



State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

March 22, 2001

To: Senator Roger Moe
Senator Dick Day

Representative Steve Sviggum
Representative Thomas Pugh

From: Pamela Wheelock
Commissioner

Re: Supplemental Budget Items, Errata and Changes to the Governor's
2002-03 Biennial Budget Change Order #2

RECEIVED

APR 10 2001

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This is to advise you and your colleagues of changes to the Governor's 2002-03 biennial budget. This package includes only one material change to the Governor's policy proposals, and several minor corrections to the financial data provided for the Governor's budget.

- **Tax Bill:** On March 14, the Governor announced a proposed 15 percent reduction to the taconite production tax to provide additional tax relief to Minnesota's taconite producers. The increased cost of the Governor's tax relief proposal is \$7.6 million in FY 2002-3 and \$7.6 million in FY 2004-05. An updated budget is enclosed.

The other changes that are included reflect corrections to financial estimates shown for earlier, existing budget recommendations. These items were identified with legislative staff and include appropriate corrections to the general fund statements:

- **Tax Bill:** Corrects the cost of the Forestry Credit, which inadvertently excluded some types of property. The additional cost is \$2.714 million in FY 2004-05. A revised budget page is attached.
- **Health and Human Services:** Corrects recommended FY 2004-05 Human Services' expenditures for State Operated Services, reducing FY 2004-05 spending by \$1.6 million. A revised budget page is attached.
- **Economic Development:** Increases non-dedicated revenue to correct an error in Commerce associated with managed health regulation. FY 2002 revenues have been increased by \$725,000.
- **State Government:** Includes additional FY 2002-05 *non-tax* revenues associated with Department of Revenue revenue recapture initiative. Additional revenue is \$443,000 in FY 2002-03, \$1.135 million in FY 2004-05. FY 2004-05 projected spending for the Department of Administration has been reduced \$3.416 million to correct previously appropriated funding erroneously shown as carry forward, and treatment of several one-time base adjustments.

AN EQUAL OPPORTUNITY EMPLOYER

Supplemental Budget Items
March 22, 2001
Page Two

Also enclosed is language that should be added to the tax bill to reflect the Governor's recommendation that future repayments for the St. Paul hockey area be deposited to the general fund.

Finally, updated general fund summaries are enclosed that reflect these additions and corrections. Also included are corrected budget pages that reflecting necessary changes. Appropriate detailed information and revised detailed fund statements including these changes and corrections will be provided to house and senate fiscal staffs.

Attachments

cc: Senator Doug Johnson
Senator Lawrence Pogemiller
Representative Ron Abrams
Representative Dave Bishop
Mark Misukanis
Bill Marx

**Governor's Proposed Budget
Recommendations by Year
General Fund**
(\$ in thousands)

	F.Y. 2002	F.Y. 2003	Biennial Total
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,109,357	1,192,411	1,109,357
Current Resources:			
Tax Revenues	12,506,772	13,250,446	25,757,218
Non-Tax Revenues	801,688	694,623	1,496,311
Dedicated Revenue	141,281	141,281	282,562
Transfers In	29,934	30,285	60,219
Prior Year Adjustments	10,100	10,100	20,200
Budget Changes - Taxes	(537,685)	357,256	(180,429)
Budget Changes - Tobacco Settlements	(227,236)	(116,177)	(343,413)
Budget Changes - Non-Taxes	42,051	19,848	61,899
Subtotal-Current Resources	12,766,905	14,387,662	27,154,567
Total Resources Available	13,876,262	15,580,073	28,263,924
<u>Actual & Estimated Spending</u>			
Education Finance	4,206,390	4,285,025	8,491,415
Family & Early Childhood Education	267,741	264,441	532,182
Property Tax Aids & Credits	1,741,019	2,864,946	4,605,965
Higher Education	1,363,218	1,404,455	2,767,673
Health & Human Services	3,017,508	3,397,536	6,415,044
Environment & Natural Resources	272,188	275,174	547,362
Economic Development	205,154	198,514	403,668
Transportation	128,701	98,258	226,959
Criminal Justice	649,295	676,212	1,325,507
State Government	388,577	392,708	781,285
Debt Service & Borrowing	307,779	345,443	653,222
Cancellation Adjustment	(5,000)	(15,000)	(20,000)
Subtotal Expenditures & Transfers	12,542,570	14,187,712	26,730,282
Dedicated Expenditures	141,281	141,281	282,562
Total Expenditures & Transfers	12,683,851	14,328,993	27,012,844
Balance Before Reserves	1,192,411	1,251,080	1,251,080
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	685,000	719,000	719,000
Dedicated Reserves	137,357	137,357	137,357
Budgetary Balance	20,054	44,723	44,723

