MINNESOTA
Management
& Budget

July 16, 2009

Senator Richard Cohen, Chair
Senate Finance Committee
121 State Capitol
St. Paul, MN 55155

Representative Loren Solberg, Chair
House Ways and Means Committee
443 State Office Building
St. Paul, MN 55155

Senator Thomas Bakk, Chair
Senate Tax Committee
226 State Capitol
St. Paul, MN 55155

Representative Ann Lenczewski, Chair
House Tax Committee
509 State Office Building
St. Paul, MN 55155

RE: Notice of Allotment Reductions Pursuant to M.S. 16A.152, Subd. 4

Dear Senators and Representatives:

The purpose of this letter is to update you on our progress in implementing the allotment reductions announced by the Governor. We expect that the plan for reducing FY 2010 and FY 2011 allotments will be complete by mid-August.

This initial notice provides information on the transactions necessary to implement the unallotments and payment deferrals in the areas of K-12 education, local aids and credits, higher education, and health and human services totaling $2.238 billion. The attached table provides detail by agency, appropriation account, and fiscal year.

As you know, agencies are currently preparing unallotment plans for the remaining balance. The final allocation of operating reductions for executive branch agencies will be sent in a separate communication as soon as it is ready. Additional detail on specific appropriation accounts reduced by agency will be transmitted when these unallotments are complete.

We will continue to keep you informed of our progress. Please direct any questions to Jim Schowalter, Assistant Commissioner for Budget Services.

Sincerely,

Tom J Hanson

Tom J. Hanson
Commissioner

Enclosure(s)

Cc: Legislative Advisory Commission Members
Finance Chairs

Robben Affidavit
No. 62-CV-09-11693
Exhibit 10

MINNESOTA MANAGEMENT & BUDGET
FY 2010-11 UNALLOTMENT SUMMARY
7/16/2009

Appropriation Name	Unit	FY 2010	FY 2011
MN STATE COLLEGES/UNIVERSITIES			
CENTRAL OFFICES & SHARED SERV	COS	$0	$3,579,158
MNSCU OPERATIONS & MAINT	GEN	0	46,420,842
MN STATE COLLEGES/UNIVERSITIES		**$0**	**$50,000,000**
UNIVERSITY OF MINNESOTA			
U OF M MAINTENANCE & OPER	00U	$0	$44,605,728
AGRIC & EXTENSION SERVICES	01U	0	3,857,534
HEALTH SCIENCES	02U	0	363,865
INSTITUTE OF TECHNOLOGY	03U	0	102,390
SYSTEM SPECIALS	04U	0	454,370
ST CLOUD HOSP RESIDENCY	SCH	0	25,542
U MAYO PARTNERSHIP	UMP	0	590,571
UNIVERSITY OF MINNESOTA		**$0**	**$50,000,000**
REVENUE INTERGOVT PAYMENTS			
LOCAL GOVT AIDS	008	$44,619,614	$0
RENTERS PROP TAX REFUND	036	0	50,800,000
POLITICAL CONTRIB REFUND	081	4,300,000	6,100,000
RES MV CREDITS (REAL)	083	21,945,467	0
AG MV CREDITS	085	120,721	0
COUNTY PROGRAM AID	090	33,000,000	0
FOREST LAND TAX CREDIT	FLR	0	5,500,000
REVENUE INTERGOVT PAYMENTS		**$103,985,802**	**$62,400,000**
HUMAN SERVICES DEPT			
HEALTH CARE ADMIN	S15	$0	$360,000
CONTINUING CARE ADMIN	S17	350,000	0
DHS ADMIN OPERATIONS	S20	180,000	0
CHILDREN SERVICES GRANTS	S21	600,000	0
MA BASIC FAM & CHILD GRANTS	S22	2,331,000	23,114,000
MA BASIC ELD & DISABLED GRANTS	S23	5,599,000	37,733,000
CHILD & COMM SERVICES GRANTS	S25	16,900,000	22,500,000
AGING & ADULT SERVICES GRANTS	S26	3,600,000	4,517,045
DEAF & HARD OF HEARING GRANTS	S27	0	169,281
MENTAL HEALTH GRANTS	S28	5,000,000	3,770,000
OTHER CONTINUING CARE GRANTS	S29	0	1,413,674
MA LTC WAIV & HOME CARE GRANTS	S31	2,318,000	5,807,000
MA LTC FACILITIES GRANTS	S32	3,827,000	3,445,000
CD ENTITLEMENT GRANTS	S33	3,622,000	3,622,000
CD NON-ENTITLEMENT GRANTS	S34	393,000	393,000
CHILD SUPPORT ENFORCE GRANTS	S37	3,400,000	3,400,000
MN SUPPLEMENTAL ASSIST GRANTS	S49	2,866,000	4,300,000
GROUP RESID HOUSING GRANTS	S50	467,000	706,000
GENERAL ASSISTANCE GRANTS	S52	5,267,000	7,900,000
GAMC GRANTS	S55	15,879,000	0
SOS-ADULT MENTAL HEALTH SVCS	090	422,000	4,588,000
HUMAN SERVICES DEPT		**$73,021,000**	**$127,738,000**

MINNESOTA MANAGEMENT & BUDGET
FY 2010-11 UNALLOTMENT SUMMARY
7/16/2009

Appropriation Name	Unit	FY 2010	FY 2011
K-12 EDUCATION			
BALANCE FORWARD FY 2010 TO FY 2011 CURRENT YEAR APPROPRIATIONS		$1,068,593,000	$(1,068,593,000)
TRANSFERS FROM FY 2011 CURRENT YEAR TO PRIOR YEAR APPROPRIATIONS (NET IMPACT)		$0	$0
PAYMENT DEFERRALS AND UNALLOTMENTS			
GENERAL EDUCATION	B01	$0	$1,562,798,000
ABATEMENT	B62	0	173,000
CONSOLIDATION TRANSITION	B73	0	157,000
NONPUBLIC PUPIL AID	B64	0	3,051,000
NONPUBLIC PUPIL TRANSPORTATION	906	0	3,869,000
CHARTER SCHOOL LEASE AID	924	0	7,686,000
CHARTER SCHOOL STARTUP AID	925	0	174,000
INTEGRATION AID	966	0	11,126,000
SUCCESS FOR THE FUTURE	B40	0	363,000
TRIBAL CONTRACT SCHOOLS	B21	0	379,000
SPECIAL EDUCATION	B06	0	133,720,000
SPED-EXCESS COSTS	B10	0	13,951,000
TRAVEL FOR HOME-BASED SERVICES	B09	0	48,000
HEALTH & SAFETY AID	B42	0	27,000
DEBT SERVICE AID	B43	0	1,603,000
ALTERNATIVE FACILITIES AID	995	0	3,279,000
DEFERRED MAINTENANCE	D05	0	349,000
BASIC SUPPORT GRANTS-LIBRARY	B71	0	2,306,000
MULTICOUNTY, MULTITYPE LIBRARY	B72	0	221,000
LIBRARY TELECOMMUNICATIONS	946	0	391,000
ECFE	B35	0	3,840,000
SCHOOL READINESS	B36	0	1,716,000
HEALTH & DEVELOPMENTAL SCREENING	B30	0	648,000
COMMUNITY ED	B28	0	78,000
ADULTS WITH DISABILITIES	B26	0	120,000
ADULT BASIC EDUCATION	B25	0	7,546,000
DISPARITY REDUCTION AID	A94	0	1,459,000
BORDER CITY-DISPARITY REDUCTION CREDIT	A95	0	170,000
PY REAL PROPERTY	A98	0	54,000
HOMESTEAD MARKET VALUE	A55	0	8,704,000
AGRICULTURAL LAND MARKET VALUE	A56	0	940,000
MOBILE HOME HOMESTEAD MARKET VALUE	A55	0	86,000
SUBTOTAL		$0	$1,771,032,000
K-12 EDUCATION		$1,068,593,000	$702,439,000
REPORT TOTAL		$1,245,599,802	$992,577,000
BIENNIAL TOTAL			$2,238,176,802

MINNESOTA
Management
& Budget

July 17, 2009

Dear Legislative Advisory Commission Members:

Thank you for meeting with administration officials at the Legislative Advisory Commission (LAC) hearing on June 30, 2009 to further discuss the unallotment plan to balance the FY 2010-11 budget.

Agencies are currently preparing allotment reduction plans for their operations. As noted in the summary table below, the remaining reduction required is $23.4 million for the biennium.

Summary of Unallotments and Administrative Actions
($ in Millions)

	FY 2010-11
Administrative Actions	$ 210.7
K-12 Payment Deferrals	1,771.0
Unallotments:	
Local aids & credits	300.0
Health & human services	210.2
Higher education	100.0
Other refunds and payments	61.0
Remaining reduction	23.4
Total	**$ 2,676.3**

To achieve this reduction, we plan to do the following:

- Reduce most agency operating budgets by 2.25 percent for the biennium. As stated previously, areas exempted from these reductions include public safety, corrections, military and veterans affairs, State Operated Services and the Minnesota Sex Offender Program within the Department of Human Services. This generates savings of $19.5 million for the biennium.
- Reduce a portion of the special timing account established by the Laws of 2009, Chapter 88 ($3.9 million). This is funding reserved that will not be spent in the 2010-11 biennium.

Attached to this letter, please find reduction amounts by agency. Additional detail on specific appropriation accounts will be transmitted after agency allotment reductions are complete.

Sincerely,

Tom J Hanson

Tom J. Hanson
Commissioner

400 Centennial Building • 658 Cedar Street • St. Paul, Minnesota 55155
Voice: (651) 201-8000 • Fax: (651) 296-8685 • TTY: 1-800-627-3529
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Robben Affidavit
No. 62-CV-09-11693
Exhibit 11

Remaining Unallotments

	FY 2010	FY 2011	Total
Administration	$ (262,000)	$ (200,000)	$ (462,000)
Agriculture	(492,640)	(492,640)	(985,280)
Commerce	(247,000)	(247,000)	(494,000)
Education Dept	(445,000)	(497,400)	(942,400)
Employment and Economic Dev.	(285,000)	(285,000)	(570,000)
Governors Office	(80,775)	(80,775)	(161,550)
Health Dept	(527,000)	(525,000)	(1,052,000)
Historical Society	(167,750)	(167,750)	(335,500)
Human Rights Dept	(79,290)	(79,290)	(158,580)
Human Services Dept	(3,289,000)	(3,282,000)	(6,571,000)
Labor and Industry	(19,800)	(19,800)	(39,600)
Mediation Services Bureau	(16,000)	(16,000)	(32,000)
Metropolitan Council	(1,711,000)	(1,711,000)	(3,422,000)
Minnesota Housing Finance	(256,000)	(256,000)	(512,000)
Minnesota Management & Budget	(459,000)	(459,000)	(918,000)
Natural Resources Dept	(1,475,000)	(1,475,000)	(2,950,000)
Office of Enterprise Technology	(129,555)	(129,555)	(259,110)
Office of Higher Education	(77,000)	(77,000)	(154,000)
Pollution Control Agency	(110,000)	(99,000)	(209,000)
Revenue Dept	(924,479)	(949,932)	(1,874,411)
Transportation Dept	(23,558)	(23,558)	(47,116)
Subtotal	$ (11,076,847)	$ (11,072,700)	$ (22,149,547)
FFP Loss - Human Services Dept.	1,315,600	1,312,800	2,628,400
Net Impact Agency Operating	$ (9,761,247)	$ (9,759,900)	$ (19,521,147)
Portion of Special Timing Acct.	-	(3,870,051)	(3,870,051)
Total	**$ (9,761,247)**	**$ (13,629,951)**	**$ (23,391,198)**

MMB -- 7/17/2009

MINNESOTA
Management
& Budget

July 28, 2009

Senator Richard Cohen, Chair
Senate Finance Committee
121 State Capitol
St. Paul, MN 55155

Representative Loren Solberg, Chair
House Ways and Means Committee
443 State Office Building
St. Paul, MN 55155

Senator Thomas Bakk, Chair
Senate Tax Committee
226 State Capitol
St. Paul, MN 55155

Representative Ann Lenczewski, Chair
House Tax Committee
509 State Office Building
St. Paul, MN 55155

RE: Second Notice of Allotment Reductions Pursuant to M.S. 16A.152, Subd. 4

Dear Senators and Representatives:

The purpose of this letter is to update you on our progress in implementing the allotment reductions announced by the Governor. We expect that the plan for reducing FY 2010 and FY 2011 allotments will be complete by mid-August.

This second notice provides information on the transactions necessary to implement the unallotments to agency operating budgets for FY 2010. The attached table provides detail by agency, appropriation account, fiscal year, and fund. Additional detail on agency reductions for FY 2011 will be transmitted in mid-August when these unallotments are complete.

We will continue to keep you informed of our progress. Please direct any questions to Jim Schowalter, Assistant Commissioner for Budget Services.

Sincerely,

Tom J Hanson

Tom J. Hanson
Commissioner

Enclosure(s)

cc: Legislative Advisory Commission Members
Finance Chairs

400 Centennial Building • 658 Cedar Street • St. Paul, Minnesota 55155
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Robben Affidavit
No. 62-CV-09-11693
Exhibit 12

MINNESOTA MANAGEMENT & BUDGET
UNALLOTMENT SUMMARY: FY 2010 AGENCY OPERATING
GENERAL FUND UNLESS OTHERWISE NOTED
7/28/2009

Appropriation Name	Unit	FY 2010	Fund
ADMINISTRATION DEPT			
GOVERNMENT & CITIZEN SERVICES	700	100,000	
OFFICE SUPPLY CONNECTION	161	162,000	CENTRAL STORES
ADMINISTRATION DEPT		**$262,000**	
AGRICULTURE DEPT			
PESTICIDE & FERTILIZER MGMT	G06	27,000	
PLANT PROTECTION	G06	63,000	
DAIRY & FOOD INSPECTION	G06	133,000	
LIVESTOCK PREMISE	G84	5,000	
AG MARKETING SERVICES	G45	50,000	
INTEGRATED PEST MGMT	G99	77,000	
DAIRY DEVELOPMENT PROGRAM	G90	69,000	
AGENCY SERVICES	G08	68,000	
FEEDING MN TASK FORCE	G91	1,000	
AGRICULTURE DEPT		**$493,000**	
COMMERCE DEPT			
ADMINISTRATIVE SERVICES	AS1	97,000	
MARKET ASSURANCE	EL1	150,000	
COMMERCE DEPT		**$247,000**	
EDUCATION DEPARTMENT			
EDUCATION AGCY OPERATIONS	001	389,500	
BD OF SCHOOL ADMINISTRATORS	004	3,900	
BOARD OF TEACHING	008	14,000	
EARLY HEARING LOSS INTERVENTIO	017	30,000	
KINDERGARTEN ENTRANCE ASSMNT	079	6,500	
EDUCATE PARENTS PARTNERSHIP	080	1,100	
EDUCATION DEPARTMENT		**$445,000**	
EMPLOYMENT & ECONOMIC DEVELPMT			
BUSINESS AND COMMUNITY DVLP	101	62,000	
OFFICE OF SCIENCE & TECH	1D3	25,000	
JOB SKILLS PARTNERSHIP PROGRAM	301	15,000	
MI-SUPPORT EMPLOYMENT	478	11,000	
SERVICES FOR THE BLIND STATE	485	89,000	
ADMINISTRATION	900	83,000	
EMPLOYMENT & ECONOMIC DEVELPMT		**$285,000**	
GOVERNORS OFFICE			
GOVERNOR'S OFFICE	GEN	67,775	
NECESSARY EXPENSES	NEC	13,000	
GOVERNORS OFFICE		**$80,775**	

MINNESOTA MANAGEMENT & BUDGET
UNALLOTMENT SUMMARY: FY 2010 AGENCY OPERATING
GENERAL FUND UNLESS OTHERWISE NOTED
7/28/2009

