resulting in improved communications. This service includes directory synchronization subscribers (those subscribers with directory synchronization to White Pages and SEMA4) and mail relay subscribers (without these synchronization needs) such as local government. In addition, email passing through the Mail Hub is scanned by a robust anti-virus and Spam filtering application prior to entering the state's critical communication infrastructure. E-mail encryption capabilities have also been added to this service to address rising concerns related to secure e-mail transmittal of sensitive, confidential, health, personal, criminal justice, business, and tax-related information and federal and state requirements related to it such as HIPAA (Health Insurance Portability and Accountability Act).

Database Support Services offers highly trained, skilled database administrators (DBA) technical expertise 7 X 24 X 365 for mainframe and distributed database administration and support.

Enterprise Wintel Server/Desktop Support Services provides assistance with hardware procurement and configuration, as well as day-to-day support of servers, desktops and Microsoft Windows operating systems.

Key Measures

High availability of Computing Services is assured through 7 X 24 X 365 operational support in a secure Data Center that protects assets and data, utilizing continuous equipment power and environmental controls. In FY 2006, OETs' computing availability was 99.9%. OET's Computing Services is in the process of developing service metrics and service level agreements.

Accomplishments for Computing Services include:

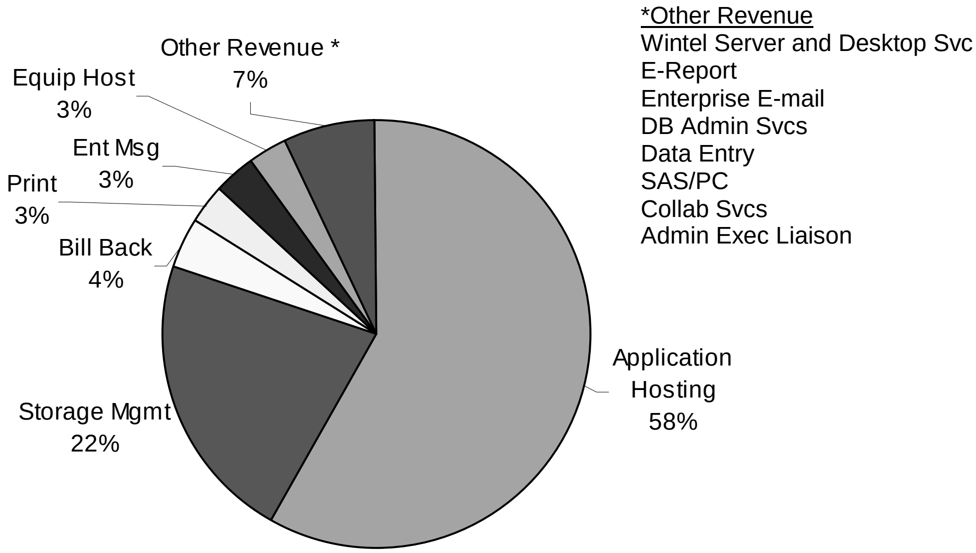
⇒ Equipment Hosting partnership with Metropolitan Council for servers and storage area network equipment.

⇒ Interagency agreement with Department of Revenue (DOR) to partner in sharing common functions and move toward a utility information technology (IT) service delivery model. This involves moving from agency management and delivery of IT services in areas such as data centers, storage, back up and restore, and business continuation to centrally managed and delivered enterprise utility services.

Activity Funding

Computing Services is 100% funded by the enterprise technology fund through chargeback / cost recovery rates. Below is a pie chart showing FY 2007 estimated revenue for the major products/services within Computing Services.

Computing Services FY 2007 Revenue Budget



In FY 2007, OET's Computing Services has approximately 160 FTEs, including FTEs for overtime expenses, which are 100% funded through the enterprise technology fund. As FTE and funding migrate from other agencies as a result of data center and other utility service consolidations, FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Computing Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the next biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: OET's Computing Services purchases capital equipment to support customer applications. The depreciated portion of the total cost is incorporated into cost recovery rates and varies depending upon life cycle of equipment being purchased. Computing Services' equipment such as mainframe and disk equipment is depreciated over three years, with tape and other equipment depreciated over four years. Generally, master lease funding is utilized for the capitalized asset purchases. In order to continue to meet its customer needs and requirements, central processing or distributed replacements or upgrades are planned, as well as uninterrupted power service (UPS) battery replacement systems. In FY 2007, below are the planned investments in equipment of $100,000 or more. It is anticipated that there will be similar purchases during the FY 2008-09 biennium.

♦ Application Hosting – Coupling Facility	$ 500,000
♦ IFL – Integrated Facility for Linux	$ 125,000
♦ Upgrade 107 to 108	$ 200,000
♦ AC, DC, Pump and Sequencer Replacements in various locations	$ 845,000
♦ UPS Battery Monitoring System	$ 110,000
♦ FICON (fiber connectivity) Directors	$ 250,000
♦ VM DASD (direct access storage device) Replacement	$ 150,000
♦ DASD (direct access storage device) – Storage Area Network	$ 270,000
♦ 9840 Tape Drive Replacement – (remote)	$ 300,000
♦ Distributed Systems Back-up	$ 170,000
♦ Back-up and Recovery – Additional Hardware	$ 370,000
♦ Back End ATL for Distributed Systems	$ 110,000
♦ Furniture / Large Screen Monitors (Installed)	$ 250,000
♦ Four AC's and Two DC's (Installed)	$ 300,000
♦ KVM (Keyboard Video Monitor)	$ 281,250
TOTAL	$4,231,250

***Operating Losses/Increases in Retained Earnings**:* OET's Computing Services manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in this calculation. In FY 2007, Computing Services' depreciation expense is projected to be $3 million. OET's Computing Services budget goal is to break even by the end of each fiscal year, however, if customer usage is higher or lower than forecasted, increases or decreases in retained earnings occur. Historically, Computing Services' product usage has exceeded budget forecasts, causing increases in retained earnings. The earnings above federal guidelines have been rebated to OET's Computing Services customers.

History of Computing Services' Rate Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	(18%)	(11%)	(16%)	(7%)	(1%)	0%

Impact of Rate Changes:
Historically, Computing Services rates overall have continued to decrease primarily due to increases in customer usage, efficiencies in equipment, and decreases in costs. Although the rates have continued to decrease, most customers have not realized overall reduced costs due to their increased usage of the services. Customers whose usage has decreased have received the most benefit from the lower rates.

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ENTERPRISE TECHNOLOGY OFFICE
Program: ENTERPRISE TECHNOLOGY SERVICES
Activity: COMPUTING SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	0	0	7,049	4,455	11,504
Statutory Appropriations					
Enterprise Technology Fund	22,656	29,684	31,360	32,200	63,560
Total	**22,656**	**29,684**	**38,409**	**36,655**	**75,064**
Expenditures by Category					
Total Compensation	11,607	13,791	15,555	17,118	32,673
Other Operating Expenses	11,049	15,893	22,854	19,537	42,391
Total	**22,656**	**29,684**	**38,409**	**36,655**	**75,064**
Full-Time Equivalents (FTE)	**135.8**	**159.9**	**163.8**	**163.8**	

Activity Description

The mission of Telecommunication Services is to enable faster, better, and more efficient services to Minnesota's public sector through shared communications infrastructure and services. This activity is governed by M.S. 16E.17: "The chief information officer shall supervise and control all state telecommunication facilities and services."

Activity at a Glance

In carrying out its mission, OET's Telecommunication Services:

- Partners with over 100 private sector telecommunication service and equipment providers to deliver services in more than 1,000 locations in 300 communities.
- Contracts with over 50 telephone companies to provide 40,000 telephone lines and millions of minutes of long distance service to hundreds of locations statewide.
- Delivers mission-critical wide area network connections for Minnesota's public safety, criminal justice, learning, and governmental operations.
- Achieves large-scale cost efficiencies through network aggregation of state's enterprise-wide customers and productivity transformations through IP Telephony and Call Center Minnesota.

Population Served

In FY 2006, the largest users of Telecommunication Services were: Minnesota State Colleges and Universities (MnSCU), the University of Minnesota (U of M), the departments of: Human Services, Public Safety, Transportation, Employment and Economic Development, Corrections, and Natural Resources, and hundreds of Minnesota school districts and public libraries.

Services Provided

Classic Voice Services are local voice and long distance telephone services contracted and provided by common carriers, e.g.,Centrex, business lines, and voice trunk facilities for premise-based telephone systems, direct dial long distance, calling cards, toll-free (8XX) and pay-per-call numbers. Foreign language interpretation services and audio conferencing services are also offered. Consolidated, web-enabled ordering and billing are provided to customer agencies for over 100 telecommunications carriers providing services to government locations throughout the state.

Wide Area Network Services, Minnesota's Network for Enterprise Telecommunications *(MNET*), is a public-private partnership delivering secure, reliable and seamless intra- and inter-organizational networking of data, video and voice shared utility services for education, local government and state agencies. MNET's public sector partners include all state agencies and boards, the legislature, courts and constitutional offices, all MnSCU and U of M campuses, all 87 counties, and many municipalities, schools and libraries. Office of Enterprise Technology (OET) provides a 7 X 24 X 365 single point of contact for service orders, problem management and repair.

IP Video Services, provided over MNET, are in use in throughout state agencies, higher education institutions, K-12 schools, and counties throughout Minnesota. Over 600 videoconference rooms are in use at over 250 MNET locations. Video Conference services are available via subscription, and as one-time events. One-way streaming media services are also available to stream out live or archived content over MNET and made available to the citizens via the Internet.

IP Voice Services use MNET to deliver telephony capabilities that are replacing classic voice—local, long distance and call center services. Included in this suite of services are hosted IP Telephony, Contact Center Minnesota (CCM), and voice mail. Hosted IP Telephony is regular telephone service provided via an IP infrastructure and transported over MNET and customers' local area networks (LANs). Contact Center Minnesota is a multimedia environment using the same infrastructure to manage many types of customer service interactions, including telephone calls, emails, faxes, web site chats, and correspondence—queues, skills-based routing, screen pops from a database, call recording, interactive voice response, and support for remote and telecommuting agents.

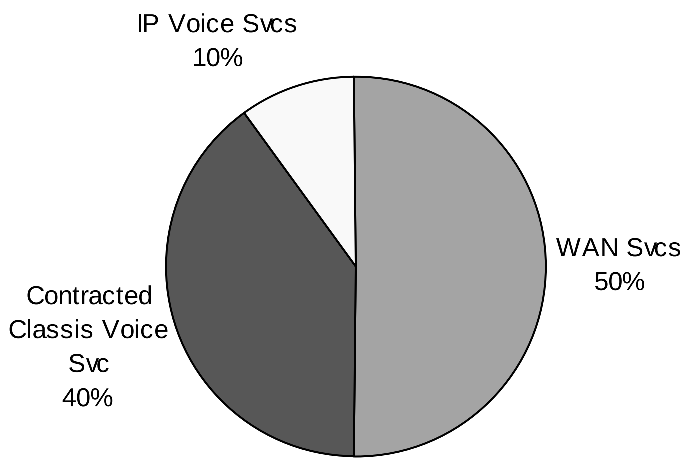
Key Measures

High availability of Telecommunications Services is assured through 7 X 24 X 365 operational support in a secure Operations Center that protects assets, data, and operational staff, with continuous equipment power and environmental controls. In FY 2006, OETs' network availability was 99.9%. OET's Telecommunication Services is in the process of developing service metrics and service level agreements.

Activity Funding

Telecommunication Services is 100% funded by the enterprise technology revolving fund through chargeback / cost recovery rates. Below is a pie chart showing FY 2007 estimated revenue for the major products/services within Telecommunication Services.

Telecommunications FY 2007 Revenue Budget



In FY 2007, Telecommunication Services has approximately 113 FTEs which are 100% funded through the enterprise technology fund. As funding and FTE migrate from other agencies as a result of data center and other utility service consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans*:* Telecommunication Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the next biennium.

Proposed Investments in Technology or Equipment of $100,000 or more*:* OET purchases some wide area network equipment to support participant applications and then depreciates the equipment over four years with the depreciation expense incorporated into the cost recovery rates. OET anticipates continued growth in the WAN Services and is planning capital purchases in this area to respond to business needs and the deployment of converged IP voice traffic on MNET, which will require an increase in the bandwidth capacity and network hubs. Most of the network equipment to be purchased has a unit cost of less than $100,000 and will include routers, switches, bridges, optical fiber repeaters, servers, telecommunication, and hub hardening equipment. OET also plans to leverage Master Lease Loan program dollars for large capital investments such as IP telephones (on behalf of agencies) to remove barrier of migration to IP Telephony business solution. In FY 2007, below are the anticipated investments in equipment of $100,000 or more. It is anticipated that there will be similar purchases for WAN Services and IP Voice services during the FY 2008-09 biennium. Telecommunication Services does not plan any capital purchases for Contracted Classic Voice Services over $100,000 during the biennium the FY 2008-09 biennium.

♦ Network Test Hardware Pods		$ 300,000
♦ Routers		$ 170,000
♦ Capital Lease Phone Program		$ 604,279
♦ Fiber Infrastructure		$ 150,000
	Total	$1,224,279

Operating Losses/Increases in Retained Earnings: OET's Telecommunication Services manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in this calculation. In FY 2007, Telecommunication Services' depreciation expense is projected to be $1.9 million. Generally, Telecommunication Services overall has not contributed positively to OET's overall retained earnings balance due to changes in customer usage and new emerging shared services.

History of Telecommunication Services' Rate Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	0%	(5%)	(4%)	(3%)	6%	3%

Impact of Rate Changes: Cost recovery rates for some classic voice services are increasing due to a decreasing participant base as customers migrate to other products or solutions. These increases should be offset by decreases in the WAN services cost recovery rates for those customers using both Contracted Classic Voice Services and WAN Services, whose usage remains stable between FY 2006 and FY 2007.

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ENTERPRISE TECHNOLOGY OFFICE

Program: ENTERPRISE TECHNOLOGY SERVICES

Activity: TELECOMMUNICATION SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Enterprise Technology Fund	34,923	34,004	34,501	34,891	69,392
Total	**34,923**	**34,004**	**34,501**	**34,891**	**69,392**
Expenditures by Category					
Total Compensation	9,237	10,029	10,050	10,510	20,560
Other Operating Expenses	25,686	23,975	24,451	24,381	48,832
Total	**34,923**	**34,004**	**34,501**	**34,891**	**69,392**
Full-Time Equivalents (FTE)	**107.2**	**112.7**	**108.7**	**108.7**	

Program Description

The mission of the Enterprise Application Development Program is to establish an integrated and secure framework that enables citizen and business access to "borderless" government services. The program capitalizes on information, communication, and e-commerce technologies to optimize the delivery of government products and services on-demand, independent of time, place, and agency organization. eGovernment is a strategy that fundamentally changes the ways in which government interacts and collaborates with citizens, business, employees, and government entities.

