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**Executive Budget
Summary**

Minnesota 1994-95 Biennial Budget

Governor Arne H. Carlson

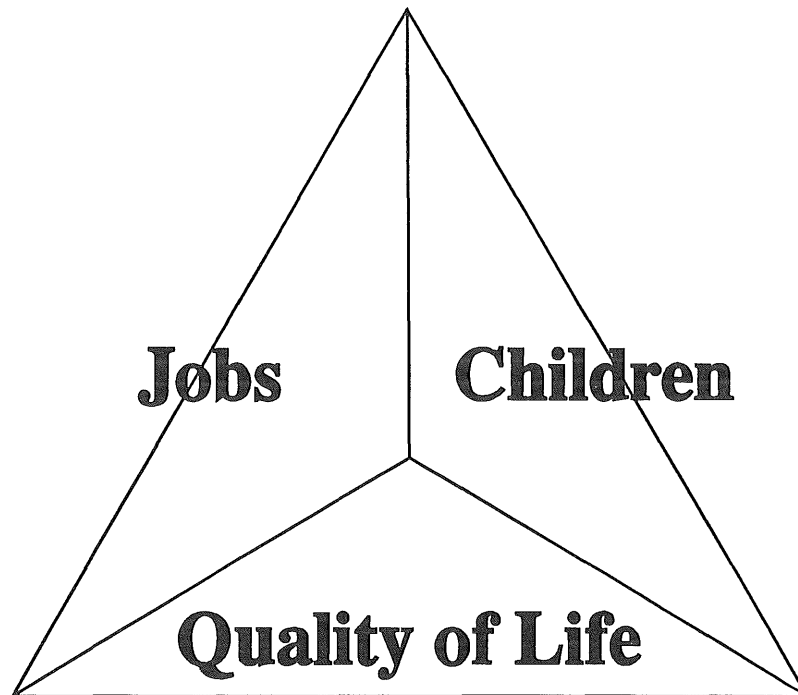
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Securing Our Future

**1994-95 Budget
State of Minnesota**

Governor Arne H. Carlson



Customer Service

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State of Minnesota

Office of the Governor

January 26, 1993

TO THE PEOPLE OF MINNESOTA AND THEIR 1993 LEGISLATURE

The 1992 election was a clear mandate for change in the way that government does its business. The people of our country and of our state expect their leaders to live within their means, to serve their customers better and to focus their attention on our future. We take this to be our mandate.

The 1994-95 Budget introduces major reform into how Minnesota provides services to its citizens. Most notably, this is our state's first budget that is based on outcomes and results, rather than on historical efforts and good intentions. It is a *performance* budget.

Our budget plan recognizes that a lasting solution is necessary for our state's chronic fiscal crises. The financial stability so essential for our children's future will be achieved by reforming the way we deliver services and by controlling costs, rather than by raising taxes once again.

During the past two years, our agencies and commissions have thoughtfully planned new approaches to the delivery of government services in Minnesota. We now have their blueprints. The next two years will be a time of action to implement these plans.

We will increase spending by over \$1.3 billion to invest in the three highest priorities of the thousands of Minnesota citizens who participated in the Minnesota Milestones town meetings:

Preparing for Tomorrow's Jobs

Meeting the Needs of Our Children

Preserving Our Quality of Life

People of Minnesota
January 26, 1993
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We will pursue these priorities of jobs, children and quality of life by improving services for our customers - the citizens of Minnesota. Built on a foundation of customer service, our budget plan will secure the future of our state.

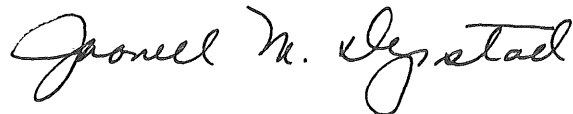
Although our challenge would have been easier to meet five years ago when our economy was stronger, we no longer have the luxury of time. Our objective for the 1993 legislative session cannot be to merely weather this latest budget storm.

We must all resolve to enact a lasting solution to the destructive cycles of fiscal crises that Minnesota will continue to face. The future of our state depends on our commitment to change.

We welcome your support.