Appropriation Name	Unit	FY 2010	Fund
HEALTH DEPT			
COMMUNITY & FAMILY HLTH PROMO	001	53,000	
POLICY QUALITY & COMPLIANCE	002	118,000	
HEALTH PROTECTION	003	150,000	
ADMINISTRATIVE SUPPORT SVCS	004	131,000	
PENTACHLOROPHENOL	042	55,000	
PFC CITIZENS ADVISORY GROUP	043	20,000	
HEALTH DEPT		**$527,000**	
HISTORICAL SOCIETY			
EDUCATION AND OUTREACH	EDO	95,750	
PRESERVATION & ACCESS	PRA	72,000	
HISTORICAL SOCIETY		**$167,750**	
HOUSING FINANCE AGENCY			
REHAB LOAN PROGRAM	A09	256,000	HOUSING FINANCE AGENCY
HOUSING FINANCE AGENCY		**$256,000**	
HUMAN RIGHTS DEPT			
HUMAN RIGHTS ENFORCEMENT	DHR	79,290	
HUMAN RIGHTS DEPT		**$79,290**	
HUMAN SERVICES DEPT			
HEALTH CARE ADMIN	S15	180,000	
DHS ADMIN OPERATIONS	S20	3,109,000	
HUMAN SERVICES DEPT		**$3,289,000**	
LABOR AND INDUSTRY DEPT			
LABOR STANDARDS DIVISION	WRE	19,800	
LABOR AND INDUSTRY DEPT		**$19,800**	
MEDIATION SERVICES DEPT			
MEDIATION SERVICES	MED	16,000	
MEDIATION SERVICES DEPT		**$16,000**	
METROPOLITAN COUNCIL/TRANSPORT			
METRO RAIL OPERATIONS	MRO	119,000	
METRO TRANSIT ASSISTANCE	MTA	1,506,000	
PARKS GEN FUND	PGF	86,000	
METROPOLITAN COUNCIL/TRANSPORT		**$1,711,000**	
MINNESOTA MANAGEMENT & BUDGET			
STATEWIDE & AGCY OPERATIONS	GEN	459,000	
MINNESOTA MANAGEMENT & BUDGET		**$459,000**	

MINNESOTA MANAGEMENT & BUDGET
UNALLOTMENT SUMMARY: FY 2010 AGENCY OPERATING

GENERAL FUND UNLESS OTHERWISE NOTED

7/28/2009

Appropriation Name	Unit	FY 2010	Fund
NATURAL RESOURCES DEPT			
LANDS & MINERALS MGMT-GEN	100	30,000	
WATERS RESOURCES MANAGEMENT	200	84,000	
FOREST MANAGEMENT	300	135,000	
MINN FOREST RESOURCES COUNCIL	303	53,000	
PAT PARKS & RECREATION MGMT	400	379,846	
PAT WILD & SCENIC RIVERS	406	40,000	
ENFORCEMENT GEN	700	230,000	
OPERATIONS SUPPORT GEN .	840	112,500	
F&W-PRAIRIE WETLANDS-GEN	D10	265,000	
ECOLOGICAL RESOURCES GEN	E00	46,500	
STREAM PROTECT & IMP FUND ITC	202	99,154	MISC SPECIAL REVENUE
NATURAL RESOURCES DEPT		**$1,475,000**	
OFFICE OF ENTERPRISETECHNOLOGY			
OFFICE OF ENTERPRISE TECHNOLOG	500	33,637	
ENTERPRISE IT SECURITY	501	95,918	
OFFICE OF ENTERPRISETECHNOLOGY		**$129,555**	
OFFICE OF HIGHER EDUCATION			
AGENCY ADMINISTRATION	001	77,000	
OFFICE OF HIGHER EDUCATION		**$77,000**	
POLLUTION CONTROL AGENCY			
ADMINISTRATIVE SUPPORT OPERATI	P01	12,000	
STORMWATER MANAGEMENT	V13	98,000	
POLLUTION CONTROL AGENCY		**$110,000**	
REVENUE DEPT			
TAX SYSTEMS MGMT	900	924,479	
REVENUE DEPT		**$924,479**	
TRANSPORTATION DEPT			
TRANSIT IMPROVEMNT AD	002	9,000	
RAIL SERVICE PLAN & P	003	9,000	
ROOSEVELT TOWER	006	5,558	
TRANSPORTATION DEPT		**$23,558**	
REPORT TOTAL		**$11,077,207**	

MINNESOTA
Management
& Budget

August 14, 2009

Senator Richard Cohen, Chair
Senate Finance Committee
121 State Capitol
St. Paul, MN 55155

Representative Loren Solberg, Chair
House Ways and Means Committee
443 State Office Building
St. Paul, MN 55155

Senator Thomas Bakk, Chair
Senate Tax Committee
226 State Capitol
St. Paul, MN 55155

Representative Ann Lenczewski, Chair
House Tax Committee
509 State Office Building
St. Paul, MN 55155

RE: Third Notice of Allotment Reductions Pursuant to M.S. 16A.152, Subd. 4

Dear Senators and Representatives:

The purpose of this letter is to update you on our progress in implementing the allotment reductions announced by the Governor. All of the allotment reductions have been implemented except for the reductions to FY 2011 local government aids, which we expect to be complete by mid-January, 2010.

This third notice provides information on the transactions necessary to implement the remaining unallotments to agency operating budgets for FY 2011. The attached table provides detail by agency, appropriation account, and fund.

Please direct any questions to Jim Schowalter, Assistant Commissioner for Budget Services.

Sincerely,

Tom J Hanson

Tom J. Hanson
Commissioner

Enclosure(s)

cc: Legislative Advisory Commission Members
Finance Chairs

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Robben Affidavit
No. 62-CV-09-11693
Exhibit 13

MINNESOTA MANAGEMENT & BUDGET
UNALLOTMENT SUMMARY: FY 2011 AGENCY OPERATING
GENERAL FUND UNLESS OTHERWISE NOTED
8/14/2009

Appropriation Name	Unit	FY 2011	Fund
ADMINISTRATION DEPT			
GOVERNMENT & CITIZEN SERVICES	700	200,000	
ADMINISTRATION DEPT		$ 200,000	
AGRICULTURE DEPT			
PESTICIDE & FERTILIZER MGMT	G06	27,000	
PLANT PROTECTION	G06	63,000	
DAIRY & FOOD INSPECTION	G06	133,000	
LIVESTOCK PREMISE	G84	5,000	
AG MARKETING SERVICES	G45	50,000	
INTEGRATED PEST MGMT	G99	77,000	
DAIRY DEVELOPMENT PROGRAM	G90	69,000	
AGENCY SERVICES	G08	68,000	
AGRICULTURE DEPT		$ 492,000	
COMMERCE DEPT			
ADMINISTRATIVE SERVICES	AS1	97,000	
MARKET ASSURANCE	EL1	150,000	
COMMERCE DEPT		$ 247,000	
EDUCATION DEPARTMENT			
EDUCATION AGCY OPERATIONS	001	431,500	
BD OF SCHOOL ADMINISTRATORS	004	3,900	
BOARD OF TEACHING	008	14,000	
EARLY HEARING LOSS INTERVENTION	017	40,000	
KINDERGARTEN ENTRANCE ASSMNT	079	6,500	
EDUCATE PARENTS PARTNERSHIP	080	1,100	
EDUCATION DEPARTMENT		$ 497,000	
EMPLOYMENT & ECONOMIC DEVELPMT			
BUSINESS AND COMMUNITY DVLP	101	62,000	
OFFICE OF SCIENCE & TECH	1D3	25,000	
JOB SKILLS PARTNERSHIP PROGRAM	301	15,000	
MI-SUPPORT EMPLOYMENT	478	11,000	
SERVICES FOR THE BLIND STATE	485	89,000	
ADMINISTRATION	900	83,000	
EMPLOYMENT & ECONOMIC DEVELPMT		$ 285,000	
GOVERNORS OFFICE			
GOVERNOR'S OFFICE	GEN	67,775	
NECESSARY EXPENSES	NEC	13,000	
GOVERNORS OFFICE		$ 80,775	

MINNESOTA MANAGEMENT & BUDGET
UNALLOTMENT SUMMARY: FY 2011 AGENCY OPERATING
GENERAL FUND UNLESS OTHERWISE NOTED
8/14/2009

Appropriation Name	Unit	FY 2011	Fund
HEALTH DEPT			
COMMUNITY & FAMILY HLTH PROMO	001	355,000	
POLICY QUALITY & COMPLIANCE	002	74,000	
HEALTH PROTECTION	003	74,000	
ADMINISTRATIVE SUPPORT SVCS	004	22,000	
HEALTH DEPT		**$ 525,000**	
HISTORICAL SOCIETY			
EDUCATION AND OUTREACH	EDO	95,750	
PRESERVATION & ACCESS	PRA	72,000	
HISTORICAL SOCIETY		**$ 167,750**	
HOUSING FINANCE AGENCY			
FY 2011 APPROPRIATION	09A	256,000	
HOUSING FINANCE AGENCY		**$ 256,000**	
HUMAN RIGHTS DEPT			
HUMAN RIGHTS ENFORCEMENT	DHR	79,290	
HUMAN RIGHTS DEPT		**$ 79,290**	
HUMAN SERVICES DEPT			
FINANCIAL OPERATIONS	S10	3,282,000	
FFP REVENUE LOSS		(1,312,800)	
HUMAN SERVICES DEPT		**$ 1,969,200**	
LABOR AND INDUSTRY DEPT			
LABOR STANDARDS DIVISION	WRE	19,800	
LABOR AND INDUSTRY DEPT		**$ 19,800**	
MEDIATION SERVICES DEPT			
MEDIATION SERVICES	MED	16,000	
MEDIATION SERVICES DEPT		**$ 16,000**	
METROPOLITAN COUNCIL/TRANSPORT			
METRO RAIL OPERATIONS	MRO	119,000	
METRO TRANSIT ASSISTANCE	MTA	1,506,000	
PARKS GEN FUND	PGF	86,000	
METROPOLITAN COUNCIL/TRANSPORT		**$ 1,711,000**	
MINNESOTA MANAGEMENT & BUDGET			
STATEWIDE & AGCY OPERATIONS	GEN	459,000	
MINNESOTA MANAGEMENT & BUDGET		**$ 459,000**	

MINNESOTA MANAGEMENT & BUDGET
UNALLOTMENT SUMMARY: FY 2011 AGENCY OPERATING
GENERAL FUND UNLESS OTHERWISE NOTED

8/14/2009

Appropriation Name	Unit	FY 2011	Fund
NATURAL RESOURCES DEPT			
LANDS & MINERALS MGMT-GEN	100	30,000	
WATERS RESOURCES MANAGEMENT	200	84,000	
FOREST MANAGEMENT	300	135,000	
MINN FOREST RESOURCES COUNCIL	303	53,000	
PAT PARKS & RECREATION MGMT	400	381,500	
PAT WILD & SCENIC RIVERS	406	40,000	
ENFORCEMENT GEN	700	230,000	
OPERATIONS SUPPORT GEN	840	112,500	
F&W-PRAIRIE WETLANDS-GEN	D10	265,000	
ECOLOGICAL RESOURCES GEN	E00	46,500	
STREAM PROTECT & IMP FUND ITC	202	97,500	MISC SPECIAL REVENUE
NATURAL RESOURCES DEPT		$ 1,475,000	
OFFICE OF ENTERPRISETECHNOLOGY			
OFFICE OF ENTERPRISE TECHNOLOG	500	33,637	
ENTERPRISE IT SECURITY	501	95,918	
OFFICE OF ENTERPRISETECHNOLOGY		$ 129,555	
OFFICE OF HIGHER EDUCATION			
AGENCY ADMINISTRATION	001	77,000	
OFFICE OF HIGHER EDUCATION		$ 77,000	
POLLUTION CONTROL AGENCY			
MULTIMEDIA PROGRAM OPERATIONS	C08	16,240	
ENV HEALTH & BIOMONITORING	G83	30,000	
ADMINISTRATIVE SUPPORT OPERATI	P01	14,740	
WATER PROGRAM OPERATIONS	W01	38,020	
POLLUTION CONTROL AGENCY		$ 99,000	
REVENUE DEPT			
TAX SYSTEMS MGMT	900	949,932	
SPECIAL TIMING ACCOUNT		3,870,051	
REVENUE DEPT		$ 4,819,983	
TRANSPORTATION DEPT			
TRANSIT IMPROVEMNT AD	002	9,000	
RAIL SERVICE PLAN & P	003	9,000	
ROOSEVELT TOWER	006	5,558	
TRANSPORTATION DEPT		$ 23,558	
REPORT TOTAL		$ 13,628,911	

MINNESOTA
Management
& Budget

July 2009 Economic Update

July 2009

FY2009 Revenues $150 Million Below Forecast

Minnesota's net general fund revenues for FY 2009 are now estimated to total $14.843 billion, $150 million (1.0 percent) less than February's forecast. Individual income tax receipts were the primary source of the shortfall, down $232 million (3.2 percent) from forecast. Receipts from the corporate income tax, the motor vehicle sales tax, and other taxes and revenues exceeded projections by a combined $98 million. This revenue shortfall reduces the balance carried forward to the 2010-11 biennium.

Summary of Revenues: (Fiscal Year 2009)

	Estimate	Actual	Variance	Percent
	($ in millions)			
Income	$7,244	$7,012	$(232)	(3.2)
Sales	4,394	4,378	(16)	(0.4)
Corporate	657	710	53	8.1
Motor Vehicles	107	116	9	8.4
Other	2,591	2,627	36	1.4
Total	$14,993	$14,843	$(150)	(1.0)

All parts of Minnesota's individual income tax underperformed February's forecast. Withholding tax receipts were $108 million (1.8 percent) less than anticipated and individual estimated payments, excluding extension payments, $100 million below forecast. Combined tax year 2008 settle-up payments, extension payments, and refunds fell short of projections by $24 million. While some of the lost withholding revenue appears to reflect smaller than anticipated bonus payments made in early 2009, withholding receipts in April, May, and June averaged more than $20 million per month below projections, consistent with weaker wage and employment growth than anticipated in February's forecast.

The negative variance for gross sales tax receipts observed earlier this year has been reduced, but not eliminated in the last three months. Taxes paid on sales in April, May, and June totaled $10 million more than projected, reducing the shortfall in gross sales tax receipts to $10 million. Sales tax refunds were $6 million more than forecast due to changes in year-end accounting procedures.

Robben Affidavit
No. 62-CV-09-11693
Exhibit 14

All FY 2009 results are preliminary and subject to change. As in past years forecasts for some revenue sources were adjusted to reflect anticipated accruals in this first report of receipts for the entire fiscal year. Individual income tax refunds paid in FY 2009 could change materially before closing due to processing of amended returns filed by individuals victimized by Ponzi schemes. A complete accounting of FY 2009 revenues reflecting final closing will be published in the October *Economic Update.*

Real GDP Growth Expected by Fall .... But Job Losses Continue until Spring 2010

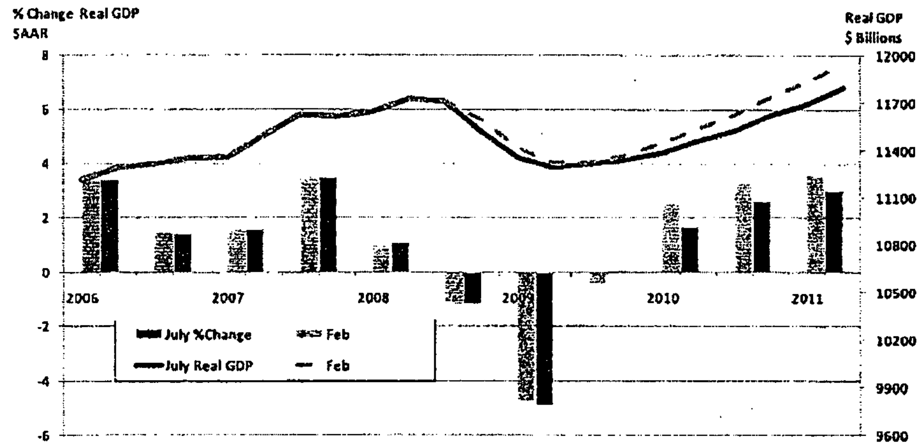
The past year has been a difficult one for the U.S. economy. Real GDP has fallen by an estimated 3.7 percent and we have lost nearly 6.5 million jobs. The unemployment rate is now at 9.5 percent, the average workweek for production and supervisory workers has fallen to the lowest level since the data were first collected in 1964, and average weekly earnings have grown by less than one percent over the past 12 months. We are in the longest recession since the great depression, and while most expect real GDP growth to return by fall, this recession is also likely to be the deepest in the postwar period. In recent months analysts have been searching so hard for signs of an economic turnaround that data which in normal times would signify major economic problems (such as May's loss of more than 300,000 jobs) have been welcomed by some pundits as "green shoots" heralding an approaching recovery.