**Governor's Proposed Budget
FY 2004-05 Planning Estimates**

General Fund

(\$ in thousands)

	F.Y. 2004	F.Y. 2005	Biennial Total
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	1,251,080	1,282,283	1,251,080
Current Resources:			
Tax Revenues	14,056,640	14,857,702	28,914,342
Non-Tax Revenues	633,331	640,855	1,274,186
Dedicated Revenue	141,281	141,281	282,562
Transfers In	30,736	30,872	61,608
Prior Year Adjustments	10,100	10,100	20,200
Budget Changes - Taxes	73,953	(24,167)	49,786
Budget Changes - Tobacco Settlements	0	0	0
Budget Changes - Non-Taxes	10,323	13,422	23,745
Subtotal-Current Resources	14,956,364	15,670,065	30,626,429
Total Resources Available	16,207,444	16,952,348	31,877,509
<u>Actual & Estimated Spending</u>			
Education Finance	4,375,813	4,476,307	8,852,121
Family & Early Childhood Education	275,533	285,785	561,318
Property Tax Aids & Credits	3,098,183	3,226,348	6,324,531
Higher Education	1,446,211	1,475,135	2,921,346
Health & Human Services	3,586,649	3,895,389	7,482,038
Environment & Natural Resources	279,571	283,146	562,717
Economic Development	189,259	192,994	382,253
Transportation	100,223	110,551	210,774
Criminal Justice	693,511	713,308	1,406,819
State Government	389,090	396,594	785,684
Debt Service & Borrowing	349,837	358,772	708,609
Capital Projects	5,000	10,000	15,000
Cancellation Adjustment	(5,000)	(15,000)	(20,000)
Subtotal Expenditures & Transfers	14,783,880	15,409,330	30,193,210
Dedicated Expenditures	141,281	141,281	282,562
Total Expenditures & Transfers	14,925,161	15,550,611	30,475,772
Balance Before Reserves	1,282,283	1,401,737	1,401,737
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	757,000	797,000	797,000
Dedicated Reserves	137,357	137,357	137,357
Budgetary Balance	37,926	117,380	117,380

BUDGET CHANGE ITEM

Agency: Revenue, Department of (DOR)

Item Title: Property Tax Reform and Relief

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2003</u>		<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
- Administration (Forest Credit)	\$194		\$101	\$104
- General Education (90/10)	1,198,087		1,331,000	1,331,232
- Ed. Homestead Credit (90/10)	(359,847)		(406,084)	(410,400)
- Ed. Agricultural Credit (90/10)	(50,134)		(56,335)	(56,405)
- New Hmstd Cred-School (90/10)	76,590		87,653	90,275
- New Hmstd Cred-Non-School	284,900		293,447	302,225
- New Home. Ag Land Cred-Sch (90/10)	4,356		4,994	5,148
- New Home. Ag Land Cred-Non-School	17,160		17,706	18,252
- Forest Land Credit	-0-		2,367	3,675
- New PTR Formula	18,600		20,700	22,700
- PTR Offset Effects	(16,500)		(17,500)	(16,800)
- PTR Targeting Offset Effects	(2,200)		(2,600)	-0-
- Reverse Order Targeting/PTR	(64)		(407)	(407)
- Disparity Cred Red-Sch (90/10)	(868)		(993)	(1,023)
- Disparity Cred Red-Non-Sch	(1,508)		(1,553)	(1,600)
- Sch Ref Eq Aid (90/10)	121,446		150,612	173,479
- Sch Debt Serv Eq Aid (90/10)	<u>18,281</u>		<u>14,602</u>	<u>7,967</u>
Subtotal	\$1,308,493		\$1,437,710	\$1,468,422
Revenues: (\$000s)				
General Fund				
- General Fund Levy	<u>\$470,401</u>		<u>\$484,513</u>	<u>\$499,048</u>
Subtotal	\$470,401		\$484,513	\$499,048