ARNE H. CARLSON
Governor



JOANELL M. DYRSTAD
Lt. Governor

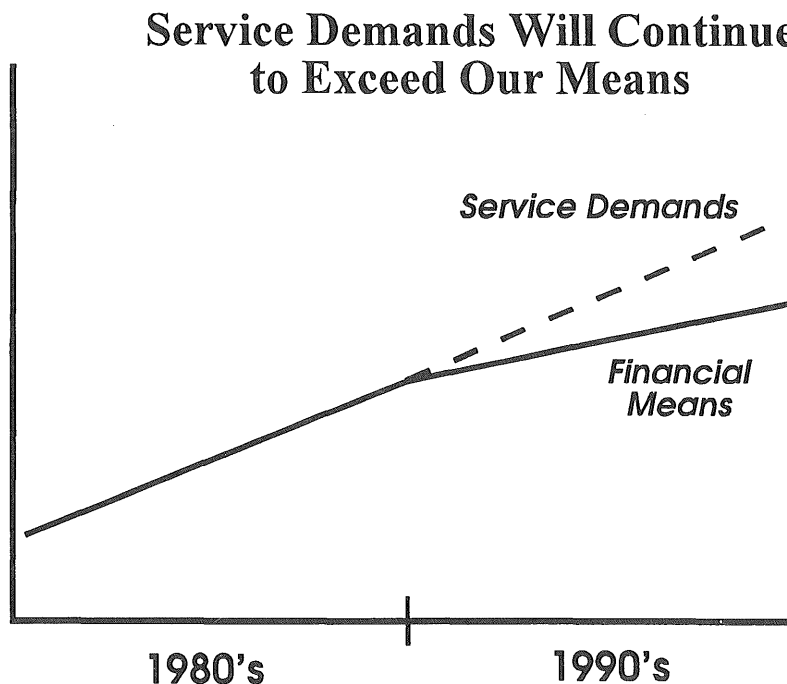
Securing Our Future

Governor Carlson's 1994-95 Budget responds to the mandate for change that Minnesota's citizens have called for. The budget lives within our means, focuses on results, and invests in the Governor's three highest priorities: jobs, children and quality of life.

Minnesota's chronic fiscal problems must be solved

A great deal of attention has been paid to the state's budget gap over the past two years, and with good reason. Together, the Governor and legislature have had to resolve three shortfalls totalling nearly \$2.5 billion. Yet, Minnesota still faces a \$769 million gap in the next biennium, with no rainy-day budget reserve.

Despite our state's recovery from the recession, we will be faced with a widening gap between revenues and expenditures. Unless action is taken to *permanently solve* our chronic fiscal problems, Minnesota will continue to be burdened with this fiscal albatross.



Our perennial fiscal difficulties compel us to answer two questions:

Why are we in this situation?

What can we do about it?

It is important to understand and to acknowledge that Minnesota's fiscal crisis is neither temporary, nor unexpected. It is chronic and self-inflicted.

Although the recession that marked the end of the economic expansion we enjoyed during the 1980's worsened our situation, Minnesota's fiscal problems will remain even after the economy fully recovers. The seeds of trouble were planted well before the recession, when our state and local governments built up an expensive structure of expectations that we can no longer afford.

We have inherited the consequences of a decade during which national, state and local governments routinely spent more than they could afford. It was not a period of extravagant spending on unnecessary programs, but it was a period in which requests for increased public support poured in from all quarters. And, government agencies tried to meet them all. Unfortunately, the increasing demands were met with short-term, popular solutions, rather than with an overall, long-term strategy that would ensure fiscal solvency for our children.

Unless action is taken, the financial means available in the next decade will not be adequate to meet the service demands of the next decade.

The unprecedented economic expansion of the 1980's that allowed Minnesota to expand services will *not* be repeated in the 1990's. International competition, and economic and demographic trends that are largely beyond our state's control will limit the future growth of our economic base. These same trends will also compound the escalating service demands that were founded in the last decade.

Unlike the 1980's, we will *not* be able to grow our way out of our current fiscal problems. Unless we take action now to change the way we are doing business, the diverging paths of service demands and available resources foreshadow a bleak future for our state.

Living within our means

There are two possible solutions to Minnesota's budget gap: (1) we can raise taxes, cut staff and reduce services, or (2) we can control costs and live within our means.

Governor Carlson feels strongly that we must live within our means. The budget gap will be closed by controlling costs and by reinventing the way we deliver services, rather than by raising taxes.

The rainy-day budget reserve has been drained and taxes have already been increased by over \$1 billion to deal with the shortfalls of the past two years. The Governor believes that Minnesota's spending systems *must* begin to live within their means, just like our citizens do.

Without raising taxes, the state will have over \$1.3 billion more to spend in 1994-95 than we currently provide for education, human services, property tax relief and other important programs. Our problem is *not* a lack of revenue. Our problem is spending more than we have.

Governor Carlson believes that we must *first* decide how to most effectively spend what we already have, *before* we discuss how to spend even more.

The Governor maintains that \$1.3 billion is enough new money to meet our state's needs. We must spend this new revenue smarter and more productively. He feels that we must focus on allocating \$16 billion of resources to our top priorities, rather than debating how to raise even more taxes.

In order to both meet Minnesota's priority needs and also permanently solve our perennial fiscal problems, the Governor directed that his 1994-95 Budget be developed according to three new principles:

Performance budgeting was used so that funding decisions were based on outcomes and results, rather than on historical efforts and good intentions.

Baseline budgeting insured that all programs were subject to review, rather than automatic inflationary funding.

Investment initiative reallocations emphasized investments in our state's future.

Budget will be balanced with cost controls, not higher taxes

Without raising taxes, 1994-95 spending will increase by over \$1.3 billion. This 9.1 percent increase in spending is higher than the two year rate of inflation (7.1 percent), but lower than the projected increase in personal income (10.8 percent).

1994-95 (Millions)

Forecast Resources	\$16,054	
New Taxes	0	
All Other	(47)	
Available Resources		\$16,007
Current Spending	\$14,675	
Spending Increase	1,331	
1994-95 Spending		16,006
Balance		1

The entire budget solution will come from cost controls. No taxes will be raised to close the \$769 million gap between forecasted revenues and expenditures. In fact, revenues will actually decline as a result of new tax credits.