Most forecasters expect that the tax cuts and spending increases provided in the federal stimulus package, combined with an end to inventory draw downs and modest increases in auto production will lift real output into positive territory this fall. But, most also have reduced their mid-year projections considerably from forecasts made at the start of this year. For example, February's Blue Chip consensus called for real GDP to fall by 1.9 percent in 2009; the July consensus forecast expects a 2009 decline of 2.6 percent. Almost all forecasts show job losses and unemployment rate increases extending well into 2010.

Global Insight (GII), Minnesota's national macroeconomic consultant, has grown modestly more optimistic in recent months, but their July baseline still shows a weaker economy through the end of the 2010-11 biennium than they forecast in February. GII now calls for real GDP to drop by 1.6 percent in fiscal 2009, and by 0.8 percent in fiscal 2010. In fiscal 2011 growth at a 2.5 percent annual rate is anticipated. February's baseline projected real GDP declines of 1.2 percent and 0.8 percent in fiscal 2009 and fiscal 2010, followed by 3.2 percent growth in fiscal 2011.

Oil is expected to remain in the $60 to $70 per barrel range through early 2011. Those higher than previously projected prices produce only a small change in projected inflation. CPI increases of 0.4 percent and 2.2 percent are forecast for fiscal 2010 and fiscal 2011. February's baseline called for a CPI decline of 0.7 percent followed by an increase of 2.3 percent.

Weaker Outlook for 2010-11 Biennium



Global Insight assigns a probability of 60 percent to their July baseline forecast. A more optimistic scenario, in which the economy rebounds more rapidly from its current lows is assigned a probability of 20 percent as is a scenario in which the economy's downward spiral does not end until the spring of 2010.

Economic Data Show U.S. Economy Weaker than Minnesota's in 2008

Minnesota has lagged slightly behind the U.S. economy in per capita GDP and per capita personal income growth since 2005. Employment also has grown more slowly in Minnesota and our unemployment rate appears to have shifted from its historical pattern of being well below the U.S. rate to a new pattern more closely tied to the national rate. Per capita personal income in Minnesota was more than 9 percent above the U.S. average in 2003 and 2004. In 2005 and 2006, per capita personal income grew much more slowly than the U.S. average, and the state average fell to 5.8 percent above the U.S. In 2006 per capita GDP fell by 0.3 percent while the U.S. average grew 1.8 percent. Even though Minnesota's subpar economic performance extended for just three years, there has been concern that the state's recent performance might be an early warning of longer term problems.

Economic conditions were far from normal in both Minnesota and nationally in 2008. But, according to preliminary data released by the U.S. Department of Commerce, Minnesota grew faster than the U.S. averages in both per capita GDP and per capita personal income. Last year real GDP per capita in Minnesota grew by 1.25 percent, the best since 2004. Nationally, real GDP per capita fell by 0.2 percent. And, per capita personal income grew by 4.1 percent in Minnesota, considerably stronger than the 2.9 percent growth observed nationally. Minnesota's per capita personal income is now 7.6 percent above the national average. The relative improvement also carried forward to the employment statistics. When compared to the end of 2007 employment in Minnesota fell by 2.0 percent by the end of 2008. Nationally, payroll employment fell by 2.2 percent.

Comparison of Actual and Estimated Non-Restricted Revenues

($ in thousands)

	F2009 Fiscal Year-to-Date			April - June 2009		
	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax						
Withholding	6,105,900	5,998,087	(107,813)	1,464,200	1,401,038	(63,162)
Declarations	1,441,700	1,359,180	(82,521)	597,800	517,635	(80,165)
Miscellaneous	903,220	941,170	37,950	712,143	750,094	37,950
Gross	8,450,820	8,298,436	(152,384)	2,774,143	2,668,767	(105,377)
Refund	1,207,600	1,286,825	79,225	1,009,686	1,088,911	79,225
Net	7,243,220	7,011,612	(231,608)	1,764,457	1,579,856	(184,601)
Corporate & Bank Excise						
Declarations	731,125	751,050	19,925	139,290	163,655	24,364
Miscellaneous	167,860	176,925	9,065	(2,674)	9,840	12,514
Gross	898,985	927,975	28,990	136,617	173,494	36,878
Refund	241,600	217,549	(24,051)	33,634	21,808	(11,826)
Net	657,385	710,426	53,041	102,983	151,686	48,703
Sales Tax						
Gross	4,640,799	4,630,803	(9,996)	1,300,867	1,310,625	9,757
Refunds	246,199	252,425	6,226	63,465	64,921	1,456
Net	4,394,601	4,378,378	(16,223)	1,237,403	1,245,704	8,301
Motor Vehicle Sales Tax	107,336	116,170	8,834	27,165	32,654	5,489
Other Revenues:						
Estate	121,000	135,945	14,945	23,411	33,124	9,714
Liquor/Wine/Beer	75,477	76,068	591	23,694	25,082	1,388
Cigarette/Tobacco/Cont Sub	187,160	180,000	(7,160)	27,153	26,434	(720)
Deed and Mortgage	158,600	160,855	2,254	53,648	55,709	2,061
Insurance Gross Earnings	275,800	285,508	9,708	53,343	64,768	11,425
Lawful Gambling	44,090	43,659	(430)	15,096	15,521	425
Health Care Surcharge	214,976	219,337	4,361	56,877	49,343	(7,534)
Other Taxes	9,738	24,122	14,384	8,841	23,570	14,729
Statewide Property Tax	742,263	728,425	(13,838)	408,631	394,688	(13,943)
DHS SOS Collections	40,460	40,212	(248)	12,527	10,681	(1,846)
Income Tax Reciprocity	75,880	75,880	0	0	0	0
Investment Income	28,000	40,183	12,183	(862)	5,585	6,447
Tobacco Settlement	176,982	179,854	2,872	0	2,872	2,872
Departmental Earnings	248,182	243,320	(4,862)	43,971	41,602	(2,370)
Fines and Surcharges	93,461	91,003	(2,458)	30,635	29,281	(1,354)
Lottery Revenues	45,773	44,869	(904)	12,304	12,279	(25)
Revenues yet to be allocated	(0)	43	43	(1,116)	(965)	151
Residual Revenues	96,036	110,815	14,779	23,892	27,642	3,750
Sales Tax Rebates (all years)		0	0	0	0	0
County Nursing Home, Pub Hosp	5,610	5,610	0	516	516	0
Other Subtotal	2,639,489	2,685,708	46,219	792,560	817,732	25,172
Other Refunds	48,325	58,934	10,609	17,825	25,228	7,404
Other Net	2,591,164	2,626,774	35,610	774,735	792,503	17,768
Total Gross	**16,737,429**	**16,659,092**	**(78,337)**	**5,031,353**	**5,003,271**	**(28,082)**
Total Refunds	**1,743,724**	**1,815,732**	**72,009**	**1,124,610**	**1,200,868**	**76,259**
Total Net	**14,993,705**	**14,843,359**	**(150,346)**	**3,906,743**	**3,802,403**	**(104,340)**

MINNESOTA Management & Budget

October 2009 Economic Update

October 2009

FY 2010-11 Revenues 1.7 Percent Below Forecast

Net non-dedicated general fund revenues totaled $3.067 billion during the first quarter of fiscal 2010, $52 million (1.7 percent) less than end-of-session estimates. Individual income tax receipts were $93 million below forecast and sales tax receipts were $20 million below forecast, while corporate income tax receipts were $52 million more than projected.

Summary of Tax Receipts
(July – September, 2009)

	Estimate	Actual	Variance	Percent
	($ in millions)			
Income	$1,728	$1,635	$(93)	(5.4)
Sales	874	854	(20)	(2.3)
Corporate	129	182	52	41.1
Motor Vehicles	16	20	4	25.0
Other	372	376	4	1.1
Total	$3,119	$3,067	$(52)	(1.7)

Third quarter estimated payments for the individual income tax were $55 million less than anticipated in February's forecast, and withholding tax receipts were $27 million below projections. The large, 19 percent, negative variance for estimated tax payments may reflect weaker proprietors' incomes and smaller expected capital gains than forecast in February. Estimated payments are 30 percent below year-earlier levels. The weakness in withholding receipts, down more than 7 percent from last year, reflects greater than projected recession-related wage declines. Gross sales tax receipts were down $13 million from forecast, but down 13.5 percent ($143 million) from year-earlier levels. Net corporate tax receipts were $52 million more than forecast, but $51 million (22 percent) less than in the third quarter of calendar 2008.

The shortfall in net-non-dedicated revenues for the recently completed 2009 fiscal year is now reported to be $142 million, $8 million less than reported in July's *Economic Update*. Individual income tax refunds and corporate income tax refunds were reduced modestly. Sales tax refunds increased by $19 million, reflecting a change in the treatment of sales tax refund claims for items purchased in fiscal 2009, for which refund claims were received and paid between July 1 and closing.

400 CENTENNIAL BUILDING   658 CEDAR STREET   ST. PAUL, MINNESOTA 55155   (651) 201-8000

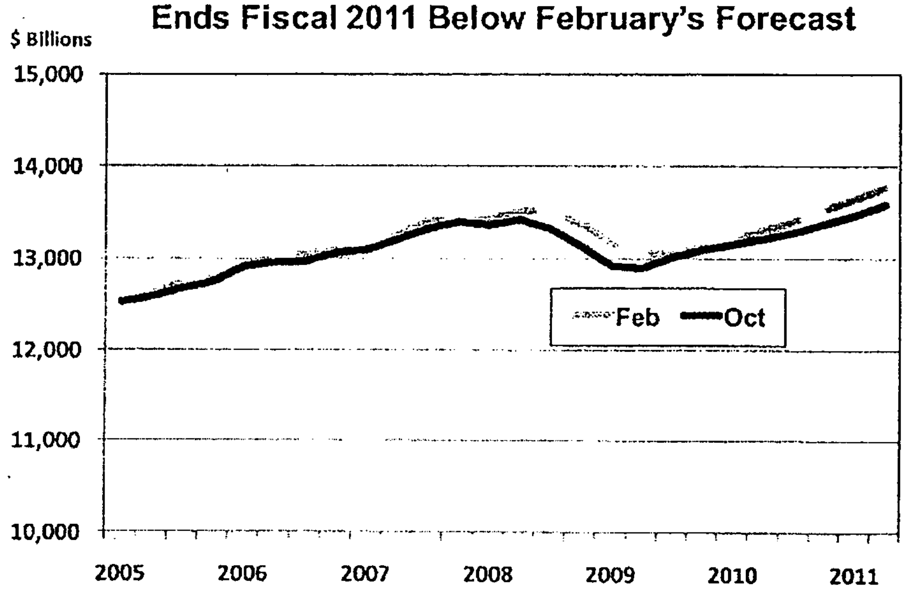
Robben Affidavit
No. 62-CV-09-11693
Exhibit 15

The "Great Recession" Appears to Be Over, But ...

Although the National Bureau of Economic Research's official certification of the end of this recession is unlikely to come before next spring, the longest and deepest recession since World War II almost certainly has come to an end. Real, inflation adjusted, GDP appears to have grown at a rate in excess of 3 percent in the third quarter of 2009, and most forecasters expect growth to continue, albeit at a more modest rate, during this year's final quarter. Forecasters no longer are debating when the recession will end. Their attention has turned to the question of what kind of recovery should be expected and how long it will take to regain pre-recession levels of output and employment. Most expect an extended U shaped recovery; the more optimistic project a V shaped recovery, the more pessimistic, a W or even an L.

The October 2009 baseline forecast from IHS-Global Insight (GII), Minnesota's national economic consultant, is very similar to the consensus outlook. It is also not greatly different from February's baseline through 2010. GII's October baseline calls for real GDP to decline by 2.5 percent in 2009, but then grow at a 2.1 percent annual rate in 2010. In February real GDP was expected to decline by 2.7 percent in 2009, then grow at an annual rate of 2.0 percent. For 2011 real GDP growth of 2.9 percent is projected. In February the expected 2011 growth rate was 3.5 percent. Global Insight continues to see little threat from inflation in the short term with the CPI expected to decline by 0.4 percent in 2009, then increase by 1.4 percent in 2010 and 2.2 percent in 2011.

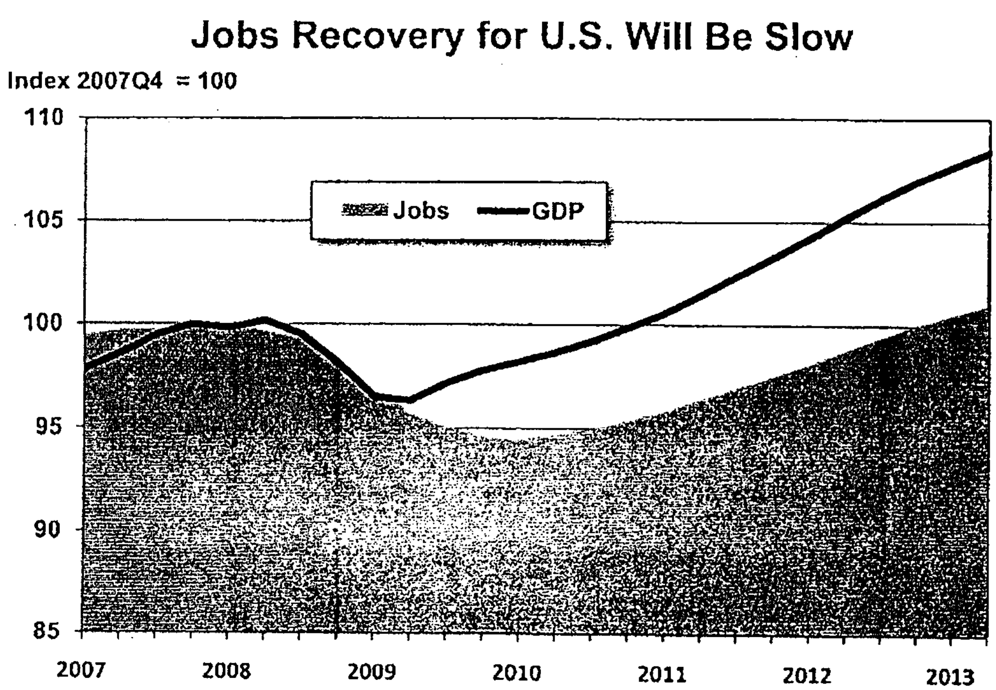
Economic Growth Returns, But Real GDP Ends Fiscal 2011 Below February's Forecast



Global Insight's forecast is identical to the Blue Chip Consensus forecast for 2009. For 2010 the Blue Chip panel is slightly more optimistic than the October baseline calling for 2.5 percent growth. GII categorizes their current outlook as a "mild W" even though real output does not decline over the forecast horizon in their baseline. October's baseline is assigned a probability of 60 percent the same as February's. A more optimistic scenario including a V shaped recovery is assigned a probability of 20 percent as is a more pessimistic scenario containing a double dip recession.

Job Growth for the U.S. Economy Not Expected to Return Until Next Spring

Few forecasters expect to see increases in U.S. payroll employment until after the first of the year and most expect the unemployment rate to move higher until early summer. While labor markets no longer have as many problems as in late 2008 and early 2009 when U.S. job losses averaged more than 600,000 per month, it is unrealistic to expect to see employment growth or a decline in the unemployment rate until the recovery becomes more fully established. Jobs will be added only after hours worked by existing employees have been increased to more normal levels and September's job report showed average hours worked by production workers at an all-time low. The unemployment rate will take even longer to begin to fall since an improving economy will draw discouraged workers back to join those actively seeking work, temporarily increasing the unemployment rate. In September, 17 percent of the workforce was unemployed, working less than full time for economic reasons, or categorized as a discouraged worker. Payroll employment is not expected to again reach pre-recession levels until 2012 and the U.S. unemployment rate is not expected to dip below 8 percent until 2013.