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 273.13, 273.1382, 273.1384, 290A.04, 123B.53, 126C.13, 126C.17

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends:

- Replacing the general education property tax levy with state General Funds
- Creating a state General Fund levy on certain types of property
- Reducing the number and disparities between property tax classification rates

- Eliminating the Education Homestead and Agricultural Homestead Credits and creating new Market Value Homestead and Agricultural Land Credits
- Increasing the maximum homeowner Property Tax Refund
- Increasing School Referendum and Debt Service Equalization Aids

RATIONALE:

The Governor's property tax recommendations contribute to a property tax system that is more local, accountable, fair, and competitive. These proposals make the local property tax smaller and provide new funding sources for the general education levy. The recommendations are integral components of the Governor's overall plan of tax reform and relief.

Eliminate Local General Education Levy

The Governor's proposal would eliminate the K-12 general education levy with the state assuming responsibility for the costs of basic education. This corrects an existing imbalance in state-local fiscal responsibilities by recognizing that education, with its broad statewide benefit, should be financed through a statewide revenue source that is more explicitly recognized as such. Under the Governor's proposal, the way in which taxes are raised to support K-12 education will enhance fiscal accountability between the state, local school districts, and taxpayers. By having the state take clear fiscal responsibility for its required funding of per pupil costs and by allowing local districts to use the property tax to supplement the state-guaranteed funding levels, the trade-off between the expected benefits from additional spending and the additional taxpayer cost will be clear to local voters. Eliminating the general education levy removes a significant barrier and provides the opportunity to lower commercial-industrial property and apartment taxes, which bear a disproportionate burden of the local property tax. At the same time, the state will partially fund additional growth in local referendum levies by increasing its share of these levies through referendum equalization.

Impose State General Fund Levy

To partially offset the elimination of the general education property tax levy, the state will impose a state general fund levy on certain properties including Commercial/Industrial, Public Utilities and Railroads, Seasonal Recreational Residential, and Seasonal Recreational Commercial. The tax will be a certified rate applied on assessed value with exemptions for seasonal recreational residential properties equal to 50% of taxable value up to a maximum of \$400. Attached Generation Machinery is exempt from the general fund levy. The levy amount will be set by the legislature for taxes payable in 2002. Collection of the levy will continue to occur at the county

BUDGET CHANGE ITEM

Agency: Revenue, Department of (DOR)

Item Title: Special Taxes Reform and Relief

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
- State Operations (inc Tax Policy)	\$340	\$184	\$184	\$187
- Red Taconite Prod Tax	12,700	12,900	13,000	13,000
- Reduced Amort Aid	(50)	(50)	(50)	(50)
Subtotal	\$12,990	\$13,034	\$13,134	\$13,137
Revenues: (\$000s)				
General Fund				
- Paddlewheel & Raffle	\$480	\$530	\$530	\$530
- Reduce Bingo Rates	(495)	(540)	(540)	(540)
- Change Ins Due Dates	(500)	(20)	0	0
- Repeal Bottle Tax	(460)	(500)	(500)	(500)
- Raise Comb. Rec. Brack.	(5,500)	(6,000)	(6,000)	(6,000)
- Repeal Auto. Self-Ins Tax	(100)	(100)	(100)	(100)
- Waste Mgmt. Use Tax	83	95	100	105
Subtotal	\$(6,492)	\$(6,535)	\$(6,510)	\$(6,505)
Environmental Fund				
- Waste Mgmt. Use Tax	\$83	\$95	\$100	\$105
Subtotal	\$83	\$95	\$100	\$105

Statutory Change? Yes No

If yes, statute(s) affected: M.S. 287.035, 287.21, 297E.02, 297H, 297I.40, 297G.03

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends changes to several dedicated and excise taxes:

- Decrease taconite production tax rate by 15 percent.
- Change the deed and mortgage registry taxes to a percentage calculation to even out payments.
- Exclude gross receipts from raffle and paddlewheel games from the net tax and reducing the net tax on bingo.
- Subject the gross receipts from paddlewheel and raffle games to the combined receipts tax and raising each of the brackets by \$200,000.
- Subject insurance premium taxes to quarterly payments.
- Repeal the 1 cent per bottle tax on distilled spirits and wine.