Program at a Glance

In carrying out its mission, OET's Enterprise Application Development program provides:

- One million page views per month on the
- North Star state portal
- One million state government documents indexed and discoverable on the web
- Hosting of 50 agency websites.

This program implements Office of Enterprise Technology's (OET's) statutory requirements to: "coordinate statewide efforts by units of state and local government to plan for and develop a system for providing access to government services; make recommendations to facilitate coordination and assistance of demonstration projects; explore ways and means to improve citizen and business access to public services, including implementation of technological improvements" (M.S. 16E.05); "establish 'North Star' as the … state's governmental framework for coordinating and collaborating in providing online government information and services" (M.S.16E.07 subd.2); and to "establish … methods for developing information and communications systems appropriate to the specific needs of individual state agencies" (M.S. 16E.03 subd.6).

Population Served

Services are provided to state departments, agencies, commissions, councils, boards, task forces, and committees; constitutional offices; court entities; Minnesota State Colleges and Universities; counties, statutory and home rule charter cities and towns; school districts; special districts; and any other board, commission, district, or authority created under law, local ordinance, or charter provision.

Services Provided

North Star Portal manages the infrastructure and information architecture for the state's citizen-centric portal that enables integrated access to government services and information quickly and easily. North Star is an entry point to over 250 state entities accessed by over one million visitors per month. OET is working collaboratively with other agencies to migrate from the North Star portal to the state's new website - Minnesota.gov.

Website Hosting uses the North Star infrastructure for static web page hosting or dynamic, portal-driven hosting. Static hosting gives agencies a professional, secure, reliable web presence, using the **www.agency.state.mn.us** domain name. Portal hosting offers the full portal tool suite, including content management, consistent look-and-feel templates and policies, decentralized content creation and posting, agency personalization, and customized search interface.

Website Design creates templates for web page layout, navigation, and graphics. Designs created by a professional design team, in consultation with agency customers, are reflective of the agency's unique identity, and compliant with state standards and federal usability requirements.

Website Indexing and Search uses the Ultraseek search engine to provide intelligent, adaptive spidering all of state agency web content into a common index that makes it possible to search all agency websites with a single query. Information architects assist agencies in developing high quality metadata to improve search results and relevancy.

Document and Records Management offers an enterprise Electronic Document Management System (EDMS), providing the infrastructure for organizing, storing, retrieving, distributing, and archiving electronic documents. Core functions include library services (check-in/check-out, version control, document-level security), cross-repository searching, and system administration. OET is working with agency partners to define the requirements for the enterprise document and records management solution to be offered during the FY 2008 - 2009 biennium.

Directory Services and Identify and Access Management (formerly Web Authentication) supports web access to state resources by providing authenticated identification, authorization and access control to citizens, business, and government partners across a variety of web-based platforms and databases. The service integrates identity management (browser-based user administration, profile self-service, password services) with centralized security policy enforcement technology. Authentication is fast, safe, secure, and scalable, and includes user profile self-registration and self-management, centralized account management, and delegated administration capability. The service includes 7 x 24 x 365 support of a fully redundant production and staging environment, physical and logical security, business continuation, and application integration services.

Business Transformation Services identifies current and potential future software applications, primarily for internal use by state employees and business partners, in areas and functions which by their nature:

- are generic in application so as to provide value to users throughout the enterprise. For example, email, virus/spam protection, payroll, budgeting, accounting, scheduling, compliance with Data Practices Act, and project reporting.
- are fundamental to multiple operations and therefore able to provide the foundation upon which specialized extensions can be developed. For example, licensing, permitting and registration, grants management, electronic payment, document management, and case management.
- involve technical capabilities such as an employee Intranet portal, electronic data exchange portals, and other general facilities with distributed components.

Application Code and Security Review ensures that all applications hosted in the OET data center – whether developed in-house or on contract – comply with application design principles, best practices, and technologies defined in Chapter 6 of the Enterprise Architecture, and also with state of Minnesota security policies and standards being defined by the state CISO office. This is a new service being developed in the FY 2008 – 2009 biennium.

Key Measures

- ⇒ A common eGovernment framework for transacting business and communicating online results in more efficient and cost-effective public service delivery.
- ⇒ Online applications adhering to standards for user interface design, coding, and security, resulting in reusable solutions, and increased coordination and collaboration among government agencies.
- ⇒ Government documents and records organized, archived, and accessible to authorized persons, in compliance with state and federal law.
- ⇒ Citizen and business identities and privacy protected and data accessible to authorized persons.

Program Funding

Currently, Enterprise Application Development is funded through the enterprise technology fund by cost recovery / chargeback rates. Historically, expenses have exceeded revenue.

North Star and Web Design Services

This activity is managed as an enterprise strategic initiative funded through the enterprise technology fund, and is not expected to fully recover the cost of operations.

Identity and Access Management (formerly Web Authentication)

This activity recovers its total cost of operations on a chargeback basis through the enterprise technology fund.

In FY 2007, Enterprise Application Development has approximately 13 FTEs which are 100% funded through the enterprise technology fund.

General Fund Loans: Enterprise Application Development does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the next biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: There are no proposed investments in technology or equipment of $100,000 or more.

***Operating Losses/Increases in Retained Earnings**:* OET's Enterprise Application Development manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in this calculation. In FY 2007, Enterprise Application Developments' depreciation expense is projected to be $155 thousand. OET's Enterprise Application Developments budget goal is to break even by the end of each fiscal year. However, if customer usage is higher or lower than forecasted, increases or decreases in retained earnings occur. Historically, Enterprise Application Development expenses have exceeded revenue, causing decreases in retained earnings.

History of eGovernment Services' Rates Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	n/a	0%	1%	0%	0%	95%

Impact of Rate Changes:
OET made a significant investment in an enterprise solution for directory services and web authentication beginning in FY 2002. Growth in the number of users, based on agency projections, was projected to reach one million by FY 2006. Benefits of the enterprise solution have not been realized, as only the Department of Human Services (DHS) and two smaller agencies have elected to participate. In FY 2003, DHS invested $1.0 million in a different product, and plans to migrate all DHS user authentication to that platform by June 30, 2007. In FY 2007, OET instituted a breakeven rate for Web Authentication Services, charging current customers the total cost of providing this service.

OET is actively engaging agency partners in seeking a cost-effective standard enterprise solution for managing directory services and user authentication and authorization.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Direct Appropriations					
General	0	0	15,000	0	15,000
Statutory Appropriations					
Enterprise Technology Fund	1,390	1,605	1,663	1,725	3,388
Total	**1,390**	**1,605**	**16,663**	**1,725**	**18,388**
Expenditures by Category					
Total Compensation	1,049	1,294	1,952	1,414	3,366
Other Operating Expenses	341	311	14,711	311	15,022
Total	**1,390**	**1,605**	**16,663**	**1,725**	**18,388**
Expenditures by Activity					
Ead Delivery	1,390	1,605	16,663	1,725	18,388
Total	**1,390**	**1,605**	**16,663**	**1,725**	**18,388**
Full-Time Equivalents (FTE)	**11.1**	**13.1**	**16.1**	**13.1**	

Change Item: Minnesota Electronic Licensing System

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$15,000	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$15,000	0	0	0

Recommendation

The Governor recommends a one-time appropriation of $15 million to implement Phase 1 of the Minnesota Electronic Licensing System. The initial phase of system development includes designing and building a secure, scalable framework for electronic licensing; streamlining the process of obtaining professional/occupational and business/commercial licenses through a self-service, electronic point-of-entry where citizens and businesses can apply for and renew licenses; and configuring the new system for five state agencies.

Background

Minnesota's regulated licensing and permitting activities consist of over 600 license types, serviced by 800 full-time staff in 40 plus state agencies and boards, using more than 60 independent licensing systems, at an annual expense of $60 + million. The volume of licenses includes about 800,000 occupational/professional licenses and 300,000 business/commercial licenses, generating annual revenues in the neighborhood of $165 million.

In 2004, only 18% of licensing transactions were conducted online. That same year, 85% of citizens surveyed indicated a preference for online license applications and renewals. Some agencies have streamlined and e-enabled their licensing processes, and in a few cases, paper has been virtually eliminated. In other cases, the process has remained essentially paper based, with electronic service limited to the download of application forms from the web for manual completion and processing. Streamlining underlying business processes and moving from paper to electronic workflows and transactions where possible will reduce the cost of issuing state licenses and permits. It is expected that a web-based solution will lead to a significant (20%+) shift in channel selection for these services, thereby lowering the total cost of licensing operations. More importantly, the electronic licensing system will improve customer service by responding to citizen demands to conduct business with the State online at their convenience. Citizens expect the same quality of service from their government as they do from their favorite online bookseller — convenient, secure, reliable, and fast, with no mistakes. If a citizen can purchase a car online, he or she expects to get the title transfer, license tabs, and plates for it online as well.

This initiative will build an electronic licensing system framework, including a unified web hosting infrastructure; information presentation and navigation standards; content and document management; and secure identity management. These are essential steps in moving state programs from geographically bound, "bricks and mortar" legacy operations to contemporary web-based applications for citizens, business, and employees. Combining this foundation with support for business process reengineering, agencies can streamline "back office" operations and retire legacy operations in favor of forward-looking service options enabled by technology. This foundation is also needed for many of the electronic government services (EGS) applications to be completed in the next few years, including a new Minnesota.gov portal and business applications that can be shared easily among multiple agencies.

During this first phase, OET staff and a contract vendor will develop the system and bring five agencies on board: Barber and Cosmetology Examiners Board, Emergency Medical Services Regulatory Board, Peace Officer Standards Board, Department of Labor and Industry Construction Codes and Licensing Division, and the Department of Human Services Family Services Division. One of the deliverables of Phase 1 is a comprehensive funding proposal for the next several biennia to address ongoing costs of the new system, and a plan to add the remaining agencies and licenses.

Relationship to Base Budget

This activity is not currently funded as part of the agency general fund base budget. The Governor recommends funding Phase 1 with a one-time appropriation so that OET and the vendor can use their experience from system development and initial agency on-boarding as a guide to estimate the cost of bringing remaining agencies on board and maintaining the system long-term.

Key Measures

⇒ Customer satisfaction with state government service delivery continuously increases as a result of increased numbers and quality of customer-centered, self-service applications that are available online 24/7/365.

⇒ Government service delivery is increasingly more cost-effective across the enterprise as a result of state agencies using common tools and technology infrastructure for transacting business and communicating with citizens, business and government partners online. This can be measured by the increase in the percentage of licensing transactions conducted online, reduction in the amount of time needed to process license and permit applications; reduction in the cost to process license applications; and increase in the number of agencies using the enterprise licensing system.

⇒ Minnesota's ranking in national eGovernment evaluations dramatically improves following implementation.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$600	$0	$0	$0	$0	$0
Supplies	0	0	0	0	0	0
Hardware	1,000	0	0	0	0	0
Software	4,000	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	9,400	0	0	0	0	0
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$15,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Statutory Change: Not Applicable

Program Description

The mission of Enterprise Information Technology (IT) Security Services is to coordinate the security planning efforts for the state as a whole. It also provides core utility services so that state agencies can detect, investigate, and promptly respond to security threats. This program supports all security services within the Office of Enterprise Technology (OET). Finally, it includes professional staff to provide direct assistance to agencies that do not have the capacity to manage their own security program.

Population Served

This program provides a wide array of security services to state agencies and local units of government.

Program at a Glance

In carrying out its mission, OET's Enterprise IT Security Services:

- ♦ Coordinates all state government information technology security services
- ♦ Provides security services that cannot be performed cost effectively by individual units of government
- ♦ Provides security services for small entities without the capacity to manage their own security program

Services Provided

Most services provided to state government are those that require a great deal of specialized knowledge or tools that cannot be purchased cost effectively by individual entities. This activity also coordinates the security efforts for the entire executive branch of government, setting baseline policies, procedures, standards, and guidelines. Finally, Enterprise IT Security Services provides direct assistance to many small entities that do not have the capacity to manage their own information security programs.

Key services include:

Planning and Preventive Controls helps entities understand threats and develop and deploy appropriate security controls to manage risk.

Detective Security Controls helps entities promptly detect and respond to attacks. Specific offerings include security vulnerability scanning and intrusion detection services.

Corrective Security Controls includes strategies and tools to plan for and mitigate a wide array of disasters that could interrupt agency operations.

Investigative Controls helps entities investigate and respond to security incidents.

Compliance assesses whether agencies have appropriate security controls that comply with the state's baseline policies, procedures, and standards.

OET and Small Agency Security Services includes security support for the Office of Enterprise Technology and small entities that do not have the capacity to manage their own security program.

Key Measures

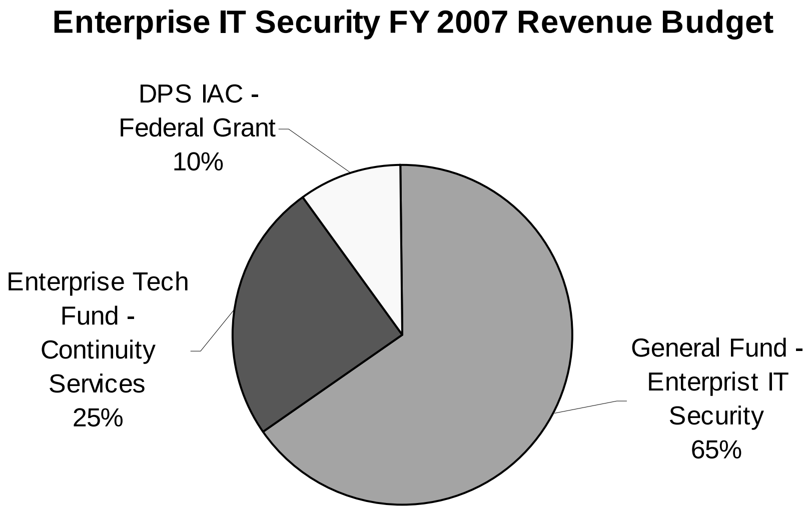
OET is in the process of developing metrics for individual service areas.

Accomplishments completed to date include:

- ⇒ Hired a Chief Information Security Officer (CISO) to develop a comprehensive security program for the state of Minnesota.
- ⇒ Formed an Information Security Council to serve as an advisory body to the CISO.
- ⇒ Began the process of developing baseline security policies, procedures, and standards for state government.
- ⇒ Provided business continuity and disaster recovery services to numerous state and local units of government.
- ⇒ Provided vulnerability scanning and security planning services to numerous state agencies.
- ⇒ Managed security events.
- ⇒ Purchased enterprise security tools.
- ⇒ Hosted first ever Enterprise Security Planning Summit.