COMPARISON OF ACTUAL AND ESTIMATED NON-RESTRICTED REVENUES

($ in Thousands)

	Fiscal 2010 Year-to-Date			Fiscal Year 2009		
	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST	FORECAST REVENUES	ACTUAL REVENUES	VARIANCE ACT-FCST
Individual Income Tax						
Withholding	1,398,227	1,370,879	(27,348)	6,105,900	5,997,887	(108,014)
Declarations	290,022	235,122	(54,900)	1,441,700	1,359,597	(82,103)
Miscellaneous	69,165	69,161	(4)	903,220	941,000	37,780
Gross	1,757,414	1,675,162	(82,252)	8,450,820	8,298,484	(152,337)
Refund	29,595	40,714	11,119	1,242,600	1,310,249	67,649
Net	1,727,819	1,634,448	(93,371)	7,208,220	6,988,234	(219,986)
Corporate & Bank Excise						
Declarations	127,410	164,523	37,113	731,125	751,059	19,934
Miscellaneous	45,696	39,173	(6,523)	167,860	176,082	8,222
Gross	173,106	203,696	30,590	898,985	927,141	28,156
Refund	43,715	22,064	(21,652)	246,600	218,947	(27,653)
Net	129,391	181,632	52,241	652,385	708,195	55,810
Sales Tax						
Gross	923,611	910,737	(12,874)	4,640,799	4,632,609	(8,190)
Refunds	49,650	56,464	6,814	263,199	288,778	25,579
Net	873,961	854,273	(19,688)	4,377,601	4,343,831	(33,770)
Motor Vehicle Sales Tax	16,182	20,205	4,023	107,336	116,794	9,459
Other Revenues:						
Estate	30,750	35,479	4,729	121,000	135,944	14,944
Liquor/Wine/Beer	14,468	14,597	129	75,477	76,068	591
Cigarette/Tobacco/Cont Sub	47,392	47,287	(105)	187,160	182,399	(4,761)
Deed and Mortgage	34,707	35,659	952	158,600	160,855	2,254
Insurance Gross Earnings	69,783	66,394	(3,389)	275,800	285,478	9,678
Lawful Gambling	10,216	7,887	(2,329)	44,090	43,481	(609)
Health Care Surcharge	56,751	56,007	(745)	214,976	219,337	4,361
Other Taxes	173	178	5	9,738	24,122	14,384
Statewide Property Tax	110	278	168	743,211	729,373	(13,838)
DHS SOS Collections	12,981	10,829	(2,152)	40,460	40,291	(169)
Income Tax Reciprocity	0	0	0	75,880	75,880	0
Investment Income	1,667	2,231	564	28,000	40,080	12,080
Tobacco Settlement	0	100	100	176,982	179,854	2,872
Departmental Earnings	45,027	58,450	13,423	254,000	251,861	(2,139)
Fines and Surcharges	19,818	17,216	(2,602)	96,700	94,545	(2,155)
Lottery Revenues	8,278	8,041	(238)	53,573	55,996	2,423
Revenues yet to be allocated	0	1,154	1,154	0	(3)	(3)
Residual Revenues	26,231	22,259	(3,972)	99,541	115,969	16,427
Sales Tax Rebates (all years)	0	0	0	0	0	0
County Nursing Home, Pub Hosp IGT	1,304	1,304	0	5,610	5,610	0
Other Subtotal	379,657	385,349	5,692	2,660,799	2,717,139	56,340
Other Refunds	7,906	9,142	1,236	51,925	61,690	9,765
Other Net	371,751	376,207	4,456	2,608,874	2,655,449	46,575
Total Gross	3,249,970	3,195,149	(54,821)	16,758,739	16,692,168	(66,571)
Total Refunds	130,867	128,384	(2,483)	1,804,324	1,879,664	75,341
Total Net	3,119,104	3,066,765	(52,338)	14,954,415	14,812,503	(141,912)

MINNESOTA Management & Budget

DATE: November 10, 2009

TO: Governor Tim Pawlenty

FROM: Tom J. Hanson, Commissioner TJH

SUBJECT: October Revenue Collections

Preliminary estimates show General Fund receipts totaling $1.037 Billion in October, $29.0 million (2.7 percent), less than forecast. For the 2010 Fiscal Year, receipts are now $4.103 billion, $81.4 million (1.9 percent) below forecast. This negative variance includes all refunds issued in fiscal 2010 through October 31, 2009. It does not include an additional $126 million in corporate franchise tax refunds and sales tax refunds processed in October but currently being held in the state's general fund for cash management purposes.

MONTHLY RECEIPTS FOR OCTOBER, 2009
($ MILLIONS)

	Est.	Act.	Var.
INDIVIDUAL INCOME TAX	$ 557.5	$ 499.6	$-57.9
SALES TAX	370.2	377.1	6.9
CORPORATE INCOME TAX	-3.6	28.2	31.8
MOTOR VEHICLE SALES TAX	5.4	5.6	0.3
OTHER REVENUE	136.1	126.0	-10.1
TOTAL	$1,065.6	$1,036.5	$-29.0

EXHIBIT: Refunds processed but payments delayed 10/16/09 -10/31/09

Corporate Franchise Tax	$112,000,000
Sales Tax	14,000,000
Total	$126,000,000

All results are preliminary and subject to revision. Monthly revenue variances should be interpreted with great caution. Wide swings in variances for particular revenues may be caused by variations in the rate at which receipts are received or refunds are processed and not reflect changes in the revenue outlook. Negative receipts are forecast when expected refund payments exceed projected receipts.

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Robben Affidavit
No. 62-CV-09-11693
Exhibit 16

Other revenues often include undefined accounts receivables which will be added to receipts for the appropriate tax when identified.

cc: Carol Molnau, Lt. Governor
Sen. Larry Pogemiller, Majority Leader
Sen. David Senjem, Minority Leader
Rep. Margaret Anderson Kelliher, Speaker of the House
Rep. Kurt Zellers, Minority Leader

CHAPTER 79–H.F.No. 1362

An act relating to state government; making changes to health and human services; amending provisions related to licensing, the Minnesota family investment program, child care, adult supports; fraud prevention, state-operated services, the Minnesota sex offender program, the Department of Health, health care programs, chemical and mental health; continuing care programs, and public health; establishing the State-County Results, Accountability, and Service Delivery Redesign; making technical changes; making forecast adjustments; requiring reports; establishing and increasing fees; appropriating money; amending Minnesota Statutes 2008, sections 60A.092, subdivision 2; 62D.03, subdivision 4; 62D.05, subdivision 3; 62J.495; 62J.496; 62J.497, subdivisions 1, 2, by adding subdivisions; 62J.692, subdivision 7; 103I.208, subdivision 2; 119B.09, subdivision 7; 119B.13, subdivision 6; 119B.21, subdivisions 5, 10; 119B.231, subdivisions 2, 3, 4; 144.0724, subdivisions 2, 4, 8, by adding subdivisions; 144.121, subdivisions 1a, 1b; 144.122; 144.1222, subdivision 1a; 144.125, subdivision 1; 144.226, subdivision 4; 144.72, subdivisions 1, 3; 144.9501, subdivisions 22b, 26a, by adding subdivisions; 144.9505, subdivisions 1g, 4; 144.9508, subdivisions 2, 3, 4; 144.9512, subdivision 2; 144.966, by adding a subdivision; 144.97, subdivisions 2, 4, 6, by adding subdivisions; 144.98, subdivisions 1, 2, 3, by adding subdivisions; 144.99, subdivision 1; 144A.073, by adding a subdivision; 144A.44, subdivision 2; 144A.46, subdivision 1; 145A.17, by adding a subdivision; 148.6445, by adding a subdivision; 148D.180, subdivisions 1, 2, 3, 5; 148E.180, subdivisions 1, 2, 3, 5; 152.126, subdivisions 1, 2, 6; 153A.17; 157.15, by adding a subdivision; 157.16; 157.22; 176.011, subdivision 9; 245.462, subdivision 18; 245.470, subdivision 1; 245.4871, subdivision 27; 245.488, subdivision 1; 245A.03, by adding a subdivision; 245A.10, subdivisions 2, 3; 245A.11, subdivision 2a, by adding subdivisions; 245A.16, subdivisions 1, 3; 245C.03, subdivision 2; 245C.04, subdivisions 1, 3; 245C.05, subdivision 4, by adding a subdivision; 245C.08, subdivision 2; 245C.10, subdivision 3, by adding subdivisions; 245C.17, by adding a subdivision; 245C.20; 245C.21, subdivision 1a; 245C.23, subdivision 2; 246.50, subdivision 5, by adding subdivisions; 246.51, by adding subdivisions; 246.511; 246.52; 246.54, subdivision 2; 246B.01, by adding subdivisions; 252.025, subdivision 7; 252.46, by adding a subdivision; 252.50, subdivision 1; 254A.02, by adding a subdivision; 254A.16, by adding a subdivision; 254B.03, subdivisions 1, 3, by adding a subdivision; 254B.05, subdivision 1; 254B.09, subdivision 2; 256.01, subdivision 2b, by adding subdivisions; 256.045, subdivision 3; 256.476, subdivisions 5, 11; 256.962, subdivisions 2, 6; 256.969, subdivisions 2b, 3a, by adding subdivisions; 256.975, subdivision 7; 256.983, subdivision 1; 256B.04, subdivision 16; 256B.055, subdivisions 7, 12; 256B.056, subdivisions 3c, 3d; 256B.057, by adding a subdivision; 256B.0575; 256B.0595, subdivisions 1, 2; 256B.06, subdivisions 4, 5; 256B.0621, subdivision 2; 256B.0622, subdivision 2; 256B.0623, subdivision 5; 256B.0624, subdivisions

Robben Affidavit
No. 62-CV-09-11693
Exhibit 17

5, 8; 256B.0625, subdivisions 3, 3c, 6a, 7, 9, 11, 13, 13e, 13h, 17, 17a, 19a, 19c, 26, 42, 47, by adding subdivisions; 256B.0641, subdivision 3; 256B.0651; 256B.0652; 256B.0653; 256B.0654; 256B.0655, subdivisions 1b, 4; 256B.0657, subdivisions 2, 6, 8, by adding a subdivision; 256B.08, by adding a subdivision; 256B.0911, subdivisions 1, 1a, 3, 3a, 3b, 3c, 4a, 5, 6, 7, by adding subdivisions; 256B.0913, subdivision 4; 256B.0915, subdivisions 3a, 3e, 3h, 5, by adding a subdivision; 256B.0916, subdivision 2; 256B.0917, by adding a subdivision; 256B.092, subdivision 8a, by adding subdivisions; 256B.0943, subdivisions 1, 12; 256B.0944, by adding a subdivision; 256B.0947, subdivision 1; 256B.15, subdivisions 1, 1a, 1h, 2, by adding subdivisions; 256B.199; 256B.37, subdivisions 1, 5; 256B.434, subdivision 4, by adding a subdivision; 256B.437, subdivision 6; 256B.441, subdivisions 55, 58, by adding a subdivision; 256B.49, subdivisions 12, 13, 14, 17, by adding subdivisions; 256B.501, subdivision 4a; 256B.5011, subdivision 2; 256B.5012, by adding a subdivision; 256B.69, subdivisions 5a, 5c, 5f, 23; 256B.76, subdivision 1; 256D.03, subdivision 4; 256D.44, subdivision 5; 256G.02, subdivision 6; 256I.03, subdivision 7; 256I.05, subdivisions 1a, 7c; 256J.08, subdivision 73a; 256J.24, subdivision 5; 256J.425, subdivisions 2, 3; 256J.45, subdivision 3; 256J.49, subdivisions 1, 4; 256J.521, subdivision 2; 256J.545; 256J.561, subdivisions 2, 3; 256J.57, subdivision 1; 256J.575, subdivisions 3, 4, 6, 7; 256J.621; 256J.626, subdivision 7; 256J.95, subdivisions 3, 11, 12, 13; 256L.03, by adding a subdivision; 256L.04, subdivisions 1, 7a, 10a, by adding a subdivision; 256L.05, subdivisions 1, 3, 3a, by adding a subdivision; 256L.07, subdivisions 1, 2, 3, by adding a subdivision; 256L.11, subdivision 1; 256L.15, subdivisions 2, 3; 256L.17, subdivisions 3, 5; 259.67, by adding a subdivision; 270A.09, by adding a subdivision; 327.14, by adding a subdivision; 327.15; 327.16; 327.20, subdivision 1, by adding a subdivision; 501B.89, by adding a subdivision; 519.05; 604A.33, subdivision 1; 609.232, subdivision 11; 626.556, subdivision 3c; 626.5572, subdivisions 6, 13, 21; Laws 2003, First Special Session chapter 14, article 13C, section 2, subdivision 1, as amended; Laws 2007, chapter 147, article 19, section 3, subdivision 4, as amended; proposing coding for new law in Minnesota Statutes, chapters 62Q; 246B; 254B; 256; 256B; proposing coding for new law as Minnesota Statutes, chapter 402A; repealing Minnesota Statutes 2008, sections 103I.112; 144.9501, subdivision 17b; 148D.180, subdivision 8; 245C.11, subdivisions 1, 2; 246.51, subdivision 1; 246.53, subdivision 3; 256.962, subdivision 7; 256B.0655, subdivisions 1, 1a, 1c, 1d, 1e, 1f, 1g, 1h, 1i, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13; 256B.071, subdivisions 1, 2, 3, 4; 256B.092, subdivision 5a; 256B.19, subdivision 1d; 256B.431, subdivision 23; 256I.06, subdivision 9; 256L.17, subdivision 6; 327.14, subdivisions 5, 6; Minnesota Rules, parts 4626.2015, subpart 9; 9555.6125, subpart 4, item B.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

LICENSING

Section 1. Minnesota Statutes 2008, section 245A.10, subdivision 2, is amended to read:

Subd. 4. Basic Health Care Grants

General	(224,341,000)	
Health Care Access	(19,460,000)	

The amounts that may be spent from this appropriation for each purpose are as follows:

(a) MinnesotaCare

Health Care Access	(19,460,000)	
(b) MA Basic Health Care - Families and Children		(100,055,000)
(c) MA Basic Health Care - Elderly and Disabled		(136,795,000)
(d) General Assistance Medical Care		12,539,000

Subd. 5. **Continuing Care Grants** **(247,791,000)**

The amounts that may be spent from this appropriation for each purpose are as follows:

(a) MA Long-Term Care Facilities	(59,204,000)
(b) MA Long-Term Care Waivers	(168,927,000)
(c) Chemical Dependency Entitlement Grants	(19,660,000)

Sec. 3. EFFECTIVE DATE.

Sections 1 and 2 are effective the day following final enactment.

ARTICLE 13

APPROPRIATIONS

Section 1. SUMMARY OF APPROPRIATIONS.

The amounts shown in this section summarize direct appropriations by fund made in this article.

	2010	2011	Total
General	$ 4,452,323,000	$ 5,280,470,000	$ 9,732,793,000

State Government Special Revenue	62,451,000	61,515,000	123,966,000
Health Care Access	489,995,000	568,298,000	1,058,293,000
Federal TANF	301,220,000	268,711,000	569,931,000
Lottery Prize	1,665,000	1,665,000	3,330,000
Federal Fund	110,000,000	0	110,000,000
Total	$ 5,417,704,000	$ 6,180,659,000	$ 11,598,363,000

Sec. 2. HEALTH AND HUMAN SERVICES APPROPRIATION.

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2010" and "2011" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2010, or June 30, 2011, respectively. "The first year" is fiscal year 2010. "The second year" is fiscal year 2011. "The biennium" is fiscal years 2010 and 2011. Appropriations for the fiscal year ending June 30, 2009, are effective the day following final enactment.

	APPROPRIATIONS Available for the Year Ending June 30	
	2010	**2011**
Sec. 3. HUMAN SERVICES		
Subdivision 1. **Total Appropriation**	$ 5,230,100,000	$ 5,997,715,000

Appropriations by Fund		
	2010	2011
General	4,376,839,000	5,211,018,000
State Government Special Revenue	1,315,000	565,000
Health Care Access	450,792,000	527,489,000
Federal TANF	289,487,000	256,978,000
Lottery Prize	1,665,000	1,665,000
Federal Fund	110,000,000	0

Receipts for Systems Projects. Appropriations and federal receipts for information systems projects for MAXIS, PRISM, MMIS, and SSIS must be deposited

Appropriations by Fund		
General	28,077,000	28,077,000
Health Care Access	4,856,000	4,868,000

Subd. 3. Revenue and Pass-Through Revenue Expenditures 65,746,000 67,068,000

This appropriation is from the federal TANF fund.