- Repeal the automobile self-insurance tax.
- Impose solid waste management use tax on commercial generators, residential generators, and self-haulers.

RATIONALE:

The department administers several dedicated and excise taxes, often referred to as "special taxes." During tax reform public meetings and meetings with stakeholder groups, several changes were recommended to simplify and reduce these taxes and to address issues of fairness and competitiveness. The Governor is recommending the following changes:

- Reduce the taconite production tax rate and make other changes in the corporate franchise tax to provide much needed tax relief to Minnesota's taconite producers.
- Change the mortgage registry and deed tax calculations to a percentage to simplify tax calculations for taxpayers and for tax administrators.
- Remove raffles and paddlewheels from the net receipts tax and subject them to the combined receipts tax. This will reduce the number of organizations remitting small checks each month. Subjecting those games to the combined receipts tax will prevent organizations from converting pull-tabs or tipboards to those types of game to escape the combined receipts tax. Bingo is the most expensive form of lawful gambling to conduct. It makes sense to reduce the tax rate on this form of lawful gambling.
- Adjust the brackets of combined receipts tax paid on gross receipts from pull-tabs and tipboards. The combined receipts tax was enacted in October 1989. Since then the brackets have remained unchanged. In the early 1990s, approximately one-third of all charitable gambling organizations had a combined receipts tax liability while today more than half have this liability. This proposal provides most relief to mid-size organizations and reduces "bracket creep" that has occurred in this tax.
- Change scheduled insurance premium tax payments so that they are made on a quarterly basis, and also spread out declarations of estimated tax to conform to the schedules typical of other taxes requiring such declarations. Current law requires three annual declarations, two of them within 60 days of each other.
- During the department's reform meetings, some companies expressed a desire for change as a way to simplify filing of taxes owed. Not only are the dates odd, but quarterly payments would afford them better cash

Grant Detail

Mental Health Grants

Grant / Activity	Purpose / People Served	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Gov's Rec	Base	Gov's Rec
STATUTORY APPROPRIATIONS							
Federal Fund							
Federal MH Block Grant – Indian Mental Health Services	As required by state law, 25% of the Federal MH Block Grant is used for grants to American Indian Tribes and non-profit agencies to provide mental health services, particularly community-support services, to American Indians.	4,809	5,294	5,263	5,263	5,263	5,263
Federal MH Block Grant – Demonstration Projects	Grants to counties and non-profit agencies for innovative projects based on best practices. Projects include children's mental health collaboratives, crisis services for children and adults, adult mental health initiatives and self-help projects for consumers and their families.	1,181	1,476	1,476	1,476	1,476	1,476
Projects for Homeless	Grants to counties for outreach and mental health services for people who are homeless.(approx. served FY99 – 8,000)	3,306	3,351	3,351	3,351	3,351	3,351
Mental Health Disaster Services	Grants to counties for outreach and mental health services for people who are homeless.(approx. served FY99 – 8,000)	300	363	436	436	436	436
	Grants to counties and non-profit agencies to provide mental health services for people in Presidentially declared disaster areas.	22	104	0	0	0	0
Lottery Cash Flow							
Project Turnabout	One-time funds for a treatment center for compulsive gamblers.	106	4	0	0	0	0
OPEN AND STANDING							
Compulsive Gambling	Statute requires additional lottery transfer of \$340,000 per year to a dedicated account for compulsive gambling treatment and prevention.	85	871	340	340	340	340

BUDGET CHANGE ITEM

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: SUPPORTING THE SELF SUFFICIENCY OF PEOPLE WITH MENTAL ILLNESS BY STRENGTHENING COMMUNITY-BASED MENTAL HEALTH SERVICES

severe and chronic conditions. The efficacy of mental health treatment is well documented as a way to assist people to become more self-sufficient. A range of treatment options is needed to match services with individual needs.