	Forecast		Budget		Difference
Beginning Balance		\$217		\$200	
Revenues	\$15,837		\$15,807		\$(30)
Expenditures	16,823		16,006		(817)
Balance		\$(769)		\$1	
Cash Flow Account		240		240	

Services will be protected by restraining salary growth

In order to protect current service levels without tax increases, and to allow time for cooperative service redesign, the Governor is requesting that *all* state and local agencies and their bargaining agents show restraint in their contract negotiations.

State agencies will be required to fund all program growth and operating cost increases through service redesign and reallocations of their priorities. Priority state services will be delivered, without increasing the cost of government.

About two-thirds of the state budget goes to cities, counties, school districts, colleges and universities. If these agencies show similar restraint in salary growth and demonstrate service delivery creativity, they too can maintain their high priority program commitments without increasing their overall costs.

The Governor believes that restraint in the growth of salaries is a reasonable way for public employees to share in the responsibility for solving state and local budget problems.

Salary costs typically represent about three-fourths of government budgets, and recent studies have concluded that Minnesota's public workers are fairly compensated. While Minnesota ranks 17th in the nation in per capita personal income, our public employees rank 3rd in total compensation, when adjusted for living costs.

Governor Carlson supports better public disclosure of public employee compensation costs to the citizens who pay the bills.

The Governor strongly supports the collective bargaining rights of Minnesota's public employees, and the rights of employers to negotiate what they feel are fair and affordable settlements. He *also* believes that citizens who pay the costs of these negotiated agreements have a right to full disclosure of the contract terms and the opportunity to comment on the agreements before their final ratification.

The Governor is proposing that both state and local salary settlements should be subject to better public review through an expanded truth-in-taxation process. In addition, citizens should be allowed to vote on any property tax increases resulting from higher local compensation costs during 1994.

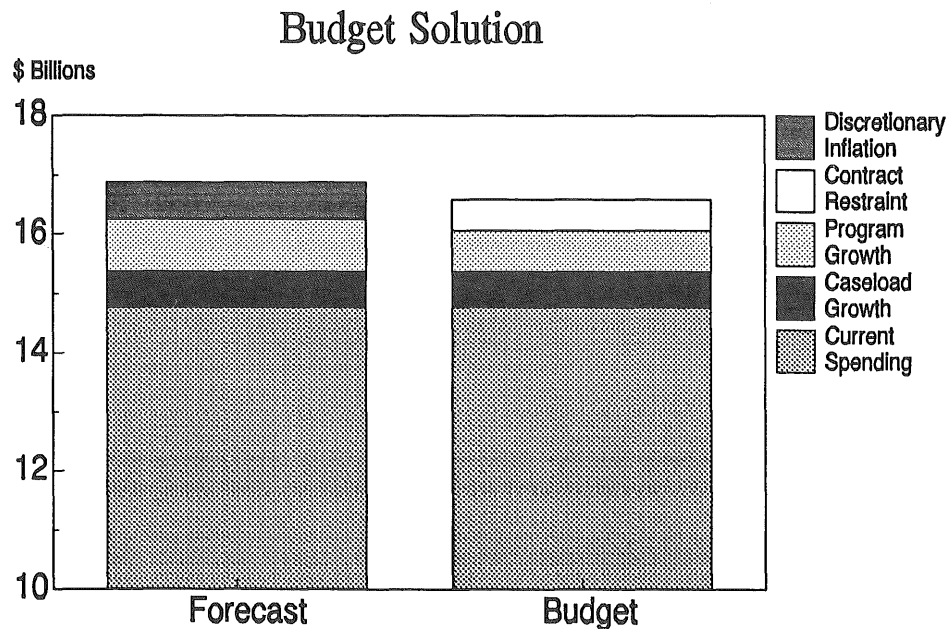
Salary restraint will save over \$600 million and 9,700 jobs for the biennium.

The Governor is proposing that all contract savings remain with local agencies and higher education institutions to protect against service cuts and employee layoffs. One year of restraint in salary growth would result in \$600 million of savings that would fully fund 9,700 service workers for the next two years. With state funding increases, these savings will avoid the need for any state or local tax increases, or any tuition hikes.

The savings will cover about two-thirds of projected discretionary inflation. Local agencies and the higher education institutions will be expected to redesign their services to absorb the remaining one-third, while state agencies will be required to absorb their *entire* amount of discretionary inflation.

Over 98% of forecast needs will be met without higher taxes.

New funding from the normal growth in tax revenues and the savings resulting from restraint in public employee contract increase will provide the necessary support to meet over 98 percent of all forecasted 1994-95 program needs. The budget will fund student growth, human development caseload increases, and new initiatives designed to control future costs.