Subd. 4. Children and Economic Assistance Grants

The amounts that may be spent from this appropriation for each purpose are as follows:

(a) MFIP/DWP Grants

Appropriations by Fund		
General	63,205,000	89,033,000
Federal TANF	100,404,000	85,789,000

(b) Support Services Grants

Appropriations by Fund		
General	8,715,000	12,498,000
Federal TANF	121,257,000	102,757,000

MFIP Consolidated Fund. The MFIP consolidated fund TANF appropriation is reduced by $1,854,000 in fiscal year 2011 and fiscal year 2012.

Notwithstanding Minnesota Statutes, section 256J.626, subdivision 8, paragraph (b), the commissioner shall reduce proportionately the reimbursement to counties for administrative expenses.

Subsidized Employment Funding Through ARRA. The commissioner is authorized to apply for TANF emergency fund grants for subsidized employment activities. Growth in expenditures for subsidized employment within the supported work program and the MFIP consolidated fund over the amount expended in the calendar quarters in the

(i) General Assistance Grants	48,215,000	48,608,000

General Assistance Standard. The commissioner shall set the monthly standard of assistance for general assistance units consisting of an adult recipient who is childless and unmarried or living apart from parents or a legal guardian at $203. The commissioner may reduce this amount according to Laws 1997, chapter 85, article 3, section 54.

Emergency General Assistance. The amount appropriated for emergency general assistance funds is limited to no more than $7,889,812 in fiscal year 2010 and $7,889,812 in fiscal year 2011. Funds to counties must be allocated by the commissioner using the allocation method specified in Minnesota Statutes, section 256D.06.

(j) Minnesota Supplemental Aid Grants	33,930,000	35,191,000

Emergency Minnesota Supplemental Aid Funds. The amount appropriated for emergency Minnesota supplemental aid funds is limited to no more than $1,100,000 in fiscal year 2010 and $1,100,000 in fiscal year 2011. Funds to counties must be allocated by the commissioner using the allocation method specified in Minnesota Statutes, section 256D.46.

(k) Group Residential Housing Grants	111,778,000	114,034,000

Group Residential Housing Costs Refinanced. (a) Effective July 1, 2011, the commissioner shall increase the home and community-based service rates and county allocations provided to programs for persons with disabilities established under section 1915(c) of the Social Security Act to the extent that these programs will be paying for the costs above the rate established in Minnesota Statutes, section 256I.05, subdivision 1.

(b) For persons receiving services under Minnesota Statutes, section 245A.02, who reside in licensed adult foster care beds

TANF appropriation," was indicated as vetoed by the governor.)

(c) Money appropriated under paragraphs (a) and (b) that is not spent in the first year does not cancel but is available for the second year.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. EMERGENCY SERVICES SHELTER GRANTS FROM AMERICAN RECOVERY AND REINVESTMENT ACT.

(a) To the extent permitted under federal law, the commissioner of human services, when determining the uses of the emergency services shelter grants provided under the American Recovery and Reinvestment Act, shall give priority to programs that serve the following:

(1) homeless youth;

(2) American Indian women who are victims of trafficking;

(3) high-risk adult males considered to be very likely to enter or reenter state or county correctional programs, or chemical and mental health programs;

(4) battered women; and

(5) families affected by foreclosure.

(b) Paragraph (a) does not supersede use of ARRA funds as otherwise provided in this act.

Sec. 14. TRANSFERS.

Subdivision 1. **Grants.** The commissioner of human services, with the approval of the commissioner of finance, and after notification of the chairs of the relevant senate budget division and house of representatives finance division committee, may transfer unencumbered appropriation balances for the biennium ending June 30, 2011, within fiscal years among the MFIP, general assistance, general assistance medical care, medical assistance, MinnesotaCare, MFIP child care assistance under Minnesota Statutes, section 119B.05, Minnesota supplemental aid, and group residential housing programs, and the entitlement portion of the chemical dependency consolidated treatment fund, and between fiscal years of the biennium.

Subd. 2. **Administration.** Positions, salary money, and nonsalary administrative money may be transferred within the Departments of Human Services and Health as the commissioners consider necessary, with the advance approval of the commissioner of finance. The commissioner shall inform the chairs of the relevant house and senate health committees quarterly about transfers made under this provision.

Sec. 15. 2007 AND 2008 APPROPRIATION AMENDMENTS.

(a) Notwithstanding Laws 2007, chapter 147, article 19, section 3, subdivision 4, paragraph (g), as amended by Laws 2008, chapter 363, article 18, section 7, the TANF fund base for the Children's Mental Health Pilots is $0 in fiscal year 2011. This paragraph is effective retroactively from July 1, 2008.

STATE OF MINNESOTA

COUNTY OF RAMSEY

DISTRICT COURT

SECOND JUDICIAL DISTRICT

Case Type: Other Civil

TOM RUKAVINA, DAVID TOMASSONI, JOSEPH BEGICH, PAUL PLESHA, ROXANNE HORTON, and THE RANGE ASSOCIATION OF MUNICIPALITIES AND SCHOOLS, on behalf of its organization and members,

Plaintiffs,

vs.

TIM PAWLENTY, Governor of Minnesota, and DAN McELROY, Commissioner of the Minnesota Department of Finance,

Defendants.

Court File No. C1-03-2239
Judge M. Michael Monahan

AFFIDAVIT OF CYNTHIA O. RANSOM IN SUPPORT OF DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

COUNTY OF RAMSEY)
) ss
STATE OF MINNESOTA)

Cynthia O. Ransom, being first duly sworn, states that:

1. I am a Legal Secretary with the Minnesota Attorney General's Office and make this Affidavit in support of Defendants' motion for summary judgment in the above-entitled matter. I work with Legal Assistant Rita Desmond. Ms. Desmond obtained and made handwritten transcripts of various audiotapes from the History Center Library regarding the legislative history of the statute at issue in this case and asked me to transcribe certain of these audiotapes.

2. Attached as Exhibit A is a true and correct transcription of an excerpt from the May 4, 1987 Senate Floor Session regarding HF No. 529.

Robben Affidavit
No. 62-CV-09-11693
Exhibit 18

3. Attached as Exhibit B is a true and correct transcription of an excerpt from the May 6, 1987 Conference Committee hearing regarding HF No. 529.

4. Attached as Exhibit C is a true and correct transcription of an excerpt from the May 18, 1987 Senate Floor Session regarding HF No. 529.

FURTHER AFFIANT SAYETH NOT.

C.O. Ransom

CYNTHIA O. RANSOM

Subscribed and sworn before me
this 26 th day of August, 2003.

Nancy J. Rafferty

Notary Public

NANCY J. RAFFERTY
NOTARY PUBLIC - MINNESOTA
MY COMMISSION EXPIRES
JANUARY 31, 2005

AG: #906517-v1

Legislative Research 1987 Minnesota Laws chapter 268, article 18, Section 1: Budgeting and Cash Flow Reserve, Reduction; HF No. 529

Floor Session
May 4, 1987

Sen. Johnson, D.J.: ... Article 20 is the very important feature of the bill. It provides for a $250 million budget reserve. We do have a blinker system to keep that $250 million reserve. It will not be, we will not maintain that $250 million reserve with only blinker taxes, but we'll give the authority of the Commissioner of Finance to unallocated expenditures by one half of the amount and one half of the amount would be through tax adjustments on individuals and corporations. We think that provision is very important for the state's cash flow as well to try to keep us out of debt and could help our credit rating that will be reviewed by the rating agency shortly.

Article 21 ...

Sen. Laidig: ... I do have one last quick question for Senator Johnson. It has to deal with Article 20, the Budget and Cash Flow Reserve. As I understand in reading that Article, Senator Johnson, that we're going to make some radical changes in the way the Commissioner can unallot. Mr. President, Senator Johnson, the question on Article 20, the Budget and Cash Flow, and I was working off of the summary of Article 20, and it appears to me we are going to extend the authority of the Commissioner in terms of what he may or may not unallot. In current law, there are some prohibitions on the kinds of things he can unallot and as I understand it we're going to change that but we also have some language that says that he can go back and unallot, notwithstanding any law to the contrary the Commissioner's empowered to defer or suspend prior statutorily created obligations which I find on page 441. I am wondering, if that, that may not be a significant change in the budget reserve law but it appears that the Governor currently does not have a line item veto but if we give the Commissioner of Finance authority to go back into prior law, prior statutory obligations, that may or may not be a significant change and may be an explanation of that would be helpful.

Sen. Johnson: Under this provision, the Commissioner could unallot regular budget spending items as well as entitlement items. Up until this point, the Commissioner was unclear whether or not he could unallot entitlement items. He could with the language in this bill.

(bill passed)

AG: #815360-v1

EXHIBIT
A

Legislative Research 1987 Minnesota Laws chapter 268, article 18, Section 1: Budgeting and Cash Flow Reserve, Reduction; HF No. 529

Conference Committee
May 6, 1987

(Joel Michael House Research is providing an overview of the bill comparisons)

... Article 10 of the House Bill and Article 20 of the Senate Bill relates to the Budget and Cash Flow Reserves provision.

Section 1 is the same in both bills. It extends the Commissioner powers to unallot so that it applies to all appropriations and expenditures regardless of whether they are exempted from allotment under a prior law.

Section 2 establishes the budget reserves account at $250 million for the '88-'89 biennium.

Section 3 repeals the existing priorities for using revenues in excess of the amount that were -

Chairman: Excuse me, Joel, I was just, I'm a little behind you and I got section 20 in Article 9, I noticed in the summary there, you talk about legal services, I don't think they exist any longer in our uh.

Joel: Mr. Chairman, that's a mistake. The result from retaining in the word processor old summaries.

...

Section 3 repeals the existing priorities for expending budget surpluses and provides that 75% of any surplus will be used to increase the budget reserves to an amount of $550 million to [inaudible] (its original ?) in both bills.

Section 4 is a provision that's not in the Senate bill and it exempts the Commissioner of Revenue from the daily deposit requirements if the tax receipts that are received cannot be processed within the day, or cannot be posted to the accounts during the day.

Section 5 is the trigger tax provision in the House bill and provides that if, first of all requires the Commissioner of Finance to prepare a November 1988 forecast. If this forecast shows that the budget reserve will be below $100 million at the end of the biennium, then the trigger tax rate schedules in the individual income tax and under the corporate income tax become effective and those rates get, so the corporate income tax is raised from 10 to 11 and on the individual income tax each of the individual rates is increased by 2/10ths of a percentage point.

EXHIBIT
B

Legislative Research 1987 Minnesota Laws chapter 268, article 18, Section 1: Budgeting and Cash Flow Reserve, Reduction; HF No. 529

Senate Floor
May 18, 1987

Sen. Johnson DJ.:

Article 18 is the Budget and Cash Flow Reserves section.

Section 1 was from the Senate bill expanding authority of the Commissioner to reduce allotments by extending that authority to all appropriations and expenditures which had been limited until this time.

Section 2 sets the reserve fund at $250 million.

Section 3 eliminates existing priorities for using reserves in excess of the amounts budgeted, and provides for two contingencies. One would buy back the shift in the education aides bill after the November '87 forecast and the second one, after that shift was brought back, would provide that any dollars above that shift, one half would go to the budget reserves and one half would go to the greater Minnesota corporation up to $120 million. The maximum that would go into the cash flow reserve account would be $550 million.

Section 5 is what's known as the trigger tax, in case the state gets into a problem again. If the forecast in November of 1988 indicates that the general fund receipts will be not sufficient, if the reserve account is estimated to be less than $150 million, individual income tax rates will be increased by 25 hundredths of a percentage point and corporate rates by four tenths of a percentage point. If the cash flow reserve account is estimated at less than $50 million, the percentage increase will be 50/100s for individual rates and 8/10ths for corporate rates to guarantee that there is a $250 million budget reserve. So those, and then Article 19 on the back . . .

Sen. Benson:

. . . the cruelest part of this bill and what we're building into it is the trigger. Now evidently we don't think that this bill is very good and is not going to work or we wouldn't be building this trigger into it. We have forsaken our job, for those you who have followed our debate on rules, we're going to let an automatic trigger do the job that we're supposed to do.

That automatic trigger is going to kick into effect if the state coffers aren't large enough. So Mr. President and members, so no one is mislead there is a little tax reform in this bill . . .

AG: #815360-v1

EXHIBIT
C

STATE OF MINNESOTA | DISTRICT COURT

COUNTY OF RAMSEY | SECOND JUDICIAL DISTRICT
#447358

- -

Minnesota Federation of Teachers
on behalf of their organizations
and members, et al.,

Plaintiffs,

-vs-

Albert H. Quie, Governor of State
of Minnesota, et al.,

Defendants.

- -

FINDINGS OF FACT
CONCLUSIONS OF LAW
ORDER FOR JUDGMENT

This declaratory judgment action was submitted to the Court on January 12, 1981 upon stipulated facts and briefs filed thereafter. The plaintiffs were represented by their attorneys, Roger A. Peterson and Marcus J. Christianson of Peterson, Engberg and Peterson, 700 Title Insurance Building, Minneapolis, Minnesota. The defendants were represented by William P. Donohue, Special Assistant Attorney General, and Assistant Attorney Generals J. Michael Miles and Michael J. Bradley, 515 Transportation Building, St. Paul, Minnesota. Based upon the stipulated facts, the briefs and arguments of counsel and the files and records herein, the Court makes the following:

FINDINGS OF FACT

1. The Minnesota Federation of Teachers (MFT) is a statewide labor organization with approximately 17,000 members and 125 local organizations within the various school districts. The MFT does not, however, enter into any collective bargaining agreements between itself and any school district.

2. Edward Bolstad, the executive secretary of the MFT, is the father of Andrea Bolstad, a student in the Minneapolis public schools. Local 59 of the MFT is the exclusive bargaining representative for teachers in Special School District No. 1, Minneapolis, and Norman Moen is executive secretary of Local 59.

3. In July, 1980, Governor Quie was advised by Commissioner Burggraff of the Department of Finance that the State's revenues were considerably below the projected estimates. The shortage in funds was caused by a sharp downturn in national and state economic conditions in the first six months of 1980.

Robben Affidavit
No. 62-CV-09-11693
Exhibit 19

4. Shortly thereafter Governor Quie met with the state department heads, legislative leaders, members of the press and the public. The situation was reviewed, and the probability of a reduction in state expenditures was discussed.

5. Thereafter Commissioner Burggraff and the Finance Department prepared a revised state financial forecast for revenues and expenditures through June 30, 1981, using accepted techniques of fiscal management. A state budget reduction plan was also developed.

6. This economic forecast was based on material prepared by Data Resources, Inc. a nationally known forecasting service used by the State for several years. The resulting analysis included calculations of all state income and expenditures through the biennium ending June 30, 1981. It was reviewed by three independent economic experts, namely Sung Won Son, Senior Vice President of the Northwestern National Bank of Minneapolis; O. H. Brownlee, Professor of Economics at the University of Minnesota; and Thomas Supel, Senior Economist with the Ninth District Federal Reserve Bank. They all agreed that the assumptions and method used in arriving at the forecast were valid and reasonable.

7. In its estimate dated August 21, 1980, the Finance Department forecast revenues that would be 195.1 million dollars less than required to fund the expenditures previously authorized by the legislature.

8. The Constitution of the State of Minnesota, Article XI,

Sec. 1 states: "No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law."

Sec. 6 states: "As authorized by law certificates of indebtedness may be issued during a biennium, commencing on July 1 in each odd-numbered year and ending on and including June 30 in the next odd-numbered year, in anticipation of the collection of taxes levied for and other revenues appropriated to any fund of the state for expenditure during that biennium. . . ."

Minnesota Statutes 16A.15, subd. 1 reads:

> "Reduction. In case the commissioner of finance shall discover at any time that the probable receipts from taxes or other sources for any appropriation, fund, or item will be less than was anticipated, and that consequently the amount available for the remainder of the term of the appropriation or for any allotment period will be less than the amount estimated or allotted therefor, he shall, with the approval of the governor, and after notice to the agency concerned, reduce the amount allotted or to be allotted so as to prevent a deficit. In like manner he shall request reduction of the amount allotted or to be allotted to any agency by the amount of any saving which can be effected upon previous spending plans through a reduction in prices or other cause."