The public mental health system in Minnesota currently serves about 25,000 adults with serious and persistent mental illness. It is estimated that, due to funding limitations, the public mental health system reaches only half the people who need these services, and many of those who are served receive inadequate or inappropriate services. As a result, many of these people wind up in other public settings (hospital emergency rooms, homeless shelters, jails) which are not designed to treat mental health issues.

Community Services:

At the national level, the Supreme Court ruled in *Olmstead vs L.C.* that states are required to take reasonable steps to ensure that people are not kept in institutions if they could be served in the community.

DHS, in cooperation with other state agencies, has committed to a community discussion process over the next year about mental health in Minnesota communities and steps for improving the mental health of its citizens. This proposal represents short term steps towards the more comprehensive, long-range approach expected to come out of the community discussion process.

Community support programs (CSPs) are a key type of mental health treatment that has been demonstrated to be effective in helping adults with serious and persistent mental illness to function in the community. Counties now spend about \$40 million per year for CSPs. Counties receive state grants for about half of that cost, with the balance coming from county funds. Minnesota lags behind other Midwest states in the use of Medical Assistance (MA) for CSPs. As required by the legislature, DHS has been working with counties during the past two years to develop a plan for expanded use of MA for these services.

In the metro area and the former Moose Lake RTC catchment area, MA is being used to contract with community hospitals for up to 45 days of post-commitment inpatient care. These "contract beds" have been successful in shortening lengths of stay and maintaining people closer to home, but funds have not been available to expand these services to the rest of the state.

State-Operated Services:

The need for a state-operated services (SOS) safety net bed capacity continues to decrease as investments are made to develop and expand the community infrastructure. As the SOS campus-based system becomes smaller and more dispersed, significant administrative consolidations and simplification must occur to keep SOS cost efficient and competitive in the marketplace.

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000)				
General Fund				
MA Basic HC-- E&D	\$1,220	\$3,294	\$5,039	\$7,393
Health Care Operations	140	140	140	140
Mental Health Grants	150	200	200	200
Continuing Care Mgmt	180	204	204	204
SOS Safety Net Services	(3,744)	(9,461)	(11,326)	(12,269)
MA LTC Facilities	(432)	(775)	(1,420)	(1,642)
Total	\$(2,486)	\$(6,398)	\$(7,163)	\$(5,974)
Revenues: (\$000)				
General Fund				
Admin Reimbursement	\$141	\$151	\$151	\$151
RTC Collections	(427)	(3,293)	(3,811)	(3,990)

Statutory Change? Yes No
 If yes, statutes affected: M.S. 256B.0625

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget of \$2,486,000 in FY 2002 and \$6,398,000 in FY 2003 as well as reallocation of existing spending to strengthen community-based services which enable people with mental illness to be as self-sufficient as possible. The decreased state funding will be offset by increased federal funding which will result from this proposal.

RATIONALE:

Background

Mental health is a community issue that affects the overall quality of community and family life. Mental health and mental illness may be thought of as points on a continuum. Mental illness may range from short-term acute episodes to

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

Item Title: SUPPORTING THE SELF SUFFICIENCY OF PEOPLE WITH MENTAL ILLNESS BY STRENGTHENING COMMUNITY-BASED MENTAL HEALTH SERVICES

The 2000 Legislature approved the shift of SOS adolescent and physician services from state appropriations funding to an enterprise operation which operates in the marketplace with third party collections. This transition has progressed ahead of schedule.

Proposal

This proposal is directed toward the following goals:

- strengthening the capacity of local communities to appropriately respond to the needs of people with mental illness;
- improving access to needed services and supports;
- enhancing consumer choice and control; and
- improving the quality and appropriateness of services.

To address the cyclical nature of many types of mental illness, this proposal includes a range of service options. During times of stability for individuals, services will focus on maintaining or improving mental health status. When instability occurs, prompt and efficient treatment will be provided, with a return to stability as quickly as possible. All of these services work together in this proposal to enable people with mental illness to be as self-sufficient as possible.