Program Funding

Enterprise IT Security Services is primarily funded by a direct appropriation from the general fund. This program area also has historically received Homeland Security and Emergency Management federal grants through interagency agreement with Department of Public Safety. Security services for the Office of Enterprise Technology services are funded by the enterprise technology fund through chargeback/cost recovery rates. Below is a pie chart showing FY 2007 estimated revenue.



In FY 2007, Enterprise IT Security Services has approximately 22 FTEs, of which 34% are funded through the general fund and 66% are funded through the enterprise technology fund. As FTE and funding migrate from other agencies as a result of data center and other utility service consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Enterprise IT Security Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2008-2009 biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: In FY 2008 and FY 2009 Enterprise IT Security Services will purchase technology and equipment that may exceed $100,000. OET is in the process of collaboratively assessing the enterprise IT security service needs with agencies.

Operating Losses/Increases in Retained Earnings: Enterprise IT Security Services manages retained earnings for the enterprise technology fund according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in this calculation. In FY 2007, Enterprise IT Security Services depreciation expense is projected to be approximately $11,000. Enterprise IT Security Services has not contributed positively to OET's overall retained earnings balance due to the startup of new emerging shared services.

History of Enterprise IT Security Services Rate Changes:

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Change	n/a	0%	0%	20%	0%	0%

Impact of Rate Changes:

Customers whose usage remains stable between FY 2006 and FY 2007 will be paying the same in FY 2007.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	0	1,900	1,900	1,900	3,800
Subtotal - Forecast Base	0	1,900	1,900	1,900	3,800
Governor's Recommendations					
Comprehensive Enterprise Security Progrm		0	8,163	8,909	17,072
Compensation Adjustment		0	18	35	53
Total	**0**	**1,900**	**10,081**	**10,844**	**20,925**
Expenditures by Fund					
Direct Appropriations					
General	0	1,900	10,081	10,844	20,925
Statutory Appropriations					
Federal	450	300	0	0	0
Enterprise Technology Fund	1,752	2,665	2,261	2,324	4,585
Total	**2,202**	**4,865**	**12,342**	**13,168**	**25,510**
Expenditures by Category					
Total Compensation	1,111	2,281	5,082	6,045	11,127
Other Operating Expenses	1,091	2,584	7,260	7,123	14,383
Total	**2,202**	**4,865**	**12,342**	**13,168**	**25,510**
Expenditures by Activity					
Enterprise Security	2,202	4,865	12,342	13,168	25,510
Total	**2,202**	**4,865**	**12,342**	**13,168**	**25,510**
Full-Time Equivalents (FTE)	**11.1**	**21.5**	**47.1**	**47.1**	

Change Item: Comprehensive Enterprise Security Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$8,163	$8,909	$8,909	$8,909
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$8,163	$8,909	$8,909	$8,909

Recommendation

The Governor recommends an increase of $8.163 million in FY 2008 and $8.909 million in FY 2009 to implement a comprehensive Enterprise Security Program. This funding will be used to hire staff and purchase enterprise security tools necessary to meet the challenges of a rapidly changing security environment.

Background

In recent years, the complexity of agency systems has grown significantly and the number of security threats to these systems has increased exponentially. Currently, each agency must address an onslaught of security challenges on its own. Ineffective security measures at one agency expose the entire state network to risk. Security tools used by private sector corporations to protect their networks are often too expensive for even the largest agencies' IT budgets. Central leadership over IT security will ensure a common set of security standards for all users of state IT resources. Investing in cutting edge security tools at the enterprise level will reduce duplicative agency expenditures and guarantee access for all agencies, not just those with significant IT budgets.

The Office of Enterprise Technology (OET) plans to use its new statutory authority to implement a comprehensive Enterprise Security Program focusing on proactive security management that encompasses all of state government. The program will have nineteen functional security areas, grouped into the following six domains:

- Planning and Preventive Security Controls
- Detective Controls
- Corrective and Investigative Controls
- Compliance
- Small Agency Security Services
- Office of Enterprise Technology Security Services

The program will be headed by the state of Minnesota's new Chief Information Security Officer (CISO). However, there will be extensive interaction between the CISO and state agencies. An Information Security Council has already been developed to facilitate this communication. In consultation with the Information Security Council and others, OET security staff will clearly articulate what must be done, how it needs to be done, and who will do it, to ensure that state systems are secure.

Relationship to Base Budget

During the 2006 session, OET received $1.9 million per year in start-up base funding to design and implement a comprehensive information security program. This request will allow OET to implement all 19 functional security areas.

Key Measures

The CISO will be responsible for developing detailed security metrics for all 19 functional areas. Below is a list of high-level performance goals for the upcoming biennium:

Planning and Preventive Security Controls

⇒ Develop and publish a comprehensive suite of security policies and procedures.
⇒ Publish a security baseline standard for every major product used by state government.
⇒ For every new system over a certain dollar threshold, certify the appropriateness of security controls before placing systems into production.

Detective Controls

⇒ Scan every critical government system for exploitable vulnerabilities weekly.
⇒ Monitor all critical government systems with a robust intrusion detection system.

Corrective and Investigative Controls

⇒ Ensure that every agency has a comprehensive continuity of operations plan.
⇒ Develop testable recovery strategies for all critical government systems.

Compliance

⇒ Conduct ongoing assessments of security controls.

Small Agency Security Services

⇒ Visit all small and mid-sized agencies at least quarterly to assist with risk mitigation activities.

Office of Enterprise Technology Security Services

⇒ Develop policies, procedures, and standards that exceed the minimum baselines established for the enterprise as a whole.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$2,505	$3,340	$3,340	$3,340	$3,340	$3,340
Supplies	338	249	249	249	249	249
Hardware	0	0	0	0	0	0
Software	5,200	5,200	5,200	5,200	5,200	5,200
Facilities	0	0	0	0	0	0
Services	0	0	0	0	0	0
Training	120	120	120	120	120	120
Grants	0	0	0	0	0	0
TOTAL	**$8,163**	**$8,909**	**$8,909**	**$8,909**	**$8,909**	**$8,909**

Statutory Change: Not Applicable

Program Description

The mission of Enterprise Planning and Management is to provide leadership and oversight to agencies and other levels of government in the area of statewide information policies, technology investments, and strategies; to provide analytical, planning, and support to the governor and state legislature on matters of technology; and to provide general management and direction to the programs and activities that make up the Office of Enterprise Technology (OET).

Population Served

Primary customers are the state Chief Information Officer (CIO), Information Technology (IT) governance structure, agency CIOs and program leads, and legislative staff and committees.

Program at a Glance

In carrying out its mission, OET's Enterprise Planning and Management:

- Led 11 strategy teams (involving more than 100 state agencies, higher education and local leaders in both IT and business) to create the first enterprise-wide Master Plan for Information Management.
- Provided support for the first cabinet-level CIO function in state history and for the new federated IT governance process by which state strategy, investment and priority decisions will be made.

Services Provided

Activities include statewide strategic IT Master Plan development; OET strategic and business planning; management of the enterprise project, systems, and asset portfolios; oversight of IT projects and IT components of building projects; development and oversight of enterprise information policies; analysis of budget proposals involving technology; communications programs involving state technology; administration of the state's technology architecture and standards; and support for risk management, project management, and business process improvement best practices. Internal OET leadership and direction includes oversight of the day-to-day agency operations and of the management of agency resources.

Historical Perspective

Prior to the creation of OET by the legislature in 2005, information and technology management was highly decentralized, and policymaking was distributed across several entities. This resulted in inefficiencies, duplication of activity, lack of true central oversight and lack of planning across agencies and program areas. Similarly, planning was an accumulation of agency directions instead of a true strategic vision for state government. Executive Order 05-04 and legislative changes to M.S. 16E.01 established a cabinet-level CIO and clarified the authority and responsibilities of that position and the Office of Enterprise Technology.

Key Measures

⇒ Completed Enterprise Master Plan for Information Management with broad participation, on schedule.
⇒ Designed and implemented the first stages of comprehensive portfolio management for applications, resources and assets as planned.
⇒ Implemented a new application Enterprise Project Management (EPM) to monitor the progress of IT projects statewide and for agencies to use for internal project management and project inventory purposes.
⇒ Completed design and implementation of the State CIO's Governance structure. This includes the Commissioner's Technology Advisory Board and three councils: Technology Business Advisory Council, Agency CIO Advisory Council, and Agency Program Advisory Council.
⇒ Launched a wide array of cross-agency process improvement projects applying the principles of the Drive To Excellence.

Program Funding

Support, oversight, and governance functions for the entire executive branch are funded by the general fund. OET's internal operations are funded by the enterprise technology fund through charge back / cost recovery rates.

In FY 2007, Enterprise Planning and Management has approximately 34 FTEs, of which 34% are funded through the general fund and 66% are funded through the enterprise technology fund. As FTE and funding migrate from other agencies as a result of data center and other utility service consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	1,803	1,803	1,803	1,803	3,606
Subtotal - Forecast Base	1,803	1,803	1,803	1,803	3,606
Governor's Recommendations					
Small Agency Technology		0	1,456	1,000	2,456
Enterprise Information Management		0	612	741	1,353
Compensation Adjustment		0	24	49	73
Total	**1,803**	**1,803**	**3,895**	**3,593**	**7,488**
Expenditures by Fund					
Direct Appropriations					
General	1,557	2,061	3,895	3,593	7,488
Statutory Appropriations					
Enterprise Technology Fund	9,988	16,550	14,361	14,595	28,956
Total	**11,545**	**18,611**	**18,256**	**18,188**	**36,444**
Expenditures by Category					
Total Compensation	2,474	2,767	3,379	3,656	7,035
Other Operating Expenses	9,071	13,344	14,877	14,532	29,409
Other Financial Transactions	0	2,500	0	0	0
Total	**11,545**	**18,611**	**18,256**	**18,188**	**36,444**
Expenditures by Activity					
Policy & Planning	11,545	18,611	18,256	18,188	36,444
Total	**11,545**	**18,611**	**18,256**	**18,188**	**36,444**
Full-Time Equivalents (FTE)	**27.9**	**34.4**	**42.4**	**42.4**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,456	$1,000	$1,000	$1,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,456	$1,000	$1,000	$1,000

Recommendation

The Governor recommends $1.456 million in FY 2008 and $1.0 million in FY 2009 to address critical business technology needs of small agencies, boards and councils, which often face challenges in meeting their most basic technology needs. To access these funds, small agencies will work with the Office of Enterprise Technology to analyze technology needs and then design and implement effective technology solutions.

Background

Given the size of their budgets, even minimal investments in technology are difficult for many small agencies, boards and councils. Without resources and technical assistance, many agencies cannot maintain essential office automation that ensures compatibility and interoperability with customers, business partners and other agencies. Agencies find themselves unable to keep up with desktop computer upgrades, servers for office printing, storage and file sharing, software licenses and upgrades, virus protection, security and backup. Inadequate security in small agencies can expose the entire state enterprise to vulnerabilities. Without fundamental technology underpinnings the smallest agencies are often constrained from harnessing the benefits of technology to serve the needs of their customers.

By coordinating small agency technology investments, OET can help the state realize economies of scale and ensure consistent methodology for project planning and implementation. The Small Agency Technology program will provide small agencies with funding and technical assistance for projects that help maintain current systems, develop new technology to streamline business processes, and expand electronic provision of services. Specifically, the program will provide two tiers of support:

Tier I. Provide the essentials of a level technology playing field for the smallest agencies. Ensure that basic LAN and WAN connectivity, print, file and storage, virus protection, security, backup, desktops and software license upgrades are current and optimized. Ensure that outdated technology is replaced. With this foundation in place, it is possible to take agencies to the next level, beyond office automation and information storage into information management. The program will provide planning assistance to assess customer needs that may be addressed through future electronic delivery of services.

Tier II. Provide resources for small agencies, boards and councils to make a simple and straightforward entry into information management. An assessment of their business needs will allow them to plan, stage, develop and share common business applications to meet customer needs for electronic delivery of services. Case management and electronic document filing are also among the applications commonly identified as needed by the small agencies to accomplish their objectives.

Beginning in July 2007, OET's project management office will provide the necessary analysis and planning as part of its portfolio management function. OET will coordinate the program in consultation with an advisory committee comprised of representatives from large and small agencies, so the program can benefit from the perspective of affected small agencies as well as the expertise of larger agencies. OET and advisory committee members will monitor project status and measure results. OET will inform the appropriate House and Senate committees about plans and investments on an annual basis.

During the first biennium, this initiative includes resources to address the needs of five General Fund-supported agencies whose technology projects were brought forward during budget development. The specific business needs of the Asian-Pacific Council, the Minnesota Library for the Blind/Department of Education, the Minnesota State Academies, the Ombudsman for Mental Health and Developmental Disability, and the Capitol Area Architecture and Planning Board are detailed in their budget narratives. Under this initiative, OET would also oversee technology investments proposed by the Racing Commission, although these investments would be funded from the Commission's special revenue receipts.

Relationship to Base Budget

Staff for this initiative would be supported by OET's current General Fund base and funds in the Enterprise Information Management budget request. The entire amount of funds requested in this initiative will be available for small agency technology investments.

Key Measures

⇒ **Pre- and post-action review.** Pre-test will document current environment problems in meeting mission owing to inadequate technology. Post-action review will determine program efficacy in solving agency technology problems. Review will measure agency increase in capabilities to fulfill mission and client population requirements as well as measure customer satisfaction.

⇒ **Comprehensive technology inventory and application portfolio assessment.** Detailed gap analysis will determine the extent of foundational upgrades required to improve the current environment, such as essential hardware/software upgrades, security, back-up and recovery, storage and communications, and setting the stage for life-cycle planning.

⇒ **Business and technology alignment.** Discovery of existing business needs and alignment of technologies to increase capabilities to meet mission and client population requirements.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$0	$0	$0	$0	$0	$0
Supplies	0	0	0	0	0	0
Hardware	550	500	500	500	500	500
Software	350	250	250	250	250	250
Facilities	0	0	0	0	0	0
Services	556	250	250	250	250	250
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	$**1,456**	$**1,000**	$**1,000**	$**1,000**	$**1,000**	$**1,000**

Statutory Change: Not Applicable

Program: ENTERPRISE PLANNING & MANAGEMENT
Change Item: Enterprise Information Management

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$612	$741	$741	$741
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$612	$741	$741	$741

Recommendation
The Governor recommends an increase of $612,000 in FY 2008 and $741,000 in FY 2009 to expand oversight of enterprise technology investments. This increase will fund eight new staff to provide measurement, analysis and planning that is necessary for proper coordination of more than $600 million in state technology expenditures annually.