9. The budget reduction plan prepared by the Finance Department and adopted by the Governor as the chief executive of the State carried out the mandate of M.S.A. 16A.15 Subd. 1. The necessary reduction of 195.1 million dollars was applied uniformly throughout the State budget, and therefore state aids to school districts was reduced by some 89.5 million dollars.

10. The uniform reduction plan preserves the public policy as established by the legislature in its appropriation of funds among state agencies, educational institutions, school districts and local governments. On a state wide basis, the total operating budgets of the school districts would have to be reduced 5.3% as a result of the reduced state aid available.

11. Based on the best financial information available the reduction program was necessary to avoid a deficit, and should result in a zero balance in the State general fund as of June 30, 1981.

12. In implementing the budget plan the State Department of Education equalized the reductions in school aid so as to continue the legislative policy of equal financial support on a per pupil basis. The cuts in state school aid took effect in November, 1980 and are to continue each month until the end of the fiscal year.

13. Most of the school districts in the State have surplus funds available, and the aggregate amount of fund balances has increased every year since 1977. On June 30, 1980 the 438 school districts had available surplus funds of some 286 million dollars, more than three times the amount cut by the action of the Governor.

14. Any school district may issue tax anticipation certificates, or obligation bonds in an amount equal to three times its average yearly tax revenue or may utilize deficit spending on a short term basis.

15. The Minneapolis School District reduced its non-fixed costs by 4% of its 101 million dollar annual budget. No base salaries were cut and there was no lay off of personnel. At the end of the 1980-81 school year, Minneapolis Special School District No. 1 will have a projected surplus of 2.5 million dollars, raised from local taxation.

16. The plaintiffs will not be harmed by the Governor's uniform reduction plan.

CONCLUSIONS OF LAW

1. M.S.A. 16A.15 Subd. 1 is constitutional, and is a lawful delegation and direction from the legislature to the executive branch.

2. The actions taken by the Governor of Minnesota and the executive branch reducing state expenditures by 195.1 million dollars for the year ending June 30, 1981 was a valid and necessary action required by M.S.A. 16A.15 Subd. 1.

3. The plaintiffs have no standing to contest the action taken by the Governor and the executive branch.

4. The defendants are entitled to judgment against the plaintiffs, together with their costs and disbursements herein.

LET JUDGMENT BE ENTERED ACCORDINGLY.

The following memorandum is made a part of this Order.

Otis H. Godfrey, Jr.
Judge of District Court

DATED: February 27, 1981.

MEMORANDUM

It is a longstanding legal principle that laws are presumed to be constitutional unless there is clear and convincing evidence to the contrary. The burden of proof in this regard must necessarily rest upon the party seeking to set the law aside or claiming that it is unconstitutional. See Minnesota Federation of Teachers v. Obermeyer, 275 Minn. 347, 147 NW2d 358 (1966). It should further be noted that in Borden's Farm Products Co., Inc. v. Baldwin, 293 U.S. 194, 55 S. Ct. 187, 79 L.ed. 281 (1934) the court held that the party challenging a law's constitutionality must show that the action is arbitrary to rebut the presumption of constitutionality.

The statute in question is a clear enunciation of the intent of the legislature that the State of Minnesota must not indulge in deficit financing, and that expenditures can never exceed income during any fiscal period. It is the function of the legislature to enact laws, and the responsibility of the executive branch to carry them out and to conduct the management of state government.

This Court can find no basis for the claim of the plaintiffs that the statute in question constitutes an unlawful delegation from the legislature to the executive branch.

While it may be true that injury to the several plaintiffs may have been thought to be imminent at the time of commencement of the action, the stipulated facts are to the contrary. There is a complete lack of showing that any of the plaintiffs could possibly be injured by any actions taken by the Governor and the Departments of Finance and Education. It should further be noted that the Minneapolis School District has a present surplus of some 2.5 million dollars available for school purposes.

Any claimed injury must be distinct and palpable and not just an ingenious academic exercise in the conceivable. See Snyder Drug Stores v. Minnesota Board of Pharmacy, 301 Minn. 28, 221 NW2d 162 (1974); Warth v. Seldin, 422 U.S. 490 (1975) and U.S. v. SCRAP, 412 U.S. 669 (1973).

Our Supreme Court held in St. Paul Chamber of Commerce v. Marzitelli, 258 NW2d 585 (Minn. 1977) that proceedings for declaratory judgment must be based on a justiciable controversy "in the sense that it involves definite and concrete assertions of right and the contest thereof touching the legal relations of parties having adverse interests in the matter with respect to which the declaration is sought . . . Mere differences of opinion with respect to the rights of parties do not constitute such a controversy." See also Minnesota Association of Public Schools v. Hanson, 287 Minn. 415, 178 NW2d 846 (1970), wherein the court held that "A party challenging the constitutionality of a statute must show that it affects his rights in an unconstitutional manner and not merely the rights of others. It is not sufficient that he suffers in some indefinite way in common with people generally."

The above quoted language would seem to have particular applicability to the plaintiffs in the instant case, and the Court must accordingly find that they have no standing, and that there is not in fact a justiciable controversy.

Because of the public interest in this litigation, however, the Court has nevertheless made its findings that the statute is constitutional and valid, and that the executive branch acted not only in a legal manner but that the reduction in the State expenditures was in fact mandated by the statute.

O.H.G.

MINNESOTA
Management
& Budget

November 2009

HIGHLIGHTS

Weaker than Projected Economy Leaves $1.203 Billion Budget Deficit

General fund revenues are now forecast to fall $1.156 billion (3.7 percent) below earlier estimates for the 2010-11 biennium. After adjusting for actions taken by the Governor following the legislative session, general fund expenditures are $44 million lower. When combined with a $91 million reduction in the ending balance from FY 2008-09, a budget deficit of $1.203 billion is now projected for FY 2010-11. About 70 percent of the projected deficit is due to a reduction in expected income tax receipts.

Forecast for U.S. GDP on Track, But Labor Markets Weaker than Projected

Real GDP growth turned positive in the third quarter of 2009 and most forecasters believe that signaled the end of the Great Recession. But, that good economic news has yet to be reflected in labor markets.

The unemployment rate, already above the highs projected early in 2009, is expected to trend even higher over the next six months. Payroll employment reports already show greater job losses than were anticipated last February, and most forecasters believe job losses will edge still higher since employers are not expected to start adding new jobs until spring. The additional labor market slack has produced much weaker than expected wage growth. In February, U.S. wages were expected to fall by 0.4 percent in 2009. Global Insight's November baseline projects a decline of 4.5 percent. Non-farm proprietor's income, a measure of small business income, is now expected to show a similar percentage decline.

Structural Shortfall for 2012-13 grows to $5.4 billion

Planning estimates continue to show a significant budget gap in FY 2012-13. Based on updated economic assumptions and current law spending assumptions, on-going expenditures will exceed on-going revenues by an additional $995 million, leaving a total shortfall of $5.426 billion without adjustment for inflation.

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BUDGET UPDATE AND OUTLOOK

$1.2 Billion Deficit Projected for the 2010-11 Biennium

Extended weakness in the U.S. economy has caused a further reduction in Minnesota's budget outlook. An economic recovery is taking place, but the recession's impact on employment and wages was worse than anticipated. Current forecasts do not expect U.S. employment to return to pre-recession highs until early 2013. Total U.S. wages are now expected to remain below previous highs until mid 2011, over one year later than anticipated in February. The result is a lower ending balance for FY 2009 and additional annual shortfalls throughout the forecast horizon.

Revenues for the 2010-11 biennium are now expected to total $29.986 billion, down $1.156 billion (3.7 percent) from end-of-session estimates that include the Governor's unallotment and executive actions. This change in expected revenues, when combined with a small, $44 million decrease in projected general fund expenditures and a $91 million reduction in the balance from the 2008-09 biennium, produces a $1.203 billion budget deficit for the current biennium.

FY 2010-11 Budget
($ in millions)

	End of Session	November Forecast	Change
Balance from FY 2009	**$538**	**$447**	**($91)**
Revenues	31,142	29,986	(1,156)
Expenditures	31,330	31,286	(44)
Budget Reserve	0	0	0
Cash Flow Account	350	350	0
Balance	**$0**	**($1,203)**	**($1,203)**

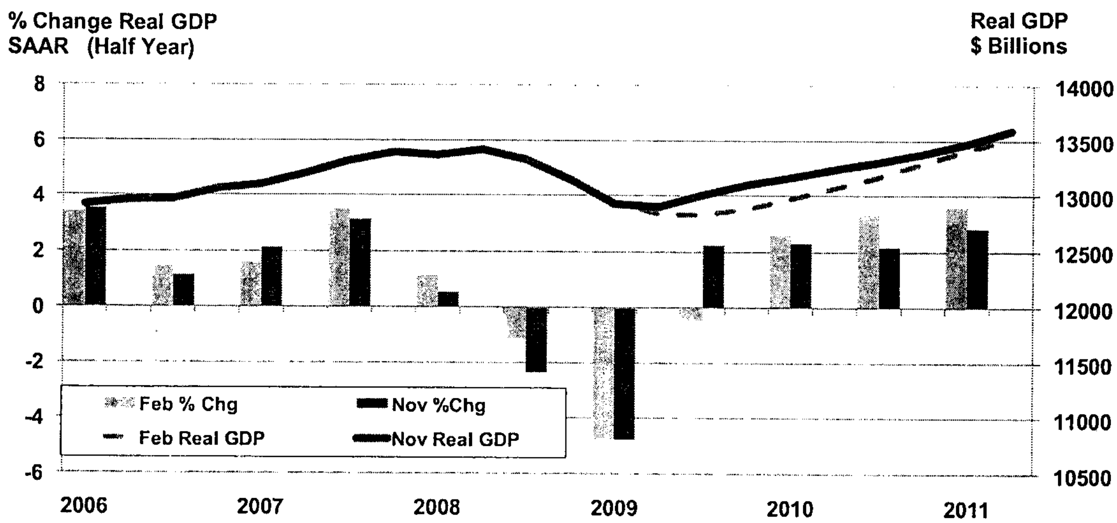
The end-of-session estimates include both the 2009 legislatively enacted budget and the impact of the Governor's unallotment and executive actions. Minnesota continues to have a cash flow account of $350 million. The state's budget reserve is zero.

The Great Recession Is History, Here Comes the "Not So Great" Recovery

The worst recession in more than 60 years has ended. But, those expecting a quick leap to a golden age of growth will be disappointed. Most forecasters believe the longest and deepest recession since World War II will be followed by one of the slowest recoveries on record.

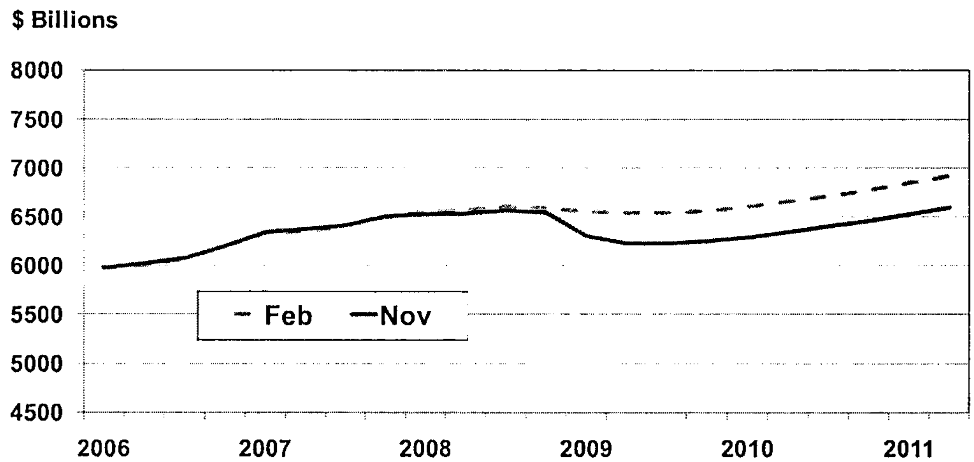
Given the extreme uncertainty at the time early 2009 forecasts first were made most have provided reasonable guides to the path GDP has taken through some very difficult economic times. The consensus believed we would see the recession deepen in early 2009, followed by a modest recovery in late summer, and that pattern has (thus far) been correct. While February's baseline forecast from IHS-Global Insight, the state's macroeconomic consultant was slightly more pessimistic than most at that time, its projection of a 2.7 percent decline in real GDP in 2009 is extremely close to the 2.5 percent decline that most observers now expect for this year. Global Insight currently projects real GDP growth of 2.2 percent in 2010 and 2.9 in 2011. February's baseline forecast was very similar with expected 2010 and 2011 growth rates of 2.0 percent and 3.1 percent respectively.

Little Change in Global Insight's Forecast for Real GDP



Unfortunately, forecasts of employment and income have been much less successful. The U.S. unemployment rate is already well above the high predicted in February, and job losses currently exceed February's projected peak by more than 20 percent. And, February's expectations for the change in total U.S. wages, a decline of slightly less than 1 percent over three quarters, looks quite cheery compared to what has happened to date. Global Insight now expects five quarters of wage declines on a year over year basis, weakness well beyond anything observed in the post World War II period. In the November baseline U.S. wages do not exceed their previous highs until mid 2011. The labor market lethargy is worrisome since in the absence of a significant pick-up in incomes it will be difficult for the economy to generate the additional spending needed for a sustained recovery. Weak wage growth also has a direct impact on state tax receipts since wages are the largest source of state income tax revenue.

The Decline in U.S. Wages Has Been Much Greater than Forecast in February

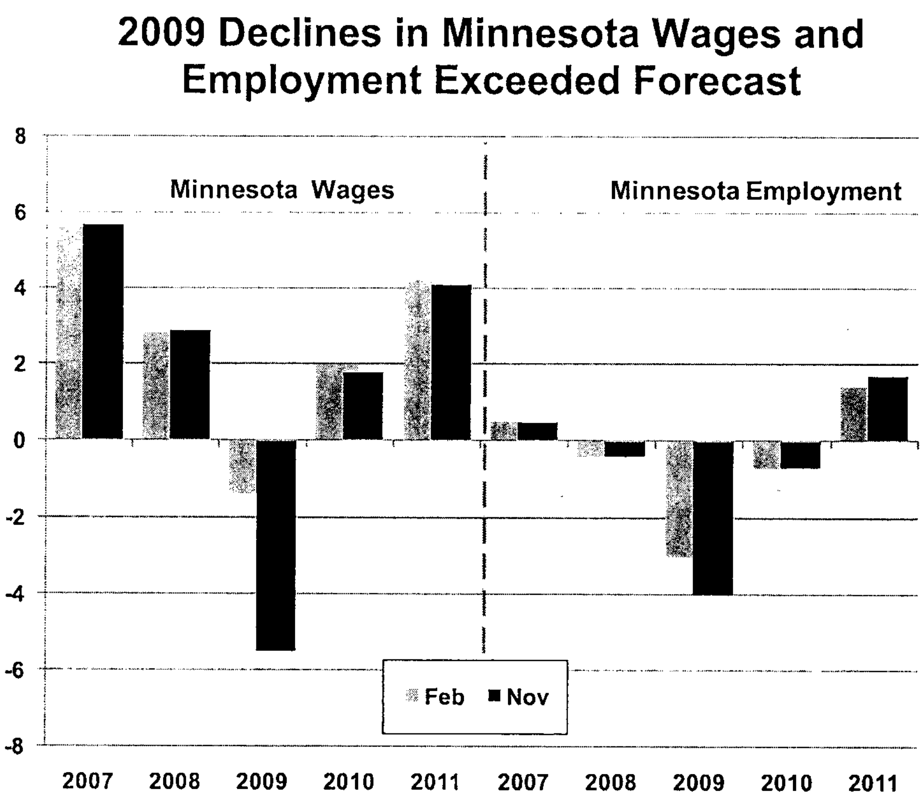


Historically, jobs have not recovered as quickly as GDP and economists have factored that into their forecasts. Payroll employment, down more than 7.3 million from its December 2007 peak is not expected to reach its pre-recession high until 2013 and the U.S. unemployment rate, currently 10.2 percent, is expected to move even higher in the next six months. But, even once the unemployment rate begins to decline, progress will be slow. By 2013 unemployment still is expected to exceed 8 percent. That extended weakness in labor markets is mirrored in household incomes. Total wages received by U.S. workers currently are 5 percent below their summer 2008 high and they are not expected to regain that earlier level again until mid 2011. Proprietors' income are down 4.5 percent in 2009 to the lowest level since 2004. They are projected to remain below 2008 levels until 2011.