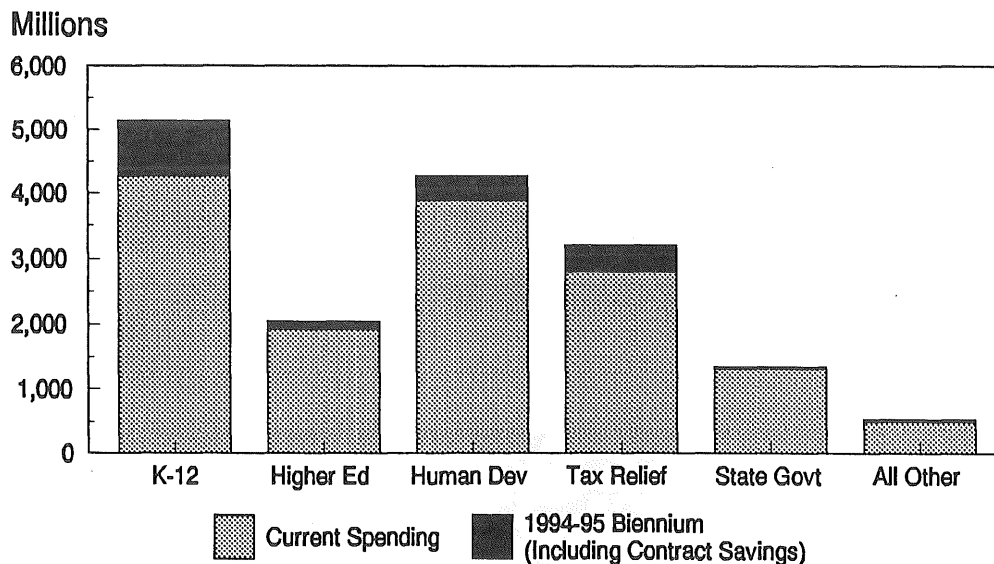
All spending areas will receive more funding

Minnesota will spend \$16 billion in 1994-95, with over \$1.3 billion of new funding. Major increases will be provided for education, human development and local property tax relief programs.

No spending area will be cut below its current funding level. All spending areas will receive *more* state funding in the 1994-95 Biennium.

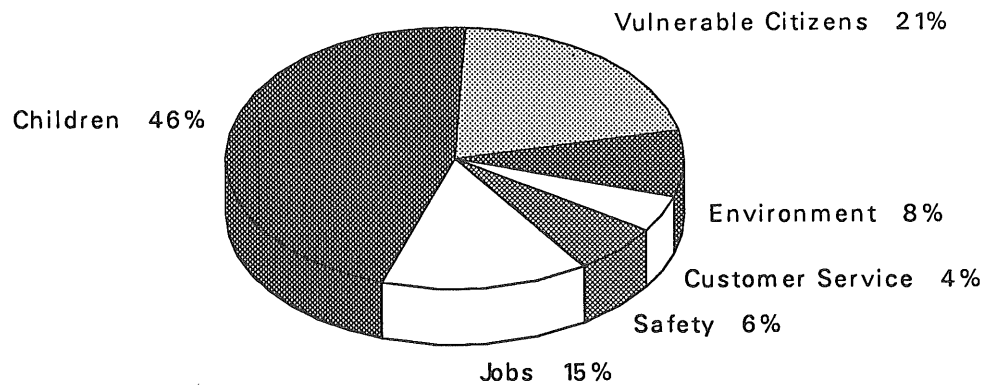
Effective program support will increase *even more*, since new funding can buy more services than it would have, if salary costs had gone unchecked and if service delivery systems had remained unchanged. Support for local government aids and property tax relief programs will be *greater than* the forecast.

Increased Support for Program Areas



Investing in jobs, children and quality of life

The three highest priorities of the Carlson Administration are jobs, children and quality of life. The greatest share of funding increases and reallocations in the budget will be provided for Minnesota's children and vulnerable citizens, with major investments in jobs, safety, the environment and customer service improvements.



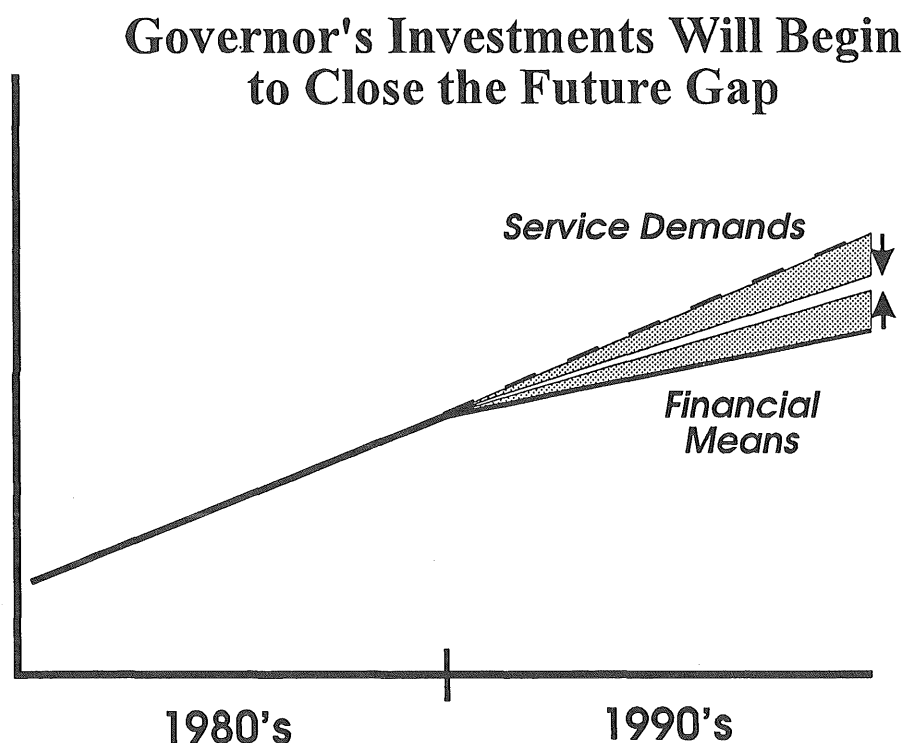
Investing in Tomorrow's Jobs. The Governor's budget emphasizes the creation of new jobs, while ensuring that Minnesota's workers are adequately prepared for these new opportunities. The economic growth from this investment will help raise the "means" to support the service demands of the next decade.