Background
Historically, technology planning has been decentralized and information on IT investments merely aggregated at the state level. Legislation and an executive order in 2005 clearly articulated the need for central leadership to generate greater efficiency and improved service levels for agencies and programs. These goals can only be achieved through sharing of information and systems, integrated planning, and coordination and consolidation of common functions and resources.

The state CIO is responsible for enterprise-wide technology coordination and planning; for preparation of policy and standards materials that guide agency decisions; and for oversight of projects and IT asset management. Although the scope of division activities has expanded dramatically with the creation of the cabinet-level state CIO and the growth in enterprise-wide responsibilities of OET, resources are below what is minimally required to build and sustain an adequate information management presence. The Master Plan for Enterprise Information Management describes in greater detail the environment and direction laid out for improving the use of technology to transform state operations, as well as the best practices and portfolio management activities. These are documented in the Planning section of the OET website (http://www.oet.state.mn.us).

This appropriation increase will help OET fulfill its rapidly expanding responsibility and authority, and will result in greater coordination, statewide planning and adherence to the state's information architecture and project management practices. With these resources, OET will expand development of statewide information management strategies, standards and architecture; improve data collection, analysis and reporting on the state's portfolio of IT investments; augment the development and administration of consistent policies around technology and information management; support agencies in business process redesign; and improve communications with agencies, system users, project staff, policymakers and the public. This proposal will also increase the state's capacity to manage its IT portfolio, including portfolio assessment and planning, measurement of state IT operations and costs, as well as active oversight of projects at each milestone throughout the project life cycle.

These processes will involve agency staff and the IT governance structure to leverage investments and ensure proper coordination. The information generated through better oversight will be essential to the Governor and the Legislature in establishing priorities for investment and understanding the longer-term implications of their decisions. These processes will begin in the summer of 2007 and be on-going.

Relationship to Base Budget
The state currently budgets $1.8 million per year for enterprise technology oversight. With this initiative fully implemented, a total of $2.5 million annually will be spent on coordination, planning, oversight, architecture and assessment. This represents a 41% increase over the current appropriation, but the total appropriation would be only about one-half of one percent of the state's annual spending on IT (over $600 million).

Key Measures

Key milestones in the implementation of enterprise oversight include:

- Development of the IT project management oversight agency liaison program (October 2007)
- Completion of the first statewide IT asset portfolio for applications, assets, projects and plans (June 2008)
- Completion of Business Process Redesign/Shared Service opportunity analysis (December 2008)
- Completion of a comprehensive Information Architecture (December 2008)
- Implementation of IT investment analysis and performance program (January 2009)

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$497	$648	$648	$648	$648	$648
Supplies	61	39	39	39	39	39
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	54	54	54	54	54	54
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$612**	**$741**	**$741**	**$741**	**$741**	**$741**

Statutory Change: Not Applicable

Program Description

The mission of IT Standards and Resource Management (ISRM) is to establish information technology (IT) standards and leverage the vast purchasing power of Minnesota government entities through a collaborative process. Entities at all levels are invited to jointly develop IT standards and redesign the processes to more easily obtain IT information and order IT products and services.

Program at a Glance

In carrying out its mission, OET's IT Standards and Resource Management:

- ♦ Establishes Minnesota government enterprise aggregation for IT related hardware, software and professional services
- ♦ Provides services for 100+ state agencies, 87 counties, 850 cities, 430 school districts, 36 MnSCU campuses, four University of Minnesota campuses
- ♦ Generates $35 million in investment capital to reinvest in organizational business needs
- ♦ Reduces the cost to obtain IT related products and services and increases the purchasing entity productivity through aggregated purchasing.

Population Served

Entities served by this program are: state agencies, counties, cities, school districts, Minnesota State Colleges and Universities (MnSCU), University of Minnesota, and other government entities.

Services Provided

⇒ Establish ***enterprise IT standards*** for hardware such as desktops, laptops, monitors, servers, storage, and cell phones.
⇒ Establish ***enterprise agreements*** with several major software vendors.
⇒ Identify commonly needed ***professional services.***
⇒ Create and maintain a ***web presence*** for all Minnesota government entities related to IT contract vendors as the definitive site for information.
⇒ Provide comparisons and ***reports of sales and savings*** for the enterprise.
⇒ Provide the ***value added information*** that individual government entities would not have access to through their normal vendor relationship.
⇒ Ensure premium ***quality service at low cost.***
⇒ Improve ***technology management*** with implementation of standards.

Historical Perspective

Historically, IT purchases have been managed on a decentralized basis with little opportunity to aggregate across government entities due to lack of standards. Aggregation offers the opportunity to leverage the full purchasing power of the state and benefits smaller entities with limited budgets and staffing. IT products and services have been obtained on a project-by-project basis with little coordination and no standards. Disconnected, independent decision-making and lack of standards has resulted in many disjointed projects and the creation of business and technology silos.

Key Measures

⇒ Establish enterprise hardware standards to reduce cost by:
  - ♦ Benchmarking contract price against Western State Contracting Alliance (WSCA), a 40 state buying consortium
  - ♦ Securing a 10 - 44% savings on negotiated contracts for established hardware standard products
  - ♦ Reducing the number of agency exception requests as compared to the number of agency hardware purchases using established standards and contracts

⇒ Establish enterprise software license agreements to reduce cost by:
  - ♦ Leveraging major software manufacturers licensing fees through aggregation of state and local government demand
  - ♦ Reducing the number of agency exception requests as compared to the number of agency software license purchases using established standards and contracts

⇒ Establish enterprise IT professional services to reduce cost by:
  - ♦ Leveraging the commonly used professional services fees through aggregation of state and local government demand

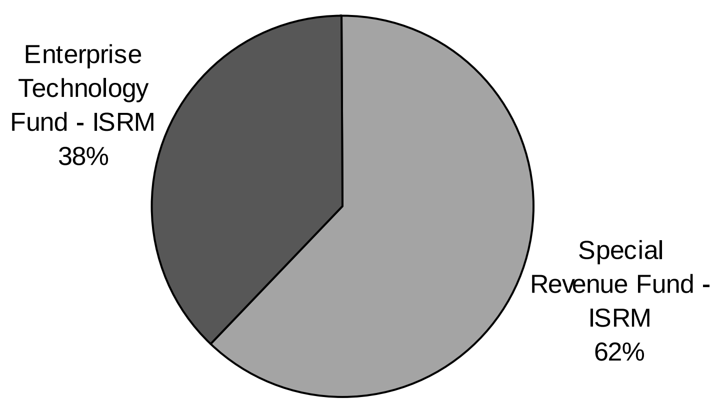
- Providing a clearinghouse to organize and quickly obtain professional IT services for state and local government

Program Funding

The goal for ISRM is to be self-sustaining. ISRM is funded by the enterprise technology fund through an interagency contract with Department of Administration (Admin) for a portion of vendor administrative fees collected on IT purchases. Also, funding comes from the information / telecommunication technology systems and services special revenue account, which captures savings generated through IT acquisitions, utility services consolidations, and other means for reinvestment in IT systems and services with broad enterprise benefit. Until this program is self-sufficient and long term savings are realized, general fund dollars may be used to augment these efforts.

Below is a pie chart showing FY2007 estimated revenue.

ISRM FY 2007 Revenue Budget



In FY2007, ISRM has approximately six FTEs, of which 45% are funded by the enterprise technology fund through the interagency agreement with Admin and 55% are funded by the information / telecommunications technology systems and services account.

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	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Expenditures by Fund					
Statutory Appropriations					
Misc Special Revenue	0	1,000	500	500	1,000
Enterprise Technology Fund	0	600	1,100	1,100	2,200
Total	**0**	**1,600**	**1,600**	**1,600**	**3,200**
Expenditures by Category					
Total Compensation	0	522	822	851	1,673
Other Operating Expenses	0	1,078	778	749	1,527
Total	**0**	**1,600**	**1,600**	**1,600**	**3,200**
Expenditures by Activity					
Isrm	0	1,600	1,600	1,600	3,200
Total	**0**	**1,600**	**1,600**	**1,600**	**3,200**
Full-Time Equivalents (FTE)	**0.0**	**6.0**	**8.8**	**8.8**	

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$42	$84	$84	$84
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$42	$84	$84	$84

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund-supported personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

ENTERPRISE TECHNOLOGY OFFICE

Internal Service Fund
Financial Statement

(DOLLARS IN THOUSANDS)

Budget Activity Summary	ACTUAL FY 2006	PROJECTED FY 2007	PROJECTED FY 2008	PROJECTED FY 2009
	Operations Data			
OPERATING REVENUES:				
NET SALES	75,859.2	82,283.0	84,925.0	86,514.0
LESS: COST OF SALES				
GROSS PROFIT ON SALES	75,859.2	82,283.0	84,925.0	86,514.0
OTHER REVENUE	16.9	20.0	18.0	18.0
NET REVENUES	**75,876.1**	**82,303.0**	**84,943.0**	**86,532.0**
LESS: OPERATING EXPENSES:				
SALARIES	24,354.8	28,344.0	29,739.0	31,013.0
SUPPLIES & EXPENSES	42,747.4	47,888.0	48,795.0	49,110.0
INDIRECT COSTS	719.3	719.0	719.0	719.0
AMORTIZATION & DEPRECIATION	4,477.5	7,867.0	5,680.0	5,680.0
TOTAL OPERATING EXPENSES	**72,299.0**	**84,818.0**	**84,933.0**	**86,522.0**
OPERATING INCOME (LOSS)	**3,577.0**	**(2,515.0)**	**10.0**	**10.0**
NON-OPERATING REVENUES (EXPENSES)	159.5	(10.0)	(10.0)	(10.0)
UNUSUAL ITEM	0.0	0.0	0.0	0.0
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	3,736.5	(2,525.0)	0.0	0.0
CAPITAL CONTRIBUTION	0.0	0.0	0.0	0.0
CHANGE IN NET ASSETS	3,736.5	(2,525.0)	0.0	0.0
BEGINNING RETAINED EARNINGS	14,007.2	16,896.0	14,371.0	14,371.0
ADJUSTMENT TO NET ASSETS	(847.7)	0.0	0.0	0.0
CHANGE IN ACCOUNTING PRINCIPLE		0.0	0.0	0.0
ENDING RETAINED EARNINGS	16,896.0	14,371.0	14,371.0	14,371.0
RATE INCREASE/(DECREASE):				
OET WEIGHTED OVERALL	3.04%	2.71%	3.50%	3.44%
FTE	279.4	325.1	328.1	328.1

	FY 2008	FY 2009
Expenditure Reconciliation to BBS		
Operating Expenses	84,933.0	86,522.0
Less amortization & depreciation (non cash)	(5,680.0)	(5,680.0)
Plus interest expenses from Non-operating revenue/expenses	(10.0)	(10.0)
Plus capital asset purchases, prepaids and master lease payments	5,980.0	5,980.0
Total cash payments	85,223.0	86,812.0
BBS Amounts - Financing by Fund (970)		
Computing Services	41,710	42,574
Telecomm Services	38,489	39,089
Enterprise IT Security	2,261	2,324
Information Standards & Resource Management	1,100	1,100
Enterprise Application Development	1,663	1,725
Total BBS payments	85,223	86,812
Receipt Reconciliation to BBS		
Net Revenues	84,925.0	86,514.0
Plus Interest revenue from Non-operating revenue/expenses	280.0	280.0
Other Revenue	18.0	18.0
Total cash receipts	85,223.0	86,812.0
BBS Amounts - Revenue Collected		
Computing Services	43,288	44,201
Telecomm Services	38,489	39,089
Enterprise IT Security	744	768
Information Standards & Resource Management	1,100	1,100
Enterprise Application Development	1,602	1,654
Total BBS receipts	85,223	86,812

ENTERPRISE TECHNOLOGY OFFICE

Internal Service Fund
Financial Statement

	Financial Data ACTUAL FY 2006	PROJECTED FY 2007
ASSETS:		
CURRENT ASSETS:		
CASH	10,703.0	10,186.3
OTHER CURRENT ASSETS	11,765.7	11,015.7
TOTAL CURRENT ASSETS	**22,468.7**	**21,202.0**
NON-CURRENT ASSETS:	8,796.0	10,124.2
TOTAL ASSETS	**31,264.7**	**31,326.2**
LIABILITIES & FUND EQUITY:		
LIABILITIES:		
CURRENT LIABILITIES:		
DUE GENERAL FUND - CURRENT	0.0	0.0
MASTER LEASE - CURRENT	2,719.2	3,100.3
OTHER CURRENT LIABILITIES	3,461.8	3,500.0
TOTAL CURRENT LIABILITIES	**6,181.0**	**6,600.3**
NON-CURRENT LIABILITIES:		
DUE GENERAL FUND - NON-CURRENT	0.0	0.0
MASTER LEASE - NON-CURRENT	3,027.0	4,774.5
OTHER NON-CURRENT LIABILITIES	2,570.5	2,990.2
TOTAL NON-CURRENT LIABILITIES	**5,597.5**	**7,764.7**
TOTAL LIABILITIES	**11,778.5**	**14,365.0**
FUND EQUITY:		
CONTRIBUTED CAPITAL-GENERAL FUND	2,590.2	2,590.2
RETAINED EARNINGS	16,896.0	14,371.0
TOTAL FUND EQUITY	**19,486.2**	**16,961.2**
TOTAL LIABILITIES & FUND EQUITY	**31,264.7**	**31,326.2**

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
					Dollars in Thousands
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Departmental Earnings (Inter-Agency):					
Misc Special Revenue	0	460	500	500	1,000
Enterprise Technology Fund	71,881	82,303	84,943	86,532	171,475
Grants:					
Federal	450	300	0	0	0
Other Revenues:					
Enterprise Technology Fund	318	280	280	280	560
Total Dedicated Receipts	**72,649**	**83,343**	**85,723**	**87,312**	**173,035**
Agency Total Revenue	**72,649**	**83,343**	**85,723**	**87,312**	**173,035**

➲ Designates that this item is a change item

Agency Purpose

The mission of Explore Minnesota Tourism (EMT) is to promote and facilitate increased travel to and within the state of Minnesota by increasing nonresident travel, stimulating travel instate by Minnesota residents and sustaining and growing travel related sales.

EMT markets Minnesota in North America and internationally as a travel destination to consumers, tour operators, group tours and travel agents, promotes coverage of Minnesota by domestic and international travel media, and initiates, develops, and coordinates activity with travel industry buyers and sellers. EMT leverages its resources by generating over $4 million in cash and in-kind partnerships. The match includes corporate marketing partnerships, publishing partnerships, advertising revenue, marketing program fees and partnership grant matches.

Effective July 2004, EMT was repositioned from a division within the Department of Employment and Economic Development to a separate state agency. This change was the result of legislation passed at the urging of the Minnesota tourism industry. The Explore Minnesota Tourism Council was created. Members are appointed by the governor and represent various sectors of the tourism industry. Statutory authority for EMT resides at M.S. 116U.05.