Global Insight assigns a probability of 60 percent to their baseline forecast and probabilities of 20 percent each to a more optimistic forecast in which the recovery in GDP follows a V shape and a forecast containing an extended recession. However, even in the more optimistic forecast, it takes until mid 2011 for the unemployment rate to drop below 8 percent and until early 2012 for employment to reach pre-recession levels.

The Great Recession Hit Minnesota Employment and Wages Hard

Minnesota's October unemployment rate was well below the national average, but that does not mean the state's economy has avoided the worst of this recession. Through October, payroll employment in the state has fallen by 131,000 jobs from its previous high and further declines are expected until early spring. Non-farm employment in Minnesota is on track to fall by 4 percent in 2009, the worst single year performance in this state in the post World War II era. The projected decline is a full 1 percentage point more than was forecast in February. Employment in Minnesota is now expected to fall by more than 150,000 jobs between the first quarter of 2008 and the first quarter of 2010, 30,000 more than projected last February. If this forecast holds true, more than a decade of job creation will be lost. The combination of substantial current and expected job losses and what is expected to be a slow recovery, leaves Minnesota employment below its pre-recession level through 2013.



Minnesota's job losses have been accompanied by record declines in total wages paid to state residents. Minnesota wages and salaries had not declined on an annual basis since state wage data was first reported in 1970. Through mid November 2009 wages are on pace to decline by 5.5 percent. In February wages were projected to decline by 1.4 percent. While total wages paid in the state are expected to resume growing in 2010 and continue to grow in 2011, total Minnesota wages and salaries do not reach their previous highs until after the close of the current biennium.

Projected Revenues for 2010-11 Biennium Fall by $1.156 Billion

General fund revenues are now forecast to total $29.986 billion during the 2010-11 biennium, $1.156 billion (3.7 percent) less than expected after the legislative session and executive actions. An $827 million reduction in expected individual tax receipts accounted for nearly three-quarters of the forecast decline. Almost all of the reduction in income taxes was due to reductions in the forecasts for wages and proprietors income. Projected portfolio income changed little in aggregate as reductions to forecasts of some types of income were offset by increases in others.

Forecast Revenue FY 2010-11
($ in millions)

	End-of-Session	November Forecast	$ Change	% Change
Individual Income	$14,927	$14,099	($827)	(5.5)
Sales	8,548	8,516	(32)	(0.4)
Corporate	1,219	1,273	54	4.4
Motor Vehicle Sales	92	99	7	7.7
Statewide-Levy	1,552	1,525	(27)	(1.7)
Subtotal	26,337	25,512	(825)	(3.1)
Other Taxes	2,409	2,250	(159)	(6.6)
Non-Tax Revenues	1,572	1,530	(42)	(2.7)
Dedicated/Transfers	824	694	(130)	(15.8)
Total Revenues	**$31,142**	**$29,986**	**($1,156)**	**(3.7)**

Changes in the forecast for the other major tax types were small and offsetting. The forecasts for corporate taxes and the motor vehicle sales tax were increased by $54 million and $7 million, respectively. The forecast for sales tax receipts and the state wide property tax levy were reduced by $32 million and $27 million. Other tax and non tax revenues including dedicated revenues and transfers fell by a total of $331 million. Some of that revenue decline, however, is due to changes in the accounting treatment of particular revenue items and thus overstates losses in other revenues. For example, a portion of previously projected income tax reciprocity revenue is now included as part of withholding tax collections in the individual income tax.

Final receipts for FY 2009 also were below forecast. General fund revenues closed the last fiscal year $147 million below earlier projections. Individual income tax receipts were $220 million below February's forecast. Final payments and refunds for tax year 2008 returns were very close to forecast. Almost the entire income tax variance came from lower than projected withholding receipts and estimated payments.

Forecast Spending Slightly Lower

General fund spending for the current biennium is forecast to be $31.286 billion, down $44 million (0.1 percent) from end-of-session estimates.

The largest increase, $109 million, occurs in health and human services. A general fund transfer to the health care access fund in FY 2011 is now forecast to meet MinnesotaCare expenditures that exceed available resources in that fund. Additional MinnesotaCare spending is forecast due to the transition of General Assistance Medical Care (GAMC) enrollees into the program as well as underlying growth in enrollment and managed care rates. Higher than anticipated property tax refunds account for the $36 million change in the property tax aids and credits area.

Offsetting these increases are a $123 million reduction in debt service costs and a $52 million reduction in all other spending. Debt service costs are now lower because of the refinancing of outstanding bonds in 2009, which reduced debt service costs, and lower interest rates assumed for future bond sales. All other spending is down because of an accounting change that transfers dedicated revenues and expenditures from the general fund to other funds, primarily the special revenue fund.

Forecast Spending, FY 2010-11
($ in millions)

	End of Session	November Forecast	$ Change	% Change
K-12 Education	$13,393	$13,337	($56)	(0.4)
K-12 Payment Deferrals	(1,760)	(1,717)	43	
Property Tax Aids & Credits	3,063	3,098	36	1.1
Health & Human Services	9,057	9,166	109	1.2
Debt Service	1,078	955	(123)	(11.4)
All Other	6,499	6,447	(52)	(0.8)
Total Spending	**$31,330**	**$31,286**	**($44)**	**(0.1)**

FY 2012-13 Planning Outlook Worsens

The deterioration in the longer term revenue forecast now results in a $5.426 billion shortfall projected for the next biennium. This compares with a $4.431 billion gap projected at the end of session. Planning estimates for FY 2012-13 now show general fund revenues of $33.218 billion and projected spending of $38.644 billion. The gap between ongoing revenues and spending has increased by $995 million from end-of-session estimates.

FY 2012-13 Planning Estimates
($ in millions)

	FY 2012	FY 2013	FY 2012-13
Resources	$16,023	$17,195	$33,218
Spending	19,680	18,964	38,644
Difference	($3,657)	($1,769)	($5,426)
Inflation	*$413*	*$766*	*$1,179*

Planning estimates assume:

- *Complete repayment of the K-12 aid deferral. Delaying repayment would save $1.167 billion.*
- *No repayment of the K-12 property tax recognition shift. Repayment would cost $562 million.*
- *No continued GAMC spending. Restoring the program would cost $928 million.*

Expenditure projections do not include any adjustment for projected inflation. Inflation, based on the Consumer Price Index (CPI), is expected to be 2.1 percent in FY 2012 and 1.9 percent in FY 2013. At these levels, the cost of inflation would be $1.179 billion in the next biennium.

The treatment of the Governor's unallotments and executive actions is significant. The planning estimates include complete repayment of K-12 school aids deferred in FY 2010-11 ($1.167 billion) and no repayment of the K-12 property tax recognition shift ($562 million). The projections do not include reinstatement of funding for the General Assistance Medical Care (GAMC) program that was line-item vetoed in FY 2011. If the forecast assumed continuation of the program at current levels, an additional $928 million would be required in the 2012-13 biennium.

The planning estimates make no assumptions about any actions that might be taken in the 2010 legislative session to solve the FY 2010-11 deficit or to reduce the structural shortfall expected for the 2012-13 biennium. The planning estimates are simply a benchmark to determine if ongoing spending will exceed revenues in succeeding budget periods. Economic changes as well as the nature and timing of budget actions will materially affect both revenue and expenditure projections.

A complete version of this forecast can be found at the Minnesota Management & Budget's World Wide Web site at -- www.mmb.state.mn.us. This document is available in alternate format.

FY 2010-11 Biennium Forecast Comparison

November 2009 vs End-of-Session and Executive Actions

($ in thousands)

	7-09 Exec Action FY 2010-11	11-09 Fcst FY 2010-11	$ Difference	% Change
Actual & Estimated Resources				
Balance Forward From Prior Year	537,920	446,921	(90,999)	-16.9%
Current Resources:				
(C) Tax Revenues	28,745,916	27,762,644	(983,272)	-3.4%
(C) Non-Tax Revenues	1,572,091	1,529,837	(42,254)	-2.7%
Subtotal - Non-Dedicated Revenue	30,318,007	29,292,481	(1,025,526)	-3.4%
(D) Dedicated Revenue	170,690	67,096	(103,594)	-60.7%
(E) Transfers From Other Funds	603,629	560,052	(43,577)	-7.2%
(B) Prior Year Adjustments	50,000	66,837	16,837	33.7%
Subtotal - Other Revenue	824,319	693,985	(130,334)	-15.8%
Subtotal Current Resources	31,142,326	29,986,466	(1,155,860)	-3.7%
Total Resources Available	**31,680,246**	**30,433,387**	**(1,246,859)**	-3.9%
Actual & Estimated Expenditures				
(G) K-12 Education	13,393,157	13,337,420	(55,737)	-0.4%
K-12 Ptx Rec Shift/Aid Payment Shift	(1,759,619)	(1,717,382)	42,237	-2.4%
Subtotal - K-12 Education	11,633,538	11,620,038	(13,500)	-0.1%
(H) Higher Education	2,856,155	2,858,555	2,400	0.1%
(R) Property Tax Aids & Credits	3,062,203	3,098,226	36,023	1.2%
(I) Health & Human Services	9,056,556	9,165,634	109,078	1.2%
(M) Public Safety	1,813,941	1,819,185	5,244	0.3%
(L) Transportation	190,801	192,375	1,574	0.8%
(J) Environment, Energy & Natural Resources	356,444	363,585	7,141	2.0%
(S) Agriculture & Veterans	249,638	252,879	3,241	1.3%
(K) Economic Development	265,182	272,404	7,222	2.7%
(N) State Government	623,461	639,160	15,699	2.5%
(O) Debt Service	1,077,540	954,522	(123,018)	-11.4%
(T) Capital Projects	29,800	29,800	0	0.0%
(X) Cancellation Adjustment	(21,000)	(21,000)	0	0.0%
Subtotal by Appropriation Bill	31,194,259	31,245,363	51,104	0.2%
(D) Dedicated Revenue Expenditures	135,987	40,692	(95,295)	-70.1%
Total Expenditures & Transfers	**31,330,246**	**31,286,055**	**(44,191)**	-0.1%
Balance Before Reserves	**350,000**	**(852,668)**	**(1,202,668)**	
(Y) Cash Flow Account	350,000	350,000	0	
Budgetary Balance	**0**	**(1,202,668)**	**(1,202,668)**	

27.

STATE OF MINNESOTA

COUNTY OF RAMSEY

FILED
Court Administrator

DEC 3 0 2009

By CW Deputy

DISTRICT COURT

SECOND JUDICIAL DISTRICT

File No. 62-CV-09-11693

Deanna Brayton, Darlene Bullock, Forough Mahabady
Debra Branley, Marlene Griffin and Evelyn Bernhagen
on behalf of themselves and all others similarly situated,

Plaintiffs,

ORDER

vs.

Tim Pawlenty, Governor of the State of Minnesota;
Thomas Hanson, Commissioner, Minnesota Department
of Management and Budget; Cal Ludeman, Minnesota
Department of Human Services; and Ward Einess,
Commissioner, Minnesota Department of Revenue,

Defendants.

The above-entitled matter came on for hearing before the undersigned on Monday, November 16, 2009, pursuant to a motion for a temporary restraining order requested by the Plaintiffs and a motion to dismiss requested by the Defendants. The hearing was originally scheduled for November 12th, 2009. It was continued by the Court at the request of the General Counsel for Governor Pawlenty.

Attorneys Galen Robinson, David Gassoway, and Rolanda Mason represented the Plaintiffs. Solicitor General Alan I. Gilbert appeared on behalf of the Defendants. Patrick D. Robben, General Counsel to the Governor, appeared for Defendant Governor Pawlenty.

At the request of the Chair of the Minnesota House of Representatives Committee on rules and legislative administration, the Court granted a motion to allow the Minnesota House of Representatives to submit an Amicus Curiae. This brief was filed on November 20^{th}, 2009.

Based upon the files, records, and proceedings herein, the Court makes the following Order:

1. Plaintiffs' motion for a temporary restraining order under Rule 65.01 of the Minnesota Rules of Civil Procedure enjoining Defendants Governor and the Commissioner of the Minnesota Department of Management and Budget from reducing allotments to the Minnesota Supplemental Aid Special Diet program and enjoining Defendant Commissioner of the Minnesota Department of Human Services from implementing the unallotment of the MSA Special Diet grant is granted retroactive to November 1^{st}, 2009 until further order of this Court.
2. Defendants' motions are continued to the March 1, 2010 hearing, which has already been scheduled.
3. The Commissioner of the Minnesota Department of Management and Budget is ordered to reinstate the allotments to the Minnesota Supplemental Aid Special Diet program retroactively to November 1^{st}, 2009, until further order of this Court.
4. Commissioner of the Minnesota Department of Human Services is enjoined from implementing the unallotment of the MSA Special Diet grant until further order of this Court.
5. This Order does not prohibit either the Governor or the Legislature from the exercise of their legitimate constitutional power in light of the current budget issues facing the State of Minnesota.

6. Either the Legislature or the Governor may bring a motion before this Court to end this order if either believes that a legitimate exercise of either branch's constitutional powers has made the issues in this lawsuit moot.

7. The attached Memorandum is incorporated into and made a part of this Order.

LET JUDGMENT BE ENTERED ACCORDINGLY.

DATED: 12-30-09

BY THE COURT

Kathleen Gearin
District Court Chief Judge

MEMORANDUM

At the temporary restraining order hearing, the undersigned stated that "the judicial branch should tread lightly when dealing with "separation of powers issues"." It is just as important that the legislative branch tread lightly when dealing with separation of powers issues. It is equally important that the Governor tread lightly when dealing with separation of powers issues.

The Court has chosen to use the phrase "separation of powers" when discussing the issues raised in this lawsuit. The Minnesota Constitution Article 3 Section 1: "The powers of government shall be divided into three distinct departments." Minnesota case law uses these terms interchangeably. The Court has chosen to use the term separation of powers when referring to this doctrine as it believes that that is more commonly understood by the average citizen.

The Governor's unallotment power granted to him by the Legislature in Minn. Stat. §16A.152, Subd. 4, has been held by the Minnesota Court of Appeals to be constitutional. *Rukavina v. Pawlenty,* 684 NW 2nd 525 (Minn. App. 2004). In the *Rukavina* case, the Court of Appeals stated: "We conclude that MinnStat §16A.152, does not reflect an unconstitutional delegation of Legislative power, but only enables the Executive to protect the State from financial crisis in a manner designated by the Legislature." That remains the settled law in the State of Minnesota, and it would be improper for this Court to revisit the constitutionality of the unallotment statute itself. It is constitutional. It was the specific manner in which the Governor exercised his unallotment authority that trod upon the constitutional power of the Legislature, and the Legislature alone, to make laws that, in the Court's opinion, was unconstitutional.

In order to understand the Court's decision, it is necessary to go into a brief summary of the Governor's actions at the end of the 2009 Legislative session. Minnesota operates on a two-year budget cycle. The biennial budget is comprised of appropriations established in bills passed by the Legislature and signed into law by the Governor. The Governor has authority to veto line items in every appropriation bill. He may even veto an entire bill. The Commissioner of Management and Budget is required to prepare a series of forecasts of anticipated revenues and expenditures. MinnStat. §16A.103. In November of 2008, the Commissioner forecast a $4.847 billion budget deficit for the 2010/2011 biennium. The Commissioner's February 2009 forecast continued to project a budget deficit of $4.847 billion for the next biennium. In light of the forecast, the Governor submitted two proposed budgets for the 2010/2011 biennium to the Legislature. One was submitted in January, and the second proposed budget was submitted to the Legislature in March of 2009. Both proposed budgets submitted by the Governor relied upon the projected budget deficit and included numerous reductions in expenditures. Throughout this time period, the Governor and the State Legislature made efforts to develop a state budget. Both branches relied upon the projected budget deficit of the Commissioner. The discussions were often rancorous and did not result in compromise legislation acceptable to both the legislative majority and the governor.