Meeting the Needs of Our Children. Another key to Minnesota's place in the next century is a major and sustained investment in our children's future. The needs of our children will come first. Investments in education and training will further add to our "means" by ensuring that our children can grow up to be productive citizens. Investments in preventative intervention will also help lower the staggering social and economic costs associated with a child's failure.

Preserving Our Quality of Life. The budget also makes a major commitment to preserve Minnesota's high quality of life by protecting both our citizens and our natural environment. These investments will also help lower future demands.

Our mission is to deliver better services at a lower cost so that the gap between future service demands and future financial means will be closed.

These strategic investments in jobs, children, quality of life and customer service will secure Minnesota's future by returning the state to a sustainable path where our financial means match service demands.



The Governor is making a commitment to quality and excellence to deliver to Minnesotans what they expect from their state government: more accessible services, a government that works better, and a system that is customer-driven.

Major restructuring is introduced into the way services are delivered. *Not only will we spend more; we will spend it smarter.* The Governor is especially proud of the way our state agencies have responded to his calls for reform. Our bureaucracies are truly breaking the mold by challenging themselves to reinvent the way they have done business so that we can achieve our mission of customer service within our means.

Preparing for tomorrow's jobs

We will create meaningful jobs by improving our competitive position and by making a sustained commitment to the growth of small businesses throughout Minnesota.

Lowering the cost of doing business. To retain and grow jobs, we will permanently lower the state-imposed cost of doing business and improve Minnesota's business climate.

Tax relief. A commitment of \$147 million will lower the commercial-industrial property tax rate to 4.6%, without shifting the cost onto residential property owners. An additional \$39 million will fund low income residential property tax relief. A new Workstead property tax credit program, local option property tax abatements, and elimination of the capital equipment sales tax for small businesses will provide further tax relief to our state's employers.

Workers compensation reform. Last year's reform efforts will be continued to ensure that Minnesota's workers compensation costs will be no higher than the national average. Additional measures will include the possible refund of excess premium payments, benefit portability and individual worker security accounts to provide incentives for prudent benefit use and safer workplaces.

Regulatory and processing reform. An Executive Order was issued to streamline and clarify the business regulatory and permitting process by requiring state agencies to eliminate or revise rules and regulations that do not have an immediate and necessary impact on their missions. Reforms will eliminate unnecessary regulations and make it easier for our state's responsible employers to comply, without weakening environmental and consumer protection standards. Uniform business identifiers, new computer systems and a small business representative will help guide businesses through the state's regulatory process.

Growing small businesses. The entrepreneurial spirit of Minnesota's people will be reinforced by supporting investment needs and providing technical assistance to grow businesses. Four new programs will leverage millions of new capital dollars for start-ups and expansions. Management training and technical assistance will be expanded, and support for our agricultural and tourism industries will be increased.

Special needs workers. The needs of Minnesota's disadvantaged youth will be met through new programs that provide training and valuable work experience.

Meeting the needs of our children

Minnesota's fragmented educational and children's service systems will be completely restructured to meet the comprehensive needs of our children.

Department of Children and Education Services. A new Department of Children and Education Services will consolidate early childhood, elementary and secondary education, and higher education services programs. Minnesota will pioneer the integration of local social, health and education services. Responsibilities for program funding and service delivery will be consolidated so that state and local agencies are focused on and accountable to their customers - Minnesota's families. Our \$6.7 billion children's budget will produce the results it is intended to achieve.

Supporting families in their communities. The disjointed state and local service delivery system for young children will be completely redesigned to support families in their communities, the appropriate place for nurturing and growth to occur.

Community Family Resource Centers will offer a single place in each community for families with young children to learn about and obtain services. State and local government agencies will respond to family needs in collaborative and integrated ways. *Resources will be centered around the families, rather than the providers.*

Funding resources will be consolidated to increase local flexibility so that providers can respond to family needs before problems have developed into crises.

Increased funding for children. Current funding levels will be maintained for *all* children's programs, and *increased* funding will be provided for successful and innovative programs such as:

Childhood nutrition to ensure that *every* needy child in the state will be able to have a school breakfast.