At A Glance

- Leisure and hospitality in Minnesota generates over $10 billion in gross sales annually.
- State sales tax revenue from tourism contributes $600 million annually to the General Fund.
- The leisure and hospitality industry provides over 235,000 jobs throughout the state of Minnesota. It is expected to grow by 19.1% from 2002 through 2012.
- Every dollar invested in tourism marketing provides a return of investment of $4.60 in new state and local taxes, $20.40 in wages, and $53.00 in gross sales.
- Each year Minnesota hosts more than 28 million visitors traveling to each region of the four regions of the state, northeast, north central/west, metro and southern

Core Functions

To fulfill its mission and achieve its strategic objectives, EMT is organized into four areas: Communications, Industry Relations, Marketing and Research, and Operations and Consumer Services.

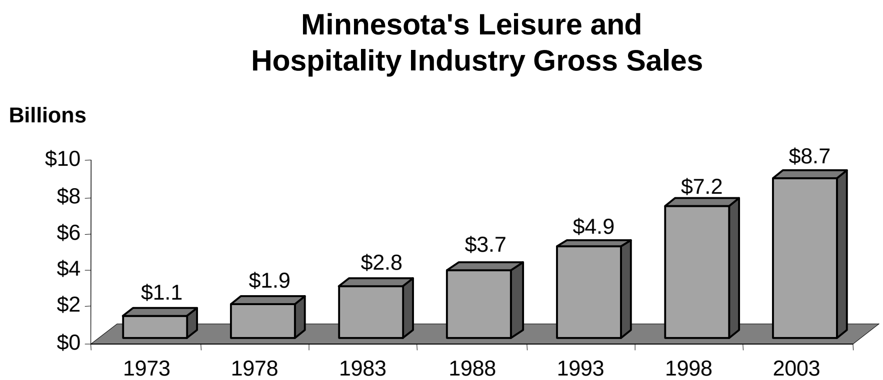
Communications: Media relations and publications are both key to Explore Minnesota Tourism marketing. Media relations programs generate positive media coverage of Minnesota travel opportunities and of the state's tourism industry. A large photo library provides the media with visual images of the state. A series of publications, many developed through publishing partnerships, promote Minnesota destinations and activities. This unit is also responsible for the comprehensive www.exploreminnesota.com web site and offers consumers a series of e-mail newsletters.

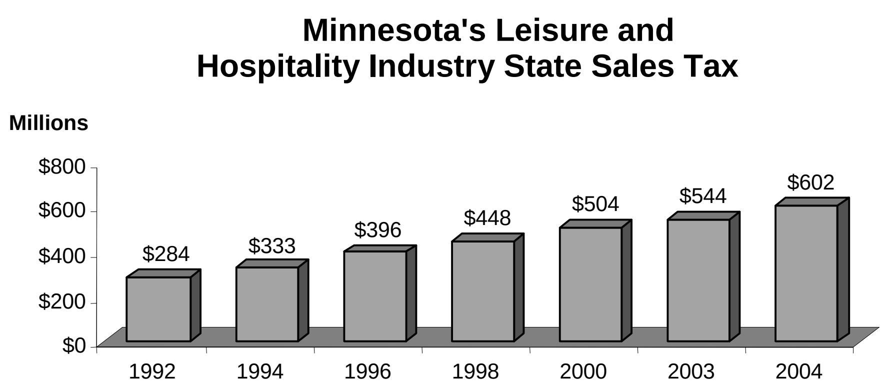
Marketing and Research: This area includes advertising and promotions directed to potential travelers, using print media, television and radio, direct mail and electronic marketing and special promotions. Marketing partnerships extend the reach of Explore Minnesota advertising. The primary markets in the U.S. are in the north central region. International markets include Canada, Japan, United Kingdom, Germany, and Scandinavia. This unit also markets Minnesota to group tour operators and has a packaged travel program. Research conducted in-house or provided by other sources, guides the development of marketing programs.

Industry Relations: This program area is responsible for facilitating two-way communication between EMT and the state's tourism industry. Regional staff located in Brainerd, Duluth, Mankato, and Thief River Falls as well as St. Paul provide community based marketing assistance. This unit facilitates interagency partnerships, develops educational programs and monitors public policy issues that may affect tourism in Minnesota. Grants are awarded to non-profit tourism organizations which maximize both state and local resources. All grants and marketing partnerships must meet established criteria and include matching fund requirements and performance measures.

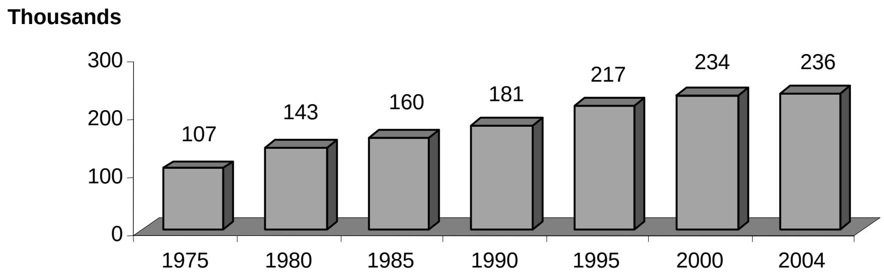
Operations and Consumer Services: This unit is responsible for management of administrative systems and financial and personnel functions office wide. Also provides travel information to travelers and prospective travelers. It handles customer inquiries via the phone, fax and internet in response to consumer advertising programs. Travel information is delivered person-to-person to visitors at highway travel information centers located throughout the state; four of these are operated by local tourism organizations in partnership with EMT. An extensive database maintained by this unit includes detailed information on approximately 2,400 accommodations, 2,100 attractions, and 2,500 events. The database is available to consumers through www.exploreminnesota.com and through Journey, the customized travel planning service.

Key Measures





Minnesota's Leisure and Hospitality Industry Employment - Jobs



Budget

Explore Minnesota Tourism has a General Fund budget of $9.7 million in FY07. Annual special revenue funds total approximately $1.0 million. Explore Minnesota Tourism staff consist of approximately 54 full time equivalents.

Contact

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	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	8,701	11,401	11,401	11,401	22,802
Recommended	**8,701**	**11,401**	**11,269**	**12,337**	**23,606**
Change		0	(132)	936	804
% Biennial Change from 2006-07					17.4%
Expenditures by Fund					
Direct Appropriations					
General	8,949	12,204	11,269	12,337	23,606
Statutory Appropriations					
Misc Special Revenue	1,260	1,733	1,078	1,078	2,156
Federal	278	255	255	255	510
Total	**10,487**	**14,192**	**12,602**	**13,670**	**26,272**
Expenditures by Category					
Total Compensation	3,079	3,376	3,521	3,669	7,190
Other Operating Expenses	6,271	8,039	7,374	8,169	15,543
Local Assistance	1,137	2,777	1,707	1,832	3,539
Total	**10,487**	**14,192**	**12,602**	**13,670**	**26,272**
Expenditures by Program					
Explore Minnesota Tourism	10,487	14,192	12,602	13,670	26,272
Total	**10,487**	**14,192**	**12,602**	**13,670**	**26,272**
Full-Time Equivalents (FTE)	**49.4**	**48.5**	**48.5**	**48.5**	

		Dollars in Thousands		
		Governor's Recomm.		Biennium
	FY2007	FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	**11,401**	**11,401**	**11,401**	**22,802**
Technical Adjustments				
One-time Appropriations		(1,700)	(1,700)	(3,400)
Subtotal - Forecast Base	**11,401**	**9,701**	**9,701**	**19,402**
Change Items				
Public Private Partnership	0	1,000	2,000	3,000
Snowbate Program	0	500	500	1,000
Compensation Adjustment	0	68	136	204
Total Governor's Recommendations	**11,401**	**11,269**	**12,337**	**23,606**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**1,733**	**1,078**	**1,078**	**2,156**
Total Governor's Recommendations	**1,733**	**1,078**	**1,078**	**2,156**
Fund: FEDERAL				
Planned Statutory Spending	**255**	**255**	**255**	**510**
Total Governor's Recommendations	**255**	**255**	**255**	**510**

Change Item: Public Private Partnership

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$1,000	$2,000	$2,000	$2,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$2,000	$2,000	$2,000

Recommendation
The Governor recommends $3 million in FY 2008-09, and $4 million in FY 2010-11 to increase marketing efforts for Minnesota tourism. One million each year is base level funding and one million in FY 2009 and beyond will be added to the private match incentive. Under this proposal, the current $4 million threshold match requirement will be eliminated, and each dollar of state incentive must be matched by three dollars of private sector funding. The private sector contribution may be in-kind, or "soft" match. The incentive increase in FY 2009 will be based on FY 2008 private sector contributions.

Background
Tourism contributes to Minnesota's economy by creating jobs, keeping taxes low and improving the quality of life. Tourism brings in more than $10 billion annually in sales and produces over $602 million in state taxes each year. It impacts all 87 counties, and is one of the state's largest industries, supporting over 236,000 leisure and hospitality jobs. Minnesota is ranked 29th in overall U.S. tourism budgets, just under the midpoint of all states.

Funds from this public private partnership would be used to increase advertising and electronic marketing, community based marketing grants, public and media relations, international and group travel marketing, and consumer services and operations.

This proposal was developed by a 28-person Explore Minnesota Tourism Council consisting of representatives of all aspects of the state's tourism industry. The Tourism Council is committed to increasing the private industry share of tourism spending to leverage these state dollars.

Relationship to Base Budget
Currently, the base budget is $8.7 million plus a $1 million incentive fund. This proposal would increase the base to $9.7 million, with an incentive of $2 million. For each incentive dollar earned, the private sector must match three dollars.

Use of Funds:

- Advertising and electronic marketing - $1.2 million
- Community-based marketing grants - $200,000
- International and group travel - $140,000
- Public/media relation - $140,000
- Consumer services, operations and industry relations - $320,000

Key Measures
This investment will generate $6 million each year in private sector match. With the addition of the incentive funds, total marketing efforts will increase to $8 million.

Statutory Change: None

Change Item: Snowbate Program

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	$500	$500	$500

Recommendation

The Governor recommends $1 million to Explore Minnesota Tourism for a grant to the Minnesota Film and TV Board for the Snowbate program.

Background

The Snowbate production incentive provides Minnesota with a proven tool for effectively competing with other states and countries that offer producer incentives designed to attract production business. States and countries that do not offer a production incentive cannot effectively vie for production activity, which generates jobs and stimulates production spending, having an immediate positive impact on the local area.

The Minnesota Film and Television Board's mission is to build and promote the moving image industry in Minnesota. Adoption of this change item will result in more jobs and production dollars being spent in Minnesota. We know this strategy works because its effectiveness was proven during the first Snowbate program, which ran from 1997 to 2002, and because of the very positive response we have had to the one-time Snowbate appropriation passed in the 2006 session.

Relationship to Base Budget

The current one-time appropriation is $1.7 million. Continuing $500,000 each year is significant. Producer response to the Snowbate program thus far has been strong, with applications estimated to quickly exceed the amount available. The MFTVB considers this a strong indicator that this incentive is an effective economic development tool for the state.

Continuing the Snowbate appropriation will enable the MFTVB to increase the production dollars spent in our state to about $3.2 million each year. The direct result of this increase will be a proportional increase in production jobs and expenditures in Minnesota.

Key Measures

The two key performance measures for Snowbate are the number of production jobs created and the total production dollars spent in Minnesota by producers who participated in the initiative.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$68	$136	$136	$136
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$68	$136	$136	$136

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

	Dollars in Thousands				
	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	1,118	930	1,034	1,034	2,068
Grants:					
Federal	278	255	255	255	510
Other Revenues:					
Misc Special Revenue	44	27	27	27	54
Other Sources:					
Misc Special Revenue	0	0	17	17	34
Total Dedicated Receipts	**1,440**	**1,212**	**1,333**	**1,333**	**2,666**
Agency Total Revenue	**1,440**	**1,212**	**1,333**	**1,333**	**2,666**

➲ Designates that this item is a change item

State of Minnesota
Department of Finance

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January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Finance budget recommendation for the FY 2008-09 budget. This budget consists of $37.7 million from the state's general fund, a 26% change from FY 2006-07.

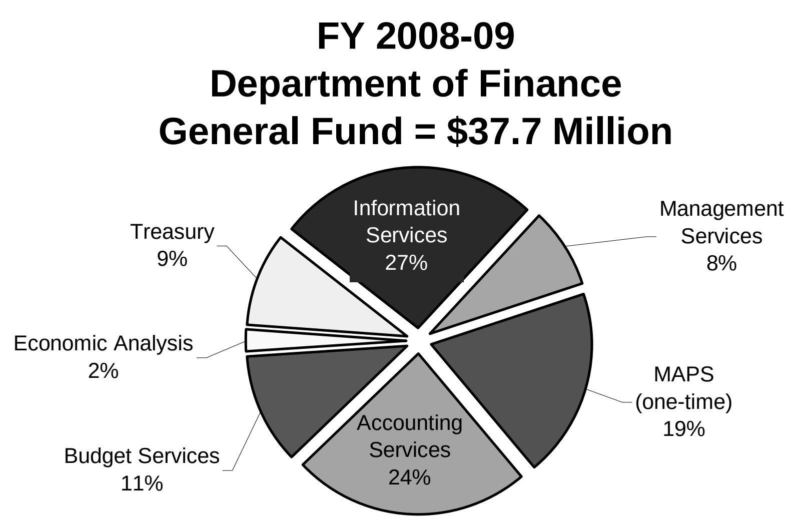
Recommended change items are explained below:

- $315,000 Bankruptcy Counsel
- $782,000 Compensation Adjustment
- $7.0 million MAPS risk mitigation and replacement planning

In FY 2007, $325,000 was appropriated for legal counsel to protect the state's interests in the Northwest Airlines bankruptcy proceedings. Much of this appropriation will not be spent in FY 2007 and cancel back to the general fund due to delays in the proceedings. A change item is included to reinstate $315,000 of that amount for this same purpose in FY 2008 as proceedings continue into the next fiscal year.

Our 2008-09 spending plans will manage total compensation costs within the recommended increase through position and vacancy management. We continue to plan for 3% compensation savings from vacant positions due to natural turnover. While the department has managed this vacancy level successfully in the past, it is an aggressive target under current conditions. The $782,000 Compensation Adjustment will enable the department to maintain most of its value-added activities that would have to be eliminated without an adjustment.

Also recommended is a change item for $7 million for the FY 2008-09 biennium to manage risk and continue planning for the replacement of the aging statewide accounting and procurement systems (MAPS). The existing systems are mainframe-based applications originally installed in 1994 that have been heavily customized and are approaching technical obsolescence. The systems lag behind advances in information technology and are growing increasingly incompatible with the state's newer systems and with best practices in information management. This initiative provides resources to manage system risks and complete planning for system replacement.