On May 11th, 2009, the Legislature approved H.F. No. 1362, the Health and Human Services appropriations bill. That bill contained the appropriations for all Human Services programs for the 2010/2011 biennium, including appropriations for the Minnesota Supplemental Aid Program, which is the subject of this temporary restraining order. Three days later, on May 14th, 2009, Governor Pawlenty signed this bill. He exercised his right to line-item veto on only one provision in the bill, funding for the General Assistance Medical Program. He did not veto the entire bill or the section of the bill which included the MSA Program. On the same day that he signed this bill into law, therefore making these appropriations the law of the State of Minnesota, the Governor announced at a news conference that he would use the unallotment statute to balance the state budget.

Four days later, on May 18th, the final day of the Legislative session, the Legislature approved H.F. No. 2323, which contained provisions to increase revenues needed to pay for the appropriations already signed into law by the Governor. Governor Pawlenty vetoed H.F. 2323 in its entirety three days later, on May 21st, 2009. Because the legislative session had ended, there was no opportunity for the legislature to attempt to override this veto or to continue to work on a compromise.

The revenue bill that the governor vetoed would have balanced the budget based on the anticipated receipts forecast in February 2009. The governor used unallotment rather than calling a special session of the legislature or vetoing the appropriations bill to balance the budget. He did this after signing numerous spending bills which taken together, he knew would not balance the budget unless revenues were raised. He used the unallotment statute to address a situation that was neither unknown nor unanticipated when the appropriation bills became law. The Governors actions in this instance differed from his use of unallotment in the *Rukivina* case. In that situation the governor used unallotment to protect the state from a financial crisis that was both unknown and unanticipated when the appropriation bills were signed.

In the beginning of June of 2009, Defendants took steps to unilaterally balance the budget by unallotting specific programs enacted into law during the session. By exercising his unallotment authority to apply to reductions in revenues that were determined by a forecast made before the budget had even been enacted and by not excluding reductions that were already known when the budget was enacted, the Governor crossed the line between legitimate exercise of his authority to unallot and interference with the Legislative power to make laws, including statutes allocating resources and raising revenues. The authority of the Governor to unallot is an authority intended to save the state in times of a previously unforeseen budget crisis, it is not meant to be used as a weapon by the executive branch to break a stalemate in budget negotiations with the legislature or to rewrite the appropriations bill.

In light of the significant financial problems and the most recent budget projections, the state continues to face six months later, it is highly likely that cuts made to the appropriations in the health and human services appropriations bill will have to be made. Why then should the courts bother to enjoin this unallotment? Is the separation of powers part of our constitution that important?

The citizens of Minnesota, as well as the entire country, are the heirs of our founding fathers, the drafters of the United States Constitution. It was their brilliance that resulted in the creation of a government consisting of three co-equal branches. This results in a system of checks and balances that ensures that none of the three branches has absolute power. This system of checks and balances was embraced by the writers of the Minnesota Constitution in the mid-19th Century and continues to the present day in Minnesota, as well as in our country. At times, this system results in disagreements, conflicts, and convoluted compromises that leave no one happy.

In an 1865 Minnesota Supreme Court case entitled *In the Matter of the Application of the Senate*, 10 Minn. 78 (1865), the balance of powers was described as follows: "By the constitution, the power of the state government is divided into three distinct departments, legislative, executive, and judicial. The powers and duties of each department are distinctly defined. The departments are independent of each other to the extent, at least, that neither can exercise any of the powers of the others not expressly provided for." Citing Minn. Const., art. III,, § 1. This not only prevents an assumption by either department of power not properly belonging to it, but also prohibits the imposition, by one, of any duty upon either of the other not within the scope of its jurisdiction; and, 'it is the duty of each to abstain from and to oppose encroachments on either.' Any departure from these important principles must be attended with evil."

This 1865 case involves a resolution passed by the Minnesota Senate requesting the Supreme Court to furnish to the Senate its opinion upon certain questions. The Court ruled this resolution unconstitutional because ". . . neither the Legislative nor the Executive branches can constitutionally assign to the Judicial, any duties but such as are properly judicial and to be performed in judicial manner." Citing *Hayburn's Case,* 2 U.S. 408 (1792). The above description of the separation of powers was cited with approval by the Minnesota Supreme Court in the case of *Sharood v. Hatfield,* 210 N.W. 2d 275 (1973).

The Court is aware that the actual revenues received by the State since the beginning of the 2010/2011 biennium are even less than predicted in the February 2009 dismal forecast. On December 2, Minnesota's Management and Budget Department reported that general fund revenues for the present two-year budget period are forecast to be $1.156 billion below pre-biennium estimates mainly because of a decline in tax receipts. Even if the budget had been balanced through painful give and take between the Executive and Legislative branches, the Governor would have had to use his unallotment authority before the end of this biennium.

In 2005, the judicial branch became embroiled in a case, State ex rel. *Sviggum v. Hanson,* 732 N.W.2d 312 (Minn. App. 2005), involving separation of powers issues when the Legislature ended the 2005 legislative session without appropriating the money necessary to fund significant executive-branch functions for the fiscal biennium beginning on July 1st, 2005. It may be helpful to review the facts of that case to understand the complexity of the present situation. At the end of the 2005 session the Governor exercised his constitutional power to call a special session to allow the Legislature to pass the necessary appropriations bills. While the Legislature was still in special session and before agreement had been reached breaking the impasse on appropriations bills, the Attorney General filed a petition in District Court seeking a declaration that the Executive branch must undertake core functions required by the State and Federal constitutions and an order requiring the Commissioner of Finance to fund those functions. The

Governor filed a petition to intervene in this lawsuit. He requested similar relief. Neither the Minnesota Senate nor the House of Representatives took part in the temporary funding proceedings. The District Court granted the requests of the Attorney General and the Governor's office and issued an order authorizing the Commissioner of Finance to continue to fund core government functions in the event the Legislature failed to appropriate the necessary funds before the next fiscal biennium. Fifteen days later the Legislature appropriated funding retroactively to July 1st, 2005 (the beginning of the biennium) for base level operations of all the agencies whose biennium appropriations had not yet been approved. The Governor signed the bill into law.

Approximately six weeks later a bipartisan legislative group petitioned the Supreme Court for a declaration that the funds the Commissioner dispersed under the District Court's authorization without a legislative appropriation were dispersed in violation of the constitution. The Supreme Court required that it be heard first in District Court. The District Court denied the petition and the matter went to the Minnesota Court of Appeals.

The Minnesota Court of Appeals held, among other things, that a writ of quo warranto could not be used to challenge the constitutionality of completed disbursements of public funds. It further ruled that the controversy was not justiciable because it had already been resolved by the Legislature when the Legislature passed the appropriations bill and made them retroactive to July 1st. Because of this, the constitutionality of the District Court's action has never been fully addressed by an appellate court. The Court of Appeals stated:

> "The Legislature has exercised its fundamental constitutional power to appropriate the public funds and to provide that the appropriations are retroactive to the beginning of the biennium and supersede the court-approved disbursements by the

Commissioner. The judiciary does not have the constitutional power to "re-legislate" the effect of the Legislature's appropriations decisions." *Id.* at 323.

The Court of Appeals, however, was clearly sympathetic to the Legislators' position and referred to their argument as "compelling". The Court also stated "... because of the structure and function of Legislative power, it is the Legislature and not the judiciary that has the institutional competency to devise a prospective plan for resolving future political impasses." *Id.*

Regarding the present situation, this Court believes that it is the Executive branch that has the institutional competency and authority to decide what appropriations should be unalloted, not the judiciary.

The Legislative branch has the fundamental constitutional power to appropriate the public funds. This power is tempered by the Governor's veto authority. Their policy differences regarding how to deal with Minnesota's present budget situation can only be resolved by them. Those branches have the institutional competency to break the present budgetary deadlocks, not the judicial branch.

It is important that all parties understand that the decision made by this Court today has nothing to do with the merit or lack of merit of the individual programs unalloted by the Governor. The Court's decision was based on the way he unalloted, not what he unalloted. Difficult decisions that will be painful to many citizens will have to be made by the Executive and Legislative branches in order to deal with the continuing budget crisis in this state. Those budget and policy decisions are not the business of the courts unless they are made in a way that violates the Constitution.

Earlier the Court posed a question regarding whether the separation of powers doctrine continues to be as important in tough economic times as it has been in our past. The answer is yes. Two Minnesota Supreme Courts have wisely warned us that:

> "The tendency to sacrifice established principles of constitutional government in order to secure centralized control and high efficiency in administration may easily be carried so far as to endanger the very foundation upon which our system of government rests."
> *Juster Bros. v. Christgau,* 7 N.W.2d 501, at 506 (1943), citing *State ex rel. Young v. Brill,* 100 Minn, 499, 520, 111 N.W. 294, 639-40 (1907).

This court agrees with the above quote, and therefore must answer yes to the question posed.

KG

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FILED
Court Administrator

DEC 3 0 2009

By [signature] Deputy

STATE OF MINNESOTA DISTRICT COURT

COUNTY OF RAMSEY SECOND JUDICIAL DISTRICT

File No. 62-CV-09-11693

Deanna Brayton, Darlene Bullock, Forough Mahabady
Debra Branley, Marlene Griffin and Evelyn Bernhagen
on behalf of themselves and all others similarly situated,

Plaintiffs,

AMENDED ORDER

vs.

Tim Pawlenty, Governor of the State of Minnesota;
Thomas Hanson, Commissioner, Minnesota Department
of Management and Budget; Cal Ludeman, Minnesota
Department of Human Services; and Ward Einess,
Commissioner, Minnesota Department of Revenue,

Defendants.

The court hereby orders the following correction in the order for the above cited case:

1) The sentence on page 8, first full paragraph: "The Court is aware that the actual revenues received by the State since the beginning of the 2010/2011 biennium are even less than predicted in the February 2009 dismal forecast" should be amended to read:

   "The Court is aware that the actual revenues received by the State since the beginning of the 2009/2010 biennium are even less than predicted in the February 2009 dismal forecast".

LET JUDGMENT BE ENTERED ACCORDINGLY.

DATED: 12-30-09

BY THE COURT
[signature]
Kathleen Gearin
District Court Chief Judge

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State of Minnesota
Ramsey County

District Court
Second Judicial District

Court File Number: **62-CV-09-11693**
Case Type: Civil Other/Misc.

Notice of Entry of Judgment

In Re: Deanna Brayton, Darlene Bullock, Forough Mahabady, Debra Branley, Marlene Griffin and Evelyn Bernhagen on behalf of themselves and all others similiarly situated vs Tim Pawlenty, Governor of the State of Minnesota, Thomas Hanson, Commissioner, Minnesota Department of Management and Budget, Cal Ludeman, Minnesota Department of Human Services, and Ward Einess, Commissioner, Minnesota Department of Revenue

Pursuant to: The Stipulation and Order for Entry of Final Partial Judgment, Judge Kathleen R. Gearin dated January 8, 2010.

You are notified that judgment was entered on January 08, 2010.

Dated: January 8, 2010

cc :Galen Robinson; Alan I Gilbert; Patrick Dean Robben

Lynae K. E. Olson
Court Administrator

By: Linda Draske
Deputy Court Administrator
Ramsey County District Court
15 West Kellogg Boulevard Room 600
St Paul MN 55102

62-CV-09-11693

NOENJUDG

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STATE OF MINNESOTA

COUNTY OF RAMSEY

FILED
Court Administrator
JAN 08 2010
By [signature] Deputy

DISTRICT COURT

SECOND JUDICIAL DISTRICT

Case Type: Other Civil

Court File No. 62-CV-09-11693
Chief Judge Kathleen R. Gearin

Deanna Brayton, Darlene Bullock, Forough Mahabady, Debra Branley, Marlene Griffin and Evelyn Bernhagen, on behalf of themselves and all others similarly situated,

Plaintiffs,

vs.

Tim Pawlenty, Governor of the State of Minnesota, Thomas Hanson, Commissioner, Minnesota Department of Management and Budget, Cal Ludeman, Minnesota Department of Human Services, and Ward Einess, Commissioner, Minnesota Department of Revenue,

Defendants.

STIPULATION AND ORDER FOR ENTRY OF FINAL PARTIAL JUDGMENT

STIPULATION

The parties in the above-entitled action, through their undersigned counsel, hereby stipulate to issuance of the attached Order for Entry of Final Partial Judgment. The parties agree that the Order satisfies Minn. R. Civ. P. 54.02 and that the resulting final partial judgment is appealable as of right under Minn. R. Civ. App. P. 103.03(a).

Nothing in this Stipulation or the attached Order constitutes an admission or acknowledgment by Defendants that any of the unallotments that have been or may be challenged in this or any other lawsuit are unlawful.

Dated: January 8, 2010

MID-MINNESOTA LEGAL ASSISTANCE

GALEN ROBINSON
Atty. Reg. No. 165980

DAVID GASSOWAY
Atty. Reg. No. 389526

430 First Avenue North, Suite 300
Minneapolis, Minnesota 55401
(612) 332-1441

RALONDA J. MASON
Atty. Reg. No. 194487

830 W. St. Germain, Suite 300
P.O. Box 886
St. Cloud, Minnesota 56302
(320) 253-0121

ATTORNEYS FOR PLAINTIFFS

Dated: January 8, 2010

LORI SWANSON
Attorney General
State of Minnesota

ALAN I. GILBERT
Solicitor General
Atty. Reg. No. 0034678

JOHN S. GARRY
Assistant Attorney General
Atty. Reg. No. 0208899

JEFFREY J. HARRINGTON
Assistant Attorney General
Atty. Reg. No. 0327980

445 Minnesota Street, Suite 1100
St. Paul, Minnesota 55101-2128
(651) 757-1450

ATTORNEYS FOR DEFENDANTS

Dated: January 8th, 2010

PATRICK D. ROBBEN
General Counsel to Governor Tim Pawlenty
Office of Governor
Atty. Reg. No. 0284166

130 State Capitol
75 Rev. Dr Martin Luther King Jr. Blvd.
St Paul, MN 55155
(651) 282-3705

ATTORNEY FOR DEFENDANT
GOVERNOR TIM PAWLENTY

ORDER FOR ENTRY OF FINAL PARTIAL JUDGMENT

Based on the Court's Order filed December 30, 2009, and the foregoing Stipulation of the parties, and in accordance with Minn. R. Civ. P. 54.02,

IT IS HEREBY ORDERED:

1. Pursuant to the Court's Order of December 30, 2009, and the reasoning set forth therein, Defendants' motion to dismiss is denied with respect to Plaintiffs' claim that the unallotment of funding for the Minnesota Supplemental Aid-Special Diet ("MSA-SD") program is unlawful.

2. Also pursuant to the Court's Order of December 30, 2009, the unallotment of funding for the MSA-SD program that was approved in July 2009 and took effect November 1, 2009, is unlawful and void. Defendants shall immediately restore the funding with respect to that unallotment, if not done so already.

3. There is no just reason for delay of entry of judgment on Plaintiffs' claim that the unallotment of funding for the MSA-SD program is unlawful. Immediate appellate review of this claim is appropriate and in the public interest. The claim implicates the lawfulness of other unallotments made for the current biennium. An expeditious final judicial decision of the claim will assist the executive and legislative branches in determining their respective authority regarding the State's current budget crisis.

4. This Order does not prohibit either the Governor or the Legislature from the exercise of their legitimate constitutional power in light of the current budget issues facing the State or from bringing a motion that the issues in this lawsuit have been rendered moot.

THERE BEING NO JUST REASON FOR DELAY, LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated: January 8, 2010

KATHLEEN R. GEARIN
Chief Judge of District Court

STATE OF MINNESOTA

COUNTY OF RAMSEY

DISTRICT COURT

SECOND JUDICIAL DISTRICT

COURT FILE: 62-CV-09-11693

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JUDGMENT

The foregoing shall constitute the judgment of the court.

Entered: 1/8/2010 LYNAE K.E. OLSON
Court Administrator,
By Linda Graske
Deputy Clerk

LYNAE K.E. OLSON, Court Administrator, Ramsey County, State of Minnesota, does hereby certify that the attached instrument is a true and correct copy of the original on file and of record in my office.

Dated this 11th day of January,
LYNAE K.E. OLSON, Court Administrator
By ______ Deputy
File No. ______