Child support enforcement strategies to make Minnesota's laws and programs the toughest in the nation.

Homeless prevention to keep families with children in their homes, and to move families into transitional or permanent housing.

Minnesota Family Investment Program (MFIP) and STRIDE work experience for families receiving public assistance to encourage greater self-sufficiency.

Subsidized Adoption to help ensure that children with special needs can live in a permanent family.

Lead abatement strategies to reduce the risk of lead poisoning in children.

Community-based Maternal and Child Health programs to expand family planning efforts and preventative care for children.

Education and training. Equal access to a quality education is a fundamental right of every Minnesota child. Both funding and program reform will be accomplished to guarantee this right.

K-12 education funding. Student growth will be fully funded, and per student revenues for elementary and secondary education will increase by 3.9% in FY 1994 and by 4.7% in FY 1995. Total revenues will increase by 6.3% and 7.0%, and the general education formula will be increased to \$3,100 per student. Marginal cost funding will be introduced to more fairly recognize the actual cost of educating new students, and funding for debt service and referendum equalization will be increased by \$104 million. A new credit enhancement program will help school districts issue lower cost bonds for facility upkeep and cash flow needs.

Program reform. A benchmark Certificate of Mastery assessment will be established for 10th graders to ensure that all children master basic academic skills. A new youth apprenticeship program will be designed to meet the needs of students who choose not to attend traditional two and four year colleges, and will ensure that a workforce is available with the technical skills necessary to meet the future needs of our state's employers. Investments will be made in math and science education, and the efforts of the Minnesota Academic Excellence Foundation will be supported to promote quality education.

Higher education funding. Special Children's Education and Training Accounts will be established to encourage families to save for their children's higher education, and funding will be restructured to provide more resources directly to students that need assistance, rather than to institutions. Women's athletic programs will receive greater support to help ensure more gender equity.

Protecting and serving our citizens

The state will intensify its efforts to eliminate crime and violence in our society.

Crime and violence against women. Violent crimes against women will not be tolerated. Strong anti-stalking legislation will be introduced to halt dangerous persons *before* there is violence, and a number of other steps will be taken to keep tabs on previously identified dangerous individuals.

Assistance to victims. Funding will be increased by 50 percent for victims assistance programs and to support safe havens for women and children displaced by domestic violence. Successful programs will be expanded in underserved parts of the state for battered women, domestic abuse intervention, sexual assault and abused children.

Corrections partnerships. Creative interagency partnerships will be used to manage growing prison populations by converting unneeded hospital units at the Faribault and Moose Lake Regional Treatment Centers into medium security prisons, and by increasing funding to support local jails, encourage more crime prevention, diversion, intensive supervision, work release and sentencing to service programs.

The quality of life for our state's vulnerable citizens will be enhanced through numerous reform efforts designed to improve their choices and to hold providers accountable to their clients.

Service choices for the disabled. A new IMPACT program will improve access to services for Minnesota's residents with developmental disabilities by providing them greater choices in services. Multiple, overlapping funding sources will be consolidated to allow local providers greater flexibility in meeting the needs of their clients. Administrative regulations and process-oriented management will be replaced by outcome-based quality assurance, with incentives for the selection of cost-effective services.

Better long-term care at lower cost. Our state's long-term care system will be reformed to both improve services and control costs. The most expensive treatment options, which do not always result in the best service for our clients, will no longer be emphasized. Long-term care for our elderly and disabled residents will be encouraged to take place *in their own homes and communities*, rather than in less desirable and more costly institutions. Reforms in asset preservation laws, pre-admission screening, assignment of institutional beds for the greatest care needs, educational programs, and delivery system consolidation will be used to control escalating costs.

Preserving our environment

A major commitment will be made to Minnesota's environment, and agencies will be restructured to focus policy making, consolidate fragmented programs, eliminate program overlap and ensure more responsive service to citizens and businesses.

Reorganization of environmental agencies. The Commission on Reform and Efficiency (CORE) has found that Minnesota's environmental system is fragmented, uses processes that are unresponsive to citizen needs, is overly prescriptive, and has conflict resolution processes that are time consuming and costly. Following publication of their final report, a reorganization of the state's environmental agencies will be undertaken to remedy these deficiencies and more effectively serve our citizens.

Environmental stewardship. Stewardship means the proper management of our resources. We will serve as good stewards of our environment and natural resources by ensuring that development takes place in a responsible and renewable way. The 1994-95 Budget builds upon our past commitments, with over \$116 million in new resources to protect our environment.

Water pollution. Funding will be provided for ongoing wastewater treatment programs, and for a new non-point source water pollution clean-up program. A multi-agency coordinated effort will control pollution associated with agricultural run-off. The focus of the new initiative will be on the clean-up of our namesake - the Minnesota River.

Hazardous waste. Despite an extensive backlog, Minnesota's Superfund is broke. Local landfill problems and other Superfund sites will be separated so that better progress can be made on both challenges. Superfund resources will be increased from broader fees on waste generators. The state will assume full responsibility for local landfill clean-up, in exchange for local solid waste surcharges on landfills and incinerators.

Environmental block grants. Multiple environmental grants now provided to local agencies for wetlands preservation, shoreland management and water planning will be consolidated for administrative savings, better accountability and improved outcomes.