It is also recommended that the statewide administrative systems billing authority be continued in the amount of $13.7 million. Billing authority provides the resources for some of the operating costs of the statewide administrative systems, primarily Office of Enterprise Technology computer processing and storage costs. This special revenue is a pass-through, with the Department of Finance receiving funds from user agencies and disbursing funds to resource providers.

As the graphic on the previous page indicates, our primary general fund activities fall into six major areas: accounting, budgeting, economic analysis, treasury, information services and management services, plus a one-time appropriation for MAPS risk mitigation and replacement planning.

As we approach the upcoming biennium, we will continue to maintain our commitment to delivering quality services to state agencies and to the public, focusing on our dual missions of ensuring the integrity of state fiscal resources and supporting and challenging state decision makers to constantly increase the value per dollar of services provided to Minnesotans. We look forward to working with the legislature to maintain our efforts on the essential activities required for sound financial management of the state.

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	14,808	15,133	15,133	15,133	30,266
Recommended	**14,808**	**15,133**	**20,382**	**17,331**	**37,713**
Change		0	5,249	2,198	7,447
% Biennial Change from 2006-07					26%
Expenditures by Fund					
Direct Appropriations					
General	14,546	17,016	20,382	17,331	37,713
Statutory Appropriations					
General	207	207	0	0	0
Misc Special Revenue	6,123	7,604	6,853	6,853	13,706
Total	**20,876**	**24,827**	**27,235**	**24,184**	**51,419**
Expenditures by Category					
Total Compensation	12,177	12,949	13,205	13,434	26,639
Other Operating Expenses	8,699	11,878	14,237	10,957	25,194
Transfers	0	0	(207)	(207)	(414)
Total	**20,876**	**24,827**	**27,235**	**24,184**	**51,419**
Expenditures by Program					
State-Financial Management	7,941	10,262	8,912	8,752	17,664
Information & Mgmt Services	12,935	14,565	18,323	15,432	33,755
Total	**20,876**	**24,827**	**27,235**	**24,184**	**51,419**
Full-Time Equivalents (FTE)	**146.3**	**149.7**	**147.9**	**147.9**	

		Dollars in Thousands		
		Governor's Recomm.		**Biennium**
	FY2007	**FY2008**	**FY2009**	**2008-09**
Fund: GENERAL				
FY 2007 Appropriations	**15,133**	**15,133**	**15,133**	**30,266**
Technical Adjustments				
One-time Appropriations		(325)	(325)	(650)
Subtotal - Forecast Base	**15,133**	**14,808**	**14,808**	**29,616**
Change Items				
Bankruptcy Counsel	0	315	0	315
MAPS Risk Mitigation and Replace Plan	0	5,000	2,000	7,000
Compensation Adjustment	0	259	523	782
Total Governor's Recommendations	**15,133**	**20,382**	**17,331**	**37,713**
Fund: GENERAL				
Planned Statutory Spending	**207**	**0**	**0**	**0**
Total Governor's Recommendations	**207**	**0**	**0**	**0**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**7,604**	**6,853**	**6,853**	**13,706**
Total Governor's Recommendations	**7,604**	**6,853**	**6,853**	**13,706**

Agency Purpose

Minnesota statutes provide the Department of Finance with responsibility for “managing the financial affairs of the state.” Given this charge, the mission of the department is twofold: to ensure the integrity of state fiscal resources, and to support and challenge state decision-makers to constantly increase the value per dollar of services provided to Minnesotans.

The following objectives span all department activities:
- ensure the integrity of the state's financial resources;
- provide statewide governmental financial management leadership;
- accurately present the state’s financial condition;
- facilitate informed decision making; and
- improve accountability and promote the prudent use of state resources.

At A Glance

Annual Business Processes:
- Provides accounting and budget management for the state’s $51 billion two-year budget including the $30.5 billion General Fund
- Provides financial direction and control to 130 state agencies
- Pays 50,000 employees bi-weekly
- Manages 133 separate state fund classes through 5,100 separate accounts
- Conducts 4.5 million expenditure transactions
- Processes 1.3 million cash deposits
- Issues 1.3 million payments
- Processes 330,000 purchase orders
- Conducts two bond sales annually, with about $3.7 billion in outstanding general obligation debt
- Manages financial transactions totaling $344 billion including investment and reinvestment activity

Core Functions

The Department of Finance provides central statewide direction to financial management processes. This direction ensures adherence to standards, continuity, legal compliance, and financial integrity. Core functions support the policy making process and the financial management of state government. Core functions are:
- managing state financial processes and systems;
- providing historical and projected financial and program information; and
- providing financial analysis.

The results of these core functions are:
- financial and analytical information that is consistent, accurate, reliable, and useful;
- financial business processes that are cost effective and flexible;
- financial and program information that are accessible to managers and the public; and
- state employees that are trained and informed in state financial business practices.

Operations

State employees, vendors, individuals, financial institutions, school districts, and local governments receive payments through the accounting, payroll, procurement, and human resources business processes and systems managed for daily operations. The department also manages systems and processes for the biennial budget, capital budget, fiscal notes, annual spending plans, and performance reporting.

Economic Analysis prepares the financial forecasts that identify projected state revenues and expenditures based on current law for the current biennium and future biennia.

Budget Services coordinates the production of the governor’s operating and capital budgets and assists legislative committees in their deliberations. It also prepares reports, coordinates fiscal notes, and advises agencies.

Accounting Services helps agencies manage their financial activities, administers the accounting and payroll systems, and reports on the state’s financial condition.

Treasury performs a variety of daily treasury and cash management functions, establishes banking services for state agencies, accesses the capital markets to provide financing for capital projects and equipment, and administers the state’s tax exempt bonding allocation law.

Information Services provides technical support for the state's administrative information systems, which include the accounting and procurement system, the payroll and human resources system and the information access system. It also provides technical support for the budget information systems, treasury investment application and the agency's computer network and infrastructure.

Management Services provides human resources and administrative support for the department and includes the agency leadership and staff in the Commissioner's Office.

Budget

The department's FY 2008-09 biennial budget is approximately $44 million. Department staff includes approximately 147 full-time as of July 2006.

Of the total budget for the biennium, 69% comes from General Fund dollars. Another 31% is collected from state agencies through statutory billing authority based on the volume of transactions generated in the accounting and payroll systems.

Contact

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World Wide Web Home Page:
http://www.finance.state.mn.us/

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/

Program Description

The State Financial Management program provides the direct financial management services to support state operations. Operations include accounting, budget, economic analysis, financial reporting and analysis, payroll and treasury.

Program at a Glance

- ♦ Prepares governor's operating and capital budgets.
- ♦ Produces two forecasts annually.
- ♦ Issues state general obligation debt.
- ♦ Provides direction and control of statewide accounting and payroll functions.
- ♦ Prepares Minnesota's financial statements and Federal Compliance Report.
- ♦ Performs cash management and investment activity.

Population Served

The Statewide Financial Management program provides services to state agencies, the governor and executive branch management, the legislature and its staff, governmental and non-governmental organizations, financial institutions, the media, and the public.

State employees, vendors, individuals, financial institutions, school districts, and local units of government receive payments through the statewide accounting, procurement, and payroll systems.

Services Provided

Accounting Services:

- ♦ sets statewide accounting and payroll policies and procedures;
- ♦ directs and maintains integrity of the accounting and payroll systems;
- ♦ provides training and assistance to agencies on the state's financial systems;
- ♦ works with agencies to ensure the findings of the Office of the Legislative Auditor's reports are adequately cleared in a timely manner;
- ♦ produces the state's Comprehensive Annual Financial Report (CAFR); and
- ♦ coordinates state agency Accounts Receivable.

Budget Services:

- ♦ manages the state budget process;
- ♦ prepares and submits the governor's operating and capital budgets;
- ♦ coordinates financial forecasts and agency expenditure forecasts;
- ♦ develops financial reports, analysis, and budget planning projections;
- ♦ provides oversight and monitoring of budget implementation to agencies; and
- ♦ provides financial information and analysis of state spending to the governor and legislature.

Economic Analysis:

- ♦ prepares Minnesota's economic outlook and forecasts major revenues (income, sales, motor vehicle sales, corporate income).

Treasury:

- ♦ manages the state's electronic government services internet financial applications;
- ♦ verifies agency deposits, warrants issued, electronic payments and collections, and state investments by the State Board of Investment;
- ♦ determines daily the state's cash position to maximize earnings on state cash;
- ♦ administers the state's tax exempt bonding allocation law;
- ♦ establishes all state depository bank accounts;
- ♦ manages actual sale of state general obligation bonds to finance capital projects; and
- ♦ manages the state's debt policies and provides debt capacity forecasting.

Historical Perspective

These functions have existed since the agency was created in 1973 to consolidate and modernize the financial management functions of state government. By statute, the commissioner is the state's controller, treasurer, and chief accounting and financial officer. The commissioner fulfills statutory responsibility for the state's accounting, payroll, financial reporting, budgeting, forecasting, and treasury functions through the State Financial Management program.

The program remained relatively unchanged until the mid 1990s when the major statewide administrative systems were replaced. At that time, staffing increased to manage the more complex systems. The operations of the State Treasurer were transferred to the commissioner of Finance on January 6, 2003.

This program is fully funded by a General Fund direct appropriation. Compensation costs represent 86% of program expenditures, supporting approximately 90 full-time in 2006. Increasing compensation costs are attributed to contract settlements and health insurance increases.

Key Measures

Respected organizations say that the state is fiscally well managed.

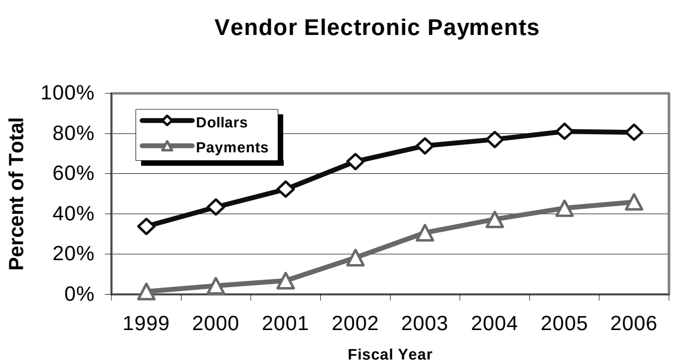
⇒ Continue to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The department has received this award annually for the last 20 years.
⇒ Unqualified audit opinion from the Legislative Auditor for the past 21 years.
⇒ State bonds rated Aa1 by Moody's (the second highest possible) and AAA by Standard & Poor's and Fitch.
⇒ State financial management rated A- by *Governing Magazine* (February 2005).
⇒ State capital management rated B by *Governing Magazine* (February 2005).

Sell state bonds at or below market index rates:

	Oct. 2001	June 2002	Nov. 2002	Aug. 2003	Aug. 2004	Nov. 2004	Oct. 2005	Aug. 2006
Index Rate	4.29%	4.02%	4.19	3.88	4.08	3.54	3.83	4.23
Actual Rate	4.24%	3.95%	4.25	3.89	3.90	3.40	3.74	4.21
Variance	0.05%	0.07%	(0.06)%	(0.01)%	0.18%	0.14%	0.09%	0.02%

Target is the Index Rate.

Percent of vendor payments made electronically:



FY2007 target is 84%.

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For additional information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	8,447	8,772	8,772	8,772	17,544
Technical Adjustments					
One-time Appropriations			(325)	(325)	(650)
Subtotal - Forecast Base	8,447	8,772	8,447	8,447	16,894
Governor's Recommendations					
Bankruptcy Counsel		0	315	0	315
Compensation Adjustment		0	150	305	455
Total	**8,447**	**8,772**	**8,912**	**8,752**	**17,664**
Expenditures by Fund					
Direct Appropriations					
General	7,734	10,055	8,912	8,752	17,664
Statutory Appropriations					
General	207	207	0	0	0
Total	**7,941**	**10,262**	**8,912**	**8,752**	**17,664**
Expenditures by Category					
Total Compensation	6,902	7,402	7,689	7,836	15,525
Other Operating Expenses	1,039	2,860	1,430	1,123	2,553
Transfers	0	0	(207)	(207)	(414)
Total	**7,941**	**10,262**	**8,912**	**8,752**	**17,664**
Expenditures by Activity					
State-Financial Management	7,941	10,262	8,912	8,752	17,664
Total	**7,941**	**10,262**	**8,912**	**8,752**	**17,664**
Full-Time Equivalents (FTE)	**89.3**	**94.5**	**92.7**	**92.7**	

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$315	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$315	$0	$0	$0

Recommendation
The Governor recommends the continuation of a FY 2007 appropriation for a special attorney appointment to represent state interests in Northwest Airlines, Incorporated Chapter 11 bankruptcy proceedings.

Background
Northwest Airlines, Inc. (NAI) has filed a petition in the Bankruptcy Court for the Southern District of New York, seeking protection under Chapter 11 of the Bankruptcy Code. The Attorney General has determined that it is appropriate in the protection and assertion of the interests of the state in the NAI Bankruptcy Action to employ special counsel officed within New York City. The Department of Finance, Department of Revenue and the Iron Range Resources and Rehabilitation Board all have financial interests and claims in the NAI Bankruptcy action; the Department of Finance is the fiscal agent of these state agencies.

The state has $35,815,000 of general obligation bonds outstanding that were issued to build the Duluth Maintenance Facility. Of this total amount of bonds outstanding, $20,610,000 are scheduled to be paid by Northwest Airlines lease payments and $15,205,000 by the city of Duluth. The obligation is secured by collateral recently valued at $46.8 million.

$175,000 was committed from enacted appropriations to pay FY 2006 bankruptcy counsel expenses. Of this amount, the Department of Finance contributed $100,000, the Department of Revenue, $25,000, and IRRRB, $50,000. The Department of Finance received a $325,000 budget supplement in the 2006 legislative session for additional bankruptcy counsel expenses expected in FY 2007. Approximately $188,100 has been spent so far on the bankruptcy counsel.

Northwest Airlines has not rejected or accepted the lease for the Maintenance Facility in the bankruptcy court. The deadline for rejecting or accepting leases has been extended several times and is now 5-15-07. Significant bankruptcy counsel time is expected to be needed should Northwest reject the lease for the Maintenance Facility and also when Northwest has a plan for emerging from bankruptcy. That may happen in FY 2008. Bankruptcy counsel will be protecting the interests of the state in the bankruptcy process.

Relationship to Base Budget
This is a one time appropriation.

Key Measures
Protecting state interests in Northwest Airlines, Inc. bankruptcy proceedings supports DOF goals of ensuring the integrity of the state's financial resources and improving accountability and the prudent use of state resources. The Department of Finance is working with the Attorney General and the bankruptcy counsel to prevent state taxpayers from having to pay the debt service on the outstanding bonds.