This proposal has the following inter-connected fiscal components.

Community Services:

- Expansion of community-based services
 - Expansion of the MA rehabilitation option to include psychiatric rehab services for adults with serious mental illness effective 1-1-02, and for other people who would be at increased risk of institutionalization if they did not receive these services, effective 7-1-02. This will include
 - crisis services, medication monitoring and independent living skills training; and
 - payment for staff travel time to allow existing MA services such as medication management and psychotherapy to be provided in non-clinic based settings for people who would otherwise not attend treatment.

- Expansion of MA fee-for-service contracts for hospitalization of people who are committed to community-based inpatient treatment for up to 45 days, and inclusion of parallel responsibility in PMAP contracts.
- Increase in DHS crisis housing assistance to allow more people to keep their housing during a psychiatric hospitalization of up to 90 days.

- Reduction in existing spending as a result of the above expansion
 - Reduced spending for traditional MA services, including
 - reduced admissions to emergency rooms and inpatient psychiatric units of community hospitals; and
 - reduced utilization of day treatment.
 - Reduced local share for county social service costs as a result of increased federal reimbursement for existing county expenditures.
- Administration of the above initiatives

By FY 2005, this proposal will result in total new MA payments (including federal share) of over \$20 million per year for rehab services. Counties and providers will be required to improve service access and quality to comply with federal Medicaid standards for rehab services. As a result, more people will be served (both MA-eligible as well as non-MA) and counties will have to pay more for improved services for both MA and non-MA clients. These increases will represent about 60% of the new MA payments for rehab services, leaving about 40% for local tax relief.

State-Operated Services:

- Simplification of the SOS administrative structure to keep it cost efficient and competitive in the market place by
 - reorganizing SOS from nine individual service areas to three diverse service networks serving northern Minnesota, southern Minnesota and the metro area, each operating under a single administration;
 - continuing consolidation of administrative, support services and other functions to minimize overhead; and
 - reorganizing existing and proposed new forensic programs into a statewide service under a single administration.
- Earlier implementation of the shift of appropriated SOS adolescent and physician services to enterprise, resulting in less reliance on general fund appropriations.

Under this proposal, the non-federal match for expanded MA coverage will come from state funds that will be reallocated from existing resources, including existing MA coverage for inpatient and day treatment, and state SOS appropriations. SOS, in turn, may bid on the new MA services through development of state-operated community services and may operate those services on an enterprise basis. This will be in addition to state staff currently assigned to community

BUDGET CHANGE ITEM (Continued)

Budget Activity: MENTAL HEALTH GRANTS
Program: CONTINUING CARE GRANTS
Agency: HUMAN SERVICES DEPT

2002-03 Biennium		2004-05 Biennium	
FY 2002	FY 2003	FY 2004	FY 2005

Item Title: SUPPORTING THE SELF SUFFICIENCY OF PEOPLE WITH MENTAL ILLNESS BY STRENGTHENING COMMUNITY-BASED MENTAL HEALTH SERVICES

Revenues				
Admin reimbursement	141	151	151	151
Reduced RTC collections	(427)	(3,293)	(3,811)	(3,990)
Total General Fund Revenues	<u>\$(286)</u>	<u>\$(3,142)</u>	<u>\$(3,660)</u>	<u>\$(3,839)</u>
Net Expenditures and Revenues	<u>\$(2,200)</u>	<u>\$(3,256)</u>	<u>\$(3,503)</u>	<u>\$(2,135)</u>

services as part of the Adult Mental Health Initiatives, which will continue to operate under current agreements. It is estimated that the Initiatives will claim about \$1.7 million in increased federal funding in FY 2002-03 for rehab services provided by state staff assigned to the initiatives. This money will be used for expanded community mental health services, particularly for people who would otherwise have been served in SOS inpatient units.

Administrative Issues and Implementation

Implementation of these changes will require two positions in Continuing Care for administration of performance indicators and outcomes-based contract management, on-going utilization review of contract beds, and evaluation of service outcomes; and two positions in Health Care Operations for provider training, enrollment, and on-going provider relations.