Solid waste recycling. County SCORE block grants for recycling will be fully protected, and recycling by state agencies will be greatly enhanced through the operation of a new state recycling center.

Air quality. Funding will be provided to ensure that the provisions of the federal Clean Air Act are implemented on schedule.

Sustainable development. A new Focus on Forests initiative will provide for sustainable timber harvesting by ensuring an appropriate balance between a strong economy, healthy and diverse forests, and wildfire protection. Market management incentives will protect land no longer covered by expiring federal Conservation Reserve Program contracts.

Reinvest in Minnesota. Administration of the RIM program will be fully protected from budget cuts, with additional funding to protect wildlife habitat and to increase participation in the conservation reserve easement program.

Wetlands preservation. Implementation of wetlands preservation commitments will be insured with matching grants to local governments.

Enhancing recreational opportunities. Public access to our extensive natural resources is an important facet of our quality of life. Exemption from budget reduction targets and cost control measures will prevent a deterioration in services to our citizens who use the state park and trail systems. Funding will be increased for acquisition, development and maintenance. Funding will also be provided through the Metropolitan Council to assist local governments with operation of their park and trail facilities.

Serving our customers better

Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.

Making services more accessible. State government will be made more accessible and user-friendly to its customers.

Customer service. Mobile offices will visit communities to bring services to our customers, rather than always requiring citizens to come to us. State agencies will be co-located in communities so that customers can visit several offices at the same time. Citizen ombudsmen will be better coordinated to improve their availability and effectiveness. Information kiosks will be located throughout the state to provide information on services, taxes, regulations and other state functions.

Technology. Imaging and automated teller machines will speed driver registration services, and public assistance clients will receive benefits electronically to provide safer access at a lower cost, help eliminate client and retailer fraud, and simplify business processing.

Making government work better. Numerous improvements will be made to improve the efficiency, productivity and effectiveness of state government.

Competition will be fostered to challenge government providers, and more programs will be self-supporting. Public Service and Health Department testing labs will be updated and required to cover their own costs by soliciting business. The Minnesota Historical Society and Minnesota Zoo will make service investments and initiate comprehensive marketing programs for business development. The Itasca State Park Douglas Lodge Complex will operate as a self-supporting enterprise. The Sauk Centre juvenile correctional facility will be converted to a fee-for-service operation so that counties and school districts will purchase services based on the efficiency and effectiveness of the center's operation.

Reorganization and consolidation. Agencies will be reorganized and consolidated to provide better services at lower cost. The Department of Natural Resources will realign its organizational structure to reduce costs and increase responsiveness by eliminating a layer of management control and delegating more decision making authority to field offices. The Department of Natural Resources will also preserve service levels in state parks by reducing costs through the implementation of a work experience and training program for under and unemployed residents, who will perform seasonal park operations tasks. State patrol communications centers will be consolidated, providing the same level of service with advanced technology.

Technology investments. Investments will be made in technology to increase productivity and improve management information. The Statewide Systems Project is being jointly sponsored by the Departments of Finance, Employee Relations and Administration to update and redesign the state's comprehensive computerized accounting, payroll, personnel and purchasing systems. Minnesota's accounts receivable process will be redesigned to improve collections of overdue accounts. The Department of Labor and Industry will implement a fully integrated electronic information system to improve customer service.

Helping government work together. In recognition of our shared responsibilities for the funding and provision of public services, the current state-local adversarial relationship will be transformed into a true intergovernmental partnership.

Forum for issue resolution. The Minnesota Advisory Commission on Intergovernmental Relations (ACIR) will be reoriented to allow the state, cities, counties and towns to resolve issues in a cooperative setting, to facilitate communication and to allow independent monitoring of local fiscal conditions.

Elimination and conversion of unfunded mandates. Local mandates not funded by the state will be reviewed, with the objective of eliminating or converting the regulations into more flexible outcome standards that allow local agencies considerable discretion over the strategies used to meet the intended objectives. In the future, permissive codes will be adopted that only mandate specific actions the state should directly control and fund. All other activities will remain the discretion of local agencies, and will be governed by prudent business practices, rather than restrictive mandates that require state waivers.

Local service cooperation. Funding will be provided to the Metropolitan Council and the ACIR to encourage greater consolidation and cooperation among local service providers. Cities, counties, towns and school districts will be encouraged to cooperate in their service delivery through expanded use of existing regional service organizations.

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Introduction

Budget reform

Budget reforms were introduced to implement necessary change

Minnesota's 1994-95 budget process has undergone substantial reform during the past year in order to both meet Minnesota's priority needs and also to permanently solve our chronic fiscal problems. Last summer, Governor Carlson directed that the 1994-95 budget be developed according to three new principles:

1. Performance Budgeting
2. Baseline Budgeting
3. Investment Initiatives

Outcomes and results will drive spending decisions

First, a **Performance Budget** was prepared for the first time in Minnesota, as well as any other state, so that funding decisions are based on outcomes and results, rather than on historical efforts and good intentions.