Statutory Change: The commissioner of Finance is also seeking legislative changes to M.S. 116R.

Program Description

The Information and Management Services program consists of the commissioner's office and administrative services, which provides technical staff responsible for the design, maintenance, and operation of the statewide administrative systems, statewide budget systems, treasury investment system, computer network, and web services. This program is also responsible for human resources, accounting, budget, and general support.

Program at a Glance

- ♦ Provides services and support to over 6,000 Statewide Administrative Systems users at 130 state agencies.
- ♦ Manages the department's web site. An average of 450,000 pages are viewed per month.
- ♦ Provides a secure computer environment for Statewide Administrative Systems applications and the department's internal computer environment.
- ♦ Responsible for internal agency operations, including human resources, accounting, budget, and general support.

Population Served

The information management and analysis functions provide information to state agencies, the governor and executive branch management, the legislature and its staff, governmental and non-governmental organizations, the media, and the public.

State employees, vendors, individuals, school districts, and local governments receive payments through the accounting, payroll, procurement, and human resources information systems.

Services Provided

- ⇒ Manages the computer software applications that provide the state's accounting and procurement functions (MAPS), human resources and payroll processes (SEMA4), statewide budget planning (BIS), and treasury investment functions.
- ⇒ Manages the state's information access (IA) data warehouse that provides access to detailed statewide accounting, procurement, payroll, and human resources data used by agencies for operations, analysis, and reporting.
- ⇒ Manages the Department of Finance's computer network, infrastructure, security, desktop computers, and web services.
- ⇒ Manages the internal accounting, payroll, human resources, clerical support services, and office management for the department.

Historical Perspective

The program has been and will continue to be engaged in keeping statewide systems secure and technologically current while providing ongoing improvements and additional electronic government services.

The Statewide Administrative Systems (MAPS, SEMA4, and IA Data Warehouse) were fully implemented in 1995. The systems support statewide processing of accounting, procurement, payroll and human resource transactions, and provide ad hoc reporting capability.

A MAPS upgrade completed in November 1998 moved MAPS to a Year 2000-compliant version of the software. Since then, additional functionality has been added for an Enterprise Management Reporting System (EMRS), Electronic Funds Transfer (EFT) and MAPS Vendor Payments web site. The system is in the declining stage of its life cycle and a formal requirements analysis project has begun to determine options for replacing it. This analysis will be completed by December 2006.

A SEMA4 technical upgrade project (version 7.5) was completed in March 2001. A second upgrade project (version 8.3) was completed in April 2003. This project upgraded the statewide SEMA4 HR and Payroll application to a web based version, reduced the amount of customizations made to the base product, added the benefits administration application and included an online Paycheck/Advice system and other employee self service functionality. The projects were completed on time and within budget and were funded in 1999 through a four-year legislative appropriation in the amount of $6.839 million. In early 2006 a project began to move SEMA4 from a mainframe environment to a windows platform to reduce costs and ensure continued support from the vendor. The Office of Enterprise Technology (OET) will continue to provide IT services to support this system.

The data warehouse is the state repository for current and historical data from MAPS and SEMA4, and it provides agencies with both ad hoc and operational reporting capabilities. Since 1995 use of the data warehouse has grown significantly to 1,260 users in 2006. Due to increased customer use and requests for additional data, the warehouse platform was upgraded in 1999 and 2003. The warehouse will continue to play a key role in delivery of information to its wide customer base.

The program also provides application development and support for the budget systems (Capital Budget, Biennial Budget, and Fiscal Note Tracking) and Treasury Investment application.

The department continues to focus on security of its computer network infrastructure protecting internal resources and statewide systems. In 2004, the Treasury systems were integrated into the secured network.

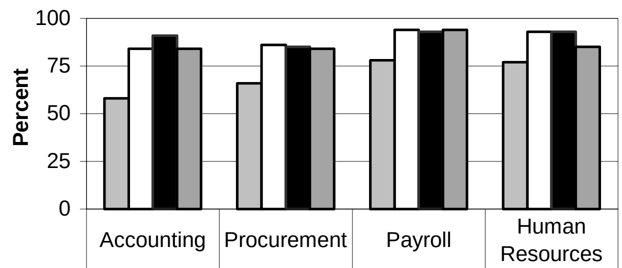
Program funding is 48% General Fund and 52% special revenue from statewide administrative systems billings. Compensation costs represent 85% of General Fund expenditures, supporting approximately 57 full-time.

Key Measures

⇒ Percentage of users "Satisfied" or "Very Satisfied" with the statewide administrative systems.

Targets are all 85%

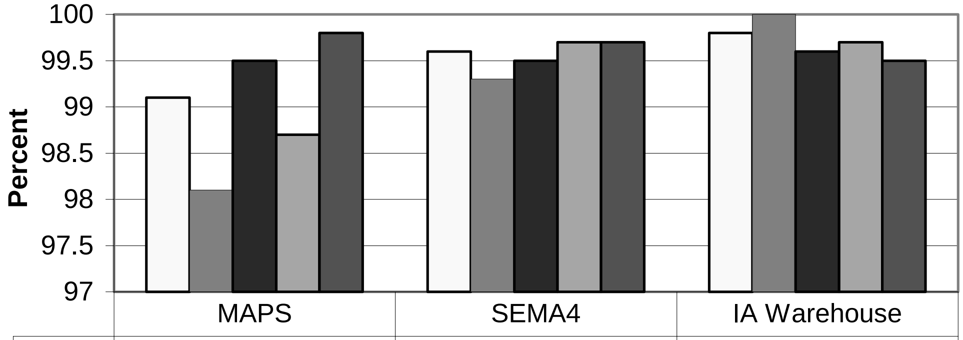
Percentage of users "Satisfied" or "Very Satisfied" with the statewide administrative systems.



	Accounting	Procurement	Payroll	Human Resources
1998	58	66	78	77
1999	84	86	94	93
2002	91	85	93	93
2004	84	84	94	85

User Survey Note: To enable us to make comparisons to earlier surveys, we found it necessary to recalculate percentages by removing the uncertain/no change figures, as they were not an option in the 1999 survey.

Percentage of Scheduled Time
That Systems are Available.



	MAPS	SEMA4	IA Warehouse
2002	99.1	99.6	99.8
2003	98.1	99.3	100
2004	99.5	99.5	99.6
2005	98.7	99.7	99.7
2006	99.8	99.7	99.5

⇒ Percentage of scheduled time that systems are available target is 98.5%.

For more information: http://www.finance.state.mn.us/agencyapps/systemssurvey/results/.

For additional information on how this agency measures whether it is meeting its statewide goals, please refer to http://departmentresults.state.mn.us/

Contact

Department of Finance
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

World Wide Web Home Page: http://www.finance.state.mn.us/

FINANCE DEPT

Program: INFORMATION & MGMT SERVICES

Program Summary

Dollars in Thousands

	Current FY2006	Current FY2007	Governor Recomm. FY2008	Governor Recomm. FY2009	Biennium 2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	6,361	6,361	6,361	6,361	12,722
Subtotal - Forecast Base	6,361	6,361	6,361	6,361	12,722
Governor's Recommendations					
MAPS Risk Mitigation and Replace Plan		0	5,000	2,000	7,000
Compensation Adjustment		0	109	218	327
Total	**6,361**	**6,361**	**11,470**	**8,579**	**20,049**
Expenditures by Fund					
Direct Appropriations					
General	6,812	6,961	11,470	8,579	20,049
Statutory Appropriations					
Misc Special Revenue	6,123	7,604	6,853	6,853	13,706
Total	**12,935**	**14,565**	**18,323**	**15,432**	**33,755**
Expenditures by Category					
Total Compensation	5,275	5,547	5,516	5,598	11,114
Other Operating Expenses	7,660	9,018	12,807	9,834	22,641
Total	**12,935**	**14,565**	**18,323**	**15,432**	**33,755**
Expenditures by Activity					
Information & Mgmt Services	12,935	14,565	18,323	15,432	33,755
Total	**12,935**	**14,565**	**18,323**	**15,432**	**33,755**
Full-Time Equivalents (FTE)	**57.0**	**55.2**	**55.2**	**55.2**	

Change Item: MAPS Risk Mitigation and Replacement Planning

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$5,000	$2,000	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5,000	$2,000	$0	$0

Recommendation

The Governor recommends funding for risk mitigation of the state's accounting and procurement systems, collectively referred to as MAPS and for continued planning work for the system's eventual replacement.

The 2008-09 biennium cost to develop and implement the risk mitigation strategy is estimated at $7.0 million. This cost includes one-time costs and two years of recurring annual costs to move MAPS to its own mainframe. It also includes $500,000 for finalizing the outstanding activities that are required to prepare for the system acquisition and implementation.

Background

The state's accounting and procurement systems are essential tools for managing the state's budget. They enable the state to process 1.3 million payments and 300,000 purchases each year. Currently over 2,500 agency personnel from over 130 agencies are authorized to use these systems. For FY 2006, approximately 22 million transactions were entered in the systems resulting in expenditures of $30.6 billion and revenues of $33.2 billion for all funds.

The existing systems are legacy mainframe-based applications originally installed in 1994. They have been heavily customized and are approaching technical obsolescence. The last vendor upgrade was in 1998 to handle Y2K. The systems lag behind advances in information technology and are growing increasingly incompatible with the state's newer systems and with best practices in information management.

Research was conducted on other states that have recently implemented new financial management systems or are in the process of implementation. In addition to this research a number of alternative approaches were considered. The analysis showed that the best approach for the state of Minnesota is to replace the components of the existing system with commercially available, broadly supported software. This approach will encourage implementation of "best practices" inherent in the software design, realizing process improvements without the need to extensively modify the system. This approach will reduce the cost of implementation by avoiding excessive modifications or creating workarounds, and it will provide the state with the ability to maintain an upgrade path that will keep the application current for newly available functionality or evolving technical requirements.

A procurement strategy for acquiring the application, hardware and implementation services is underway and an evaluation process for system selection will be completed in the coming months. In FY2008, activities to prepare for this upcoming major project will include continued monitoring of projects underway in other states, change management training and business process redesign. A request for system replacement is anticipated in a future budget request.

Relationship to Base Budget

The current funding level for the Department of Finance FY 2008-09 budget is $43.322 million, all funds, including $13.706 million special revenue funds that are used exclusively for statewide administrative systems.

Key Measures

Taking steps to minimize any interruptions to the operation of this critical system supports the DOF goal of maintaining and improving the operations of the state's financial management infrastructure by enhancing the reliability and functionality of statewide administrative systems.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	$0	$0	$0	$0	$0	$0
Supplies	0	0	0	0	0	0
Hardware	2,500	0	0	0	0	0
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	2,500	2,000	0	0	0	0
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$5,000**	**$2,000**	**$0**	**$0**	**$0**	**$0**

Alternatives Considered

In the event of a failure within the system the following alternatives will be implemented before moving the existing accounting and procurement applications to their own mainframe segment. These are low cost, short-term alternatives that require primary state staff resources. They should be considered short-term solutions that will only become less viable and more costly over time.

⇒ Adjust operating systems settings on mainframe so that OS upgrades function with MAPS software.
⇒ Adjust MAPS software so that it works with mainframe upgrades.
⇒ Put a hold on MAPS upgrades and maintain older versions of software.

Statutory Change: Not Applicable

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$259	$523	$523	$523
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$259	$523	$523	$523

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Agency Purpose

By statute, the Department of Finance manages several special statewide accounts that are not a part of its day-to-day operations. These responsibilities include the statutory requirement to receive the state's share of various monies collected by the counties and judicial districts as fees, fines, assessments and surcharges. As a group, these accounts are referred to as non-operating accounts. These accounts deal with a broad range of subjects, including local pensions, debt service, tort claims and general contingency accounts. The non-operating account also serves as a pass through for federal funding for payments in lieu of taxes to local units of government where national forests are located. In FY 2006 these payments totaled just over $4.3 million.

These accounts are not included in the agency wide financial summary presented earlier.

Core Functions

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session. With the approval of the governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget.

FUND	**FY 2005**		**FY 2006**		**FY 2007**
(Dollars in Thousands)	Appr	Spent	Appr	Spent	Orig Appr
General Fund (100)	0	89	500	24	0
State Government Misc. (170)	400	0	400	0	400
State Airports (220)	50	0	50	0	50
Trunk Highway (270)	200	0	200	0	200
Highway User Tax Distribution (280)	125	0	125	0	125
Workers Compensation (320)	100	0	100	0	100
Total All Funds	**875**	**89**	**1,375**	**24**	**875**

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in M.S. 3.736, subd. 7, "a state agency, including an entity defined as part of the state in Section 3.732, subd. 1, incurring a tort claim judgment or settlement obligation shall seek approval to make payment by submitting a written request to the commissioner of Finance. If the commissioner of Finance determines that the agency has sufficient money in its appropriation accounts, the claim will be paid from these accounts. Otherwise, the payment will be made from the appropriation made to the commissioner of Finance for tort claim payments. "

FUND	**FY 2005**		**FY 2006**		**FY 2007**
(Dollars in Thousands)	Appr	Spent	Appr	Spent	Orig Appr
General Fund (100)	161	0	161	0	161
Trunk Highway (270)	600	54	600	350	600
Total All Funds	**761**	**54**	**761**	**350**	**761**

Indirect Costs: Under M.S. 16A.127, state agency operating activities with non-General Funds (primarily federal) are obligated to prepare an agency wide cost allocation plan and submit it to their appropriate federal agency for approval. This plan must include agency indirect costs, which are administrative support costs that are not directly charged to a specific program. Agencies are required to reimburse the General Fund for any portion of these costs that were originally funded by the General Fund and that were used to support non-General Fund activities. In addition, these non-General Fund activities also rely on support from some of the centralized statewide systems financed by the General Fund. The non-General Fund activities must also reimburse the General Fund for these statewide indirect costs. The commissioner of Finance prepares a plan each year that identifies the sources and amounts of each agency's statewide indirect costs. The commissioner submits this plan to the appropriate federal agency for approval, and notifies the governor and legislature. The commissioner also records all of the agency and statewide indirect cost reimbursements to the General Fund.

Debt Service: This account pays principal and interest on general obligation long-term debt. On December 1 of each year, the commissioner of Finance must transfer to the Debt Service Fund an amount sufficient (with balance on hand and interest income) to pay all principal and interest on bonds due in the following 19 months. The Minnesota Constitution requires the state auditor to annually levy a statewide property tax sufficient to pay debt service through this 19-month period if sufficient funds are not available. Historically, the legislature has made specific debt service appropriations to the commissioner of Finance in order to eliminate the need for levying the statewide property tax. Debt service appropriations are broken down into two categories: existing debt and new issues.