FINANCING:

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expanded community based services				
MA rehab	\$1,652	\$4,540	\$7,933	\$11,863
Contract beds	-0-	582	1,311	2,462
Crisis housing assistance	150	200	200	200
Sub-total comm-based expansion	<u>1,802</u>	<u>5,322</u>	<u>9,444</u>	<u>14,525</u>
Reduction in existing MA services	(432)	(1,828)	(4,205)	(6,932)
Administration:				
HCOps provider relations (2 FTEs)	140	140	140	140
CC Mgmt utilization reviews and data processing (2FTEs)	180	204	204	204
Sub-total admin	<u>320</u>	<u>344</u>	<u>344</u>	<u>344</u>
Total Comm-based expenditures	<u>\$1,690</u>	<u>\$3,838</u>	<u>\$5,583</u>	<u>\$7,937</u>
SOS Safety Net Services (Exps):				
Administrative Simplification	(2,744)	(5,111)	(6,976)	(7,919)
Shift to Enterprise Services	(1,000)	(4,350)	(4,350)	(4,350)
MA LTC Facilities (SOS)	(432)	(775)	(1,420)	(1,642)
Sub-total SOS expenditures	<u>(4,176)</u>	<u>(10,236)</u>	<u>(12,746)</u>	<u>(13,911)</u>
Total Exps – SOS & Comm based	<u>(2,486)</u>	<u>(6,398)</u>	<u>(7,163)</u>	<u>(5,974)</u>

OUTCOMES:

Legislative funding of this proposal will result in people with mental illness receiving support in the community to be as self-sufficient as possible. Specifically, 15,000 existing clients will receive improved services and 5,000 new clients will receive needed community-based MH services. As a result of the increased community support, there will be less need for hospitals and institutions.

This proposal includes funding to enhance current evaluation efforts in order to monitor the following outcomes:

- improved access to services, as measured by increases in numbers of people served;
- improved client health and quality of life outcomes as reported by consumers and provider agencies;
- improved consumer satisfaction as indicated by consumer surveys;
- reduced number of hospital and institutional bed days;
- increased capacity of local communities to appropriately respond to the needs of people with mental illness; and
- reduced county costs for community mental health services.

1 Senator moves to amend S.F. No. 473 as follows:
 2 Page 214, line 12, delete "\$1.956" and insert "\$1.847"
 3 Page 218, line 23, delete "(c) and (e)" and insert "(b),
 4 (c), and (e), and \$1,800,000 of the amount necessary for
 5 distribution to school districts under paragraph (d),"
 6 Page 218, line 28, delete "(c) and (e)" and insert "(b),
 7 (c), and (e), and in the manner provided in paragraph (d), to
 8 the extent of the appropriation"

9 Page 255, after line 22, insert:
 10 "Sec. 20. Laws 1998, chapter 404, section 23, subdivision
 11 6, is amended to read:

12 Subd. 6. St. Paul RiverCentre
 13 Arena 65,000,000

14 This appropriation is from the general
 15 fund to the commissioner of finance for
 16 a loan to the city of St. Paul to
 17 demolish the existing St. Paul
 18 RiverCentre Arena and to design,
 19 construct, furnish, and equip a new
 20 arena. This appropriation is not
 21 available until the lessee to whom the
 22 city has leased the arena has agreed to
 23 make rental or other payments to the
 24 city under the terms set forth in this
 25 subdivision. The loan is repayable
 26 solely from and secured by the payments
 27 made to the city by the lessee. The
 28 loan is not a public debt and the full
 29 faith, credit, and taxing powers of the
 30 city are not pledged for its repayment.

31 (a) \$48,000,000 of the loan must be
 32 repaid to the commissioner, without
 33 interest, within 20 years from the date
 34 of substantial completion of the arena
 35 in accordance with the following
 36 schedule:

37 (1) no repayments are due in the first
 38 two years from the date of substantial
 39 completion;

40 (2) in each of the years three to five,
 41 the lessee must pay \$1,250,000;

42 (3) in each of the years six to ten,
 43 the lessee must pay \$1,500,000;

44 (4) in each of the years 11 to 13, the
 45 lessee must pay \$2,000,000;

46 (5) in year 14, the lessee must pay
 47 \$3,000,000;

48 (6) in year 15, the lessee must pay
 49 \$4,000,000; and

50 (7) in each of the years 16 to 20, the
 51 lessee must pay \$4,750,000.