Performance budgets are based on the premise that it doesn't matter how hard we try, if it doesn't work. State agencies were required to define the results they will accomplish, and will be held accountable for their performance. The grassroots Minnesota Milestones project helped agencies to focus their missions, define their program objectives and develop performance standards.

Inflation increases will not be automatic, so all programs will be subject to review

Second, **Baseline Budgeting** was used so that all programs were subject to review, rather than automatic funding. Previous budgeting practices had fostered the attitude that historical spending bases were a "given", and that increases to this base were automatically necessary to fund greater workloads and new programs. This year, state agencies were required to fund all growth and program changes within their *current spending base* through service redesign and the elimination of lower priority programs.

And third, an **Investment Initiatives** process was used to emphasize our state's future, rather than its present. In particular, funding reallocations for priority children and prevention investments were encouraged.

***The budget will implement
our citizens' shared vision***

Minnesota Milestones

The actions recommended in this budget will shape the future of Minnesota. A clear definition of what we want and subsequent measurement of the results we fund, will lead to a better future for Minnesota's people.

Minnesota Milestones is based on this simple concept. It defines a shared vision expressed by the citizens of Minnesota, it sets 20 broad goals based on that vision, and it establishes 79 milestones, or ways to measure whether we are making progress over time. Minnesota Milestones provides a framework of priorities for the 1994-95 budget.

Historically, government has done a poor job of measuring results. It does an excellent job of measuring how much activity occurs - how much money is spent, how many forms are filed, how many reports are prepared, how many permits are issued. But, government is less successful at measuring the results of those activities - whether they result in a safer or cleaner environment or a better life for Minnesota's citizens.

Performance Budgeting

Minnesota Milestones provides a framework of priorities for the state as a whole. The state budget encompasses a wider array of programs, activities and issues than those covered in Milestones.

***Performance budgeting
will hold government
accountable to their
customers***

The 1994-95 Budget provides a structure to measure results in *all* state agencies. Over 800 outcome indicators and 1000 efficiency measures are provided in the detailed agency budget plans. Committed to the performance principle, each program will track progress so that Minnesotans will know that they are getting their money's worth from their tax dollars.

This budget represents the beginning of a long-term process. The pay-off will come in future budget years when policy makers will have the necessary data to effectively assess progress toward a shared set of goals.

The state is listening to the people's priorities and supporting their priorities with measurable goals and budget objectives. Using Minnesota Milestones and performance budgeting, Minnesotans can hold their government accountable for the results they want.

Living Within Our Means

Our citizens expect us to live within our means. Governor Carlson's budget provides a lasting solution to Minnesota's chronic fiscal crises by reforming the way we deliver services and by controlling costs, rather than by raising taxes or by shifting costs into the future.

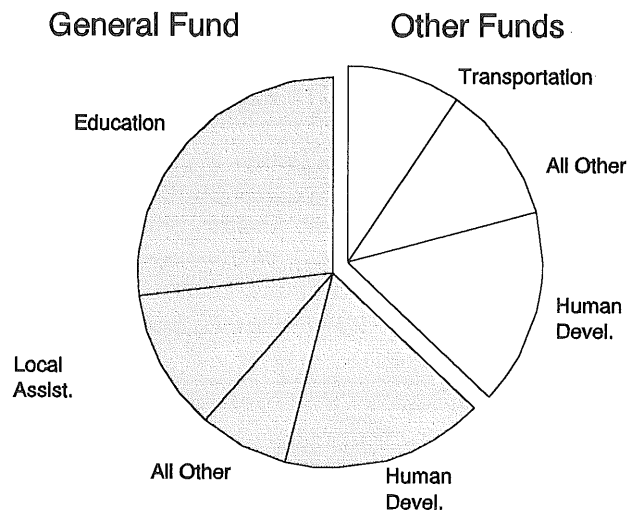
\$25.2 billion will be spent on services for our citizens

Minnesota will spend \$25.2 billion on services for its citizens during the 1994-95 biennium. About one-third of the total budget, including all state and federal funds, will be allocated for human development programs. Over one-fourth of Minnesota's total resources will go for education. Transportation and local property tax relief programs will each receive about one-tenth of the total budget.

General fund expenditures will total \$16 billion, or 63 percent of the total state budget. About 43 percent of the general fund is devoted to education, with 27 percent allocated to human development. An additional 19 percent goes for local property tax relief.

State Budget Will Total \$25.2 Billion

Human development, education, local assistance and transportation account for 81% of the state's total budget



*Normal revenue growth
will provide for a
\$1.3 billion increase
in spending*

*No state or local tax
increases will be required...*

*...if spending is limited
to a 9.1 percent growth*

Spending will increase over \$1.3 billion, without higher taxes

In response to the wishes of both our taxpayers and our legislative leadership, Governor Carlson's general fund budget does *not* require higher taxes.

Without tax increases, spending will increase by \$1.3 billion (9.1 percent) over current levels. High priority programs will be protected and services will be improved. By using normal revenue growth, cuts to lower priority government operations and control of state and local salary growth, the Governor's budget proposes a responsible plan for living within our means.

Governor Carlson's 1994-95 budget does not rely on, nor will it result in, higher taxes at *either* the state or local levels.