(Dollars in Thousands)

	FY 2005	FY 2006	FY 2007
Outstanding Debt			
Total	**3,460,310**	**3,751,135**	**3,923,039**
Debt Service Appropriation			
Existing Debt	323,453	352,447	314,536
New Debt Issues	0	0	96,723
Total	**323,453**	**352,447**	**411,259**

Contact

For additional information contact:

Department of Finance
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

World Wide Web Home Page: http://www.finance.state.mn.us

Change Item: Carry Forward for Technology

Fiscal Impact ($000s)	FY2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	$7,500	$0	$7,500	$0	$7,500
Revenues	0	0	0	0	0
Other Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact	$7,500	$0	$7,500	$0	$7,500

Recommendation
The Governor recommends that agencies be allowed to carry-forward operating money at the end of a biennium and use it for one-time technology investments. This would clarify and make permanent the one-time authority granted in the last two biennia. Carry-forward is already in place in several areas of the budget, including appropriations for the legislature, cities, counties, and higher education institutions.

Background
Current law provides statutory authority to carry-forward unspent general fund operating appropriations from the first to the second year of a biennium. However, any money remaining at the end of the second year must cancel to the general fund. Special authority was granted both in FY 2003 and FY 2005 to permit operating carry-forwards so agencies could more flexibly deal with funding pressures.

Restricting carry-forward authority to the first year of a biennium creates disincentives for agencies. In 1993, the Commission on Reform and Efficiency (CORE) highlighted the “use it or lose it” paradox and documented its negative impact on state agencies’ planning and effectiveness. The report also noted that the problem was focused on the state’s own operations, with other activities exempted. Currently, funding appropriated to the legislature, cities, counties, the University of Minnesota, and MNSCU do not cancel; and although there are a few instances where state agency appropriations are allowed carry-forward, most do not.

This proposal would provide the carry-forward authority to all agencies for FY 2007 and make it permanent. All operational funds at the end of the biennium would be transferred to special revenue accounts within an agency. Spending from these accounts would be allowed only for one-time purposes related to technology improvements. This targeted approach would:

- ♦ improve management of technology projects where costs may not be contained within a biennium;
- ♦ align use of carry-forward funds with spending that is one-time in nature; and
- ♦ provide clear reporting mechanisms for the legislature and public to see the uses of state funds.

Relationship to Base Budget
General fund cancellations for the second year of the current and coming biennia are projected to be $15 million. This proposal would reduce expected cancellation by approximately one-half, or $7.5 million per biennium. Grant and other non-operating appropriations are not affected by this provision.

Key Measures
⇒ Distribution of operational spending at year-end. Documented increase in planned operational spending for technology items that matches project schedules and is not focused at year-end.

Statutory Change: M.S. 16A.28 subdivision 1 and 3

	Dollars in Thousands				
	Actual	**Budgeted**	**Governor's Recomm.**		**Biennium**
	FY2006	**FY2007**	**FY2008**	**FY2009**	**2008-09**
Non Dedicated Revenue:					
Other Revenues:					
General	17	0	0	0	0
Total Non-Dedicated Receipts	**17**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Other Revenues:					
Misc Special Revenue	6,852	6,853	6,853	6,853	13,706
Total Dedicated Receipts	**6,852**	**6,853**	**6,853**	**6,853**	**13,706**
Agency Total Revenue	**6,869**	**6,853**	**6,853**	**6,853**	**13,706**

➲ Designates that this item is a change item

Agency Purpose

The Gambling Control Board regulates lawful gambling in Minnesota, so that citizens are assured of the integrity of the industry and nonprofit organizations may continue to raise funds for charitable contributions.

Core Functions

The Gambling Control Board has the power to issue, suspend, and revoke licenses. Additionally, the board conducts compliance audits and inspections involving over 3,000 charitable gambling sites in Minnesota. The audits and inspections help ensure the integrity of operations and accountability of an estimated $1.3 billion in annual gross receipts. Training and education is provided to licensed organizations affecting over 17,000 registered employees.

Operations

The board is comprised of seven citizens and supported by 32 full-time equivalent staff. It provides education, outreach, and guidance to the lawful gambling industry through:

- compliance audits and site inspections;
- game/product testing;
- continuing education classes;
- gambling seminars and speaking engagements;
- a comprehensive website and newsletter; and
- mentoring program.

At A Glance

- The Gambling Control Board regulates five forms of lawful gambling: pull-tabs, raffles, bingo, paddlewheels, and tipboards.
- Lawful gambling is a $1.3 billion per year industry in Minnesota.
- Net state taxes on lawful gambling were $54 million in FY 2005.
- Charitable contributions exceeded $70 million in FY 2005.
- Licenses/permits issues to:
  - ⇒ over 3,000 gambling sites
  - ⇒ 1,380 nonprofit organizations
  - ⇒ 2,125 exempt organizations
  - ⇒ 525 excluded bingo organizations
  - ⇒ 14 distributors
  - ⇒ 10 manufacturers
  - ⇒ two linked bingo game providers.
- The board annually conducts:
  - ⇒ compliance reviews of 531 organizations
  - ⇒ compliance inspections of 1,200 gambling sites
  - ⇒ 150 criminal investigations

Compliance conducts compliance audits of licensed organizations and educates the industry using training classes, a newsletter, the web site, and mentoring.

Investigations uncover theft and fraud in the industry by inspecting gambling products, investigating irregularities noted in compliance audits and through allegations made by players.

Licensing reviews license and permit applications for compliance with statutes.

Administration oversees the agency, providing rules coordination, and human resources and administrative support, including payments to Gambling Control Board members for per diem and travel.

Budget

The agency is supported by special revenue fees collected biennially in the form of license/permit and regulatory fees. Fees are paid by manufacturers and distributors of gambling equipment, linked bingo game providers, and nonprofit organizations. Penalties and fines are paid to the state's General Fund.

The current biennial operating budget of $5.6 million includes $556,000 authorized beginning in FY 2006-07 to support information technology maintenance and hardware purchases and three additional staff to conduct compliance reviews. As a result of the funding increase, compliance inspection of gambling sites increased by 50% within the first year and Information Technology funding was used to upgrade hardware for the first time in four years. Previously the board acquired the majority of equipment from surplus property.

Contact

Gambling Control Board
1711 West County Road B Suite 300 South
Roseville, Minnesota 55113
World Wide Web Home Page: http://www.gcb.state.mn.us

Tom Barrett, Executive Director
Phone: (651) 639-4090
Fax: (651) 639-4032

	Dollars in Thousands				
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
Misc Special Revenue					
Current Appropriation	2,800	2,800	2,800	2,800	5,600
Recommended	**2,800**	**2,800**	**2,846**	**2,893**	**5,739**
Change		0	46	93	139
% Biennial Change from 2006-07					2.5%
Expenditures by Fund					
Direct Appropriations					
Misc Special Revenue	2,651	2,949	2,846	2,893	5,739
Total	**2,651**	**2,949**	**2,846**	**2,893**	**5,739**
Expenditures by Category					
Total Compensation	2,174	2,304	2,332	2,379	4,711
Other Operating Expenses	477	645	514	514	1,028
Total	**2,651**	**2,949**	**2,846**	**2,893**	**5,739**
Expenditures by Program					
Lawful Gambling Control	2,651	2,949	2,846	2,893	5,739
Total	**2,651**	**2,949**	**2,846**	**2,893**	**5,739**
Full-Time Equivalents (FTE)	**32.1**	**32.1**	**32.1**	**32.1**	

		Dollars in Thousands		
		Governor's Recomm.		**Biennium**
	FY2007	**FY2008**	**FY2009**	**2008-09**
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	**2,800**	**2,800**	**2,800**	**5,600**
Subtotal - Forecast Base	**2,800**	**2,800**	**2,800**	**5,600**
Change Items				
Compensation Adjustment	0	46	93	139
Total Governor's Recommendations	**2,800**	**2,846**	**2,893**	**5,739**

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	46	93	93	93
Revenues	0	0	0	0
Net Fiscal Impact	$46	$93	$93	$93

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for personnel costs in the Special Revenue fund, the maximum increase that can be supported by the fund's revenue stream.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in these recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY2008-09 and reflecting the need to maintain mandated service care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment of up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it related to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Other Revenues:					
General	97	65	65	65	130
Total Non-Dedicated Receipts	**97**	**65**	**65**	**65**	**130**
Dedicated Receipts:					
Departmental Earnings:					
Misc Special Revenue	1,593	1,586	1,586	1,586	3,172
Total Dedicated Receipts	**1,593**	**1,586**	**1,586**	**1,586**	**3,172**
Agency Total Revenue	**1,690**	**1,651**	**1,651**	**1,651**	**3,302**

➲ Designates that this item is a change item

STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol 75 Rev. Dr. Martin Luther King Jr. Boulevard Saint Paul, MN 55155

January 22, 2007

To the 2007 Legislature

Enclosed is the FY 2008-09 Budget for the Office of Governor Tim Pawlenty, totaling $7.359 million in General Funds and $840,000 in Special Revenue Funds. The General Fund amount reflects an increase of $191,000, or 2.7% compared to the last biennium. The Special Revenue Fund, contributed by eleven state agencies, funds the Federal Affairs Office in Washington, D.C. As the only voice for state government in our nation's capital, this office's core responsibilities are working with Congressional delegation and Federal Agencies to address federal legislation, regulations, and state mandates; advocating, monitoring and reporting on federal activities that impact the state of Minnesota; providing access to federal grant opportunities; and assisting Minnesotans overall.

General Fund dollars will be used to support Governor Pawlenty and his staff in providing information to the public and the Legislature, developing biennial budgets, public policy development, and other official duties.

If you have any questions, please feel free to call me at 651-296-0059.

Sincerely,

Matt Kramer
Chief of Staff

Agency Purpose

As chief executive, the governor oversees all operations of state government and takes the lead in shaping public policy and representing the interests of Minnesotans to the legislature.

Core Functions

The Governor's Office is organized to effectively administer the duties of the chief executive. Major duties of the governor are to:

- oversee and provide leadership for the day-to-day operations of state government, with emphasis on quality service delivery and state agency responsiveness to Minnesota citizens;
- appoint state department heads, people to state boards and commissions, and judges for all court systems when vacancies occur;
- chair the State Executive Council, the State Board of Investment, the Land Exchange Board, and the Legislative Advisory Commission;
- dispatch the National Guard for emergency duty;
- issue extradition papers, proclamations, and writs of special elections;
- prepare and establish advisory committees to aid in developing legislative proposals and plans for executive action;
- coordinate the faith and community service initiative;
- inform the legislature of the general condition of the state, review, veto, or sign into law legislation and rules, and call special sessions of the legislature when needed;
- develop the biennial budget and present it to the legislature;
- promote business development and help create new jobs with assistance and advice from legislators and business leaders;
- represent the citizens of the state at various functions at local, state, national, and international levels; and
- perform all other duties as specified by the laws of the state.

The lieutenant governor's chief duty is to assist the governor in carrying out the functions of the executive branch. The lieutenant government serves as an extension of the governor, represents the governor, and is prepared to act in the governor's place in the event of the governor's absence or disability. The lieutenant governor is a key member of the governor's cabinet and is involved in major policy and budget decisions.

Part of the lieutenant governor's official duties include:

- chairing the Capitol Area Architectural Planning Board (CAAPB); and
- serving as a member of the State Executive Council.

At A Glance

The governor and lieutenant governor, along with their staff:

- Report to and represent over 4.9 million citizens of Minnesota
- Manage 25 cabinet-level executive departments and 59 non-cabinet level, executive branch agencies that are comprised of over 48,000 state employees (see http://www.departmentresults.state.mn.us/)
- Develop a state budget of over $45 billion every two years
- Consult with 201 state legislators during annual legislative sessions
- Appoint 1,000 citizens to 110 boards and commissions
- Appoint judges to the state's ten judicial districts, the Court of Appeals, and the Supreme Court
- Respond to more than 100,000 citizen calls and contacts, conduct hundreds of media interviews, attend scores of meetings, and travel thousands of miles to promote the state of Minnesota.

Operations

The Governor's Office is organized by program areas overseen by the chief of staff. These include: Government Relations, Communications, Citizen Outreach, Operations, and Governor's Residence.

Budget

The office is funded through a direct appropriation from the General Fund. Because state agencies have an interest in maintaining and supporting the functions of the Washington, D.C. office, the Governor's Office has agreements with 14 agencies who share in the costs of staffing and operating the D.C. office.

Contact

Office of the Governor
Chief of Staff or Director of Operations
130 State Capitol
75 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 296-3391
Fax: (651) 296-2089

World Wide Web Home Page: www.governor.state.mn.us.

	Current		Governor Recomm.		Biennium
Dollars in Thousands	FY2006	FY2007	FY2008	FY2009	2008-09
Direct Appropriations by Fund					
General					
Current Appropriation	3,584	3,584	3,584	3,584	7,168
Recommended	**3,584**	**3,584**	**3,647**	**3,712**	**7,359**
Change		0	63	128	191
% Biennial Change from 2006-07					2.7%
Expenditures by Fund					
Direct Appropriations					
General	3,510	3,943	3,647	3,712	7,359
Statutory Appropriations					
Misc Special Revenue	298	423	420	420	840
Total	**3,808**	**4,366**	**4,067**	**4,132**	**8,199**
Expenditures by Category					
Total Compensation	2,951	3,496	3,383	3,448	6,831
Other Operating Expenses	857	870	879	879	1,758
Transfers	0	0	(195)	(195)	(390)
Total	**3,808**	**4,366**	**4,067**	**4,132**	**8,199**
Expenditures by Program					
Governors Office	3,808	4,366	4,067	4,132	8,199
Total	**3,808**	**4,366**	**4,067**	**4,132**	**8,199**
Full-Time Equivalents (FTE)	**37.2**	**43.0**	**42.0**	**42.0**	

Dollars in Thousands

	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	**3,584**	**3,584**	**3,584**	**7,168**
Subtotal - Forecast Base	**3,584**	**3,584**	**3,584**	**7,168**
Change Items				
Compensation Adjustment	0	63	128	191
Total Governor's Recommendations	**3,584**	**3,647**	**3,712**	**7,359**
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	**423**	**420**	**420**	**840**
Total Governor's Recommendations	**423**	**420**	**420**	**840**

Change Item: Compensation Adjustment

Fiscal Impact ($000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	$63	$128	$128	$128
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$63	$128	$128	$128

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	Biennium 2008-09
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Other Sources:					
Misc Special Revenue	44	52	420	420	840
Total Dedicated Receipts	**44**	**52**	**420**	**420**	**840**
Agency Total Revenue	**44**	**52**	**420**	**420**	**840**