1 (b) The commissioner must deposit the
2 repayments in the state treasury and
3 credit them to the youth-activities
4 ~~account, which is hereby created in the~~
5 ~~special-revenue-fund. Money in the~~
6 ~~youth-activities-account is available~~
7 ~~for expenditure as appropriated by~~
8 ~~law general fund.~~

9 (c) The loan may not be made until the
10 commissioner has entered into an
11 agreement with the city of St. Paul
12 identifying the rental or other
13 payments that will be made and
14 establishing the dates on and the
15 amounts in which the payments will be
16 made to the city and by the city to the
17 commissioner. The payments may include
18 operating revenues and additional
19 payments to be made by the lessee under
20 agreements to be negotiated between the
21 commissioner, the city, and the
22 lessee. Those agreements may include,
23 but are not limited to, an agreement
24 whereby the lessee pledges to provide
25 each year a letter of credit sufficient
26 to guarantee the payment of the amount
27 due for the next succeeding year; an
28 agreement whereby the lessee agrees to
29 maintain a net worth, certified each
30 year by a financial institution or
31 accounting firm satisfactory to the
32 commissioner, that is greater than the
33 balance due under the payment schedule
34 in paragraph (a); and any other
35 agreements the commissioner may deem
36 necessary to ensure that the payments
37 are made as scheduled.

38 (d) The agreements must provide that
39 the failure of the lessee to make a
40 payment due to the city under the
41 agreement is an event of default under
42 the lease between the city and the
43 lessee and that the state is entitled
44 to enforce the remedies of the lessor
45 under the lease in the event of
46 default. Those remedies must include,
47 but need not be limited to, the
48 obligation of the lessee to pay the
49 balance due for the remainder of the
50 payment schedule in the event the
51 lessee ceases to operate a National
52 Hockey League team in the arena.

53 (e) By January 1, 1999, the
54 commissioner shall report to the chair
55 of the senate committee on state
56 government finance and the chair of the
57 house committee on ways and means the
58 terms of an agreement between the
59 lessee and the amateur sports
60 commission whereby the lessee agrees to
61 make the facilities of the arena
62 available to the commission on terms
63 satisfactory to the commission for
64 amateur sports activities consistent
65 with the purposes of Minnesota
66 Statutes, chapter 240A, each year
67 during the time the loan is
68 outstanding. The amateur sports

1 commission must negotiate in good faith
2 and may be required to pay no more than
3 actual out-of-pocket expenses for the
4 time it uses the arena. The agreement
5 may not become effective before
6 February 1, 1999. During any calendar
7 year after 1999 that an agreement under
8 this paragraph is not in effect and a
9 payment is due under the schedule, the
10 lessee must pay to the commissioner a
11 penalty of \$750,000 for that year. If
12 the amateur sports commission has not
13 negotiated in good faith, no penalty is
14 due.

15 [EFFECTIVE DATE.] This section is effective for repayments
16 made on or after July 1, 2001."

17 Amend the title as follows:

18 Page 1, line 26, after the semicolon, insert "providing for
19 credit of certain repayments to the general fund;"

20 Page 2, line 43, after the semicolon, insert "Laws 1998,
21 chapter 404, section 23, subdivision 6;"

1 moves to amend H. F. No. 511 as follows:

2 Page 214, line 12, delete "\$1.956" and insert "\$1.847"

3 Page 218, line 23, delete "(c) and (e)" and insert "(b),

4 (c), and (e), and \$1,800,000 of the amount necessary for

5 distribution to school districts under paragraph (d),"

6 Page 218, line 28, delete "(c) and (e)" and insert "(b),

7 (c), and (e), and in the manner provided in paragraph (d), to

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19 construct, furnish, and equip a new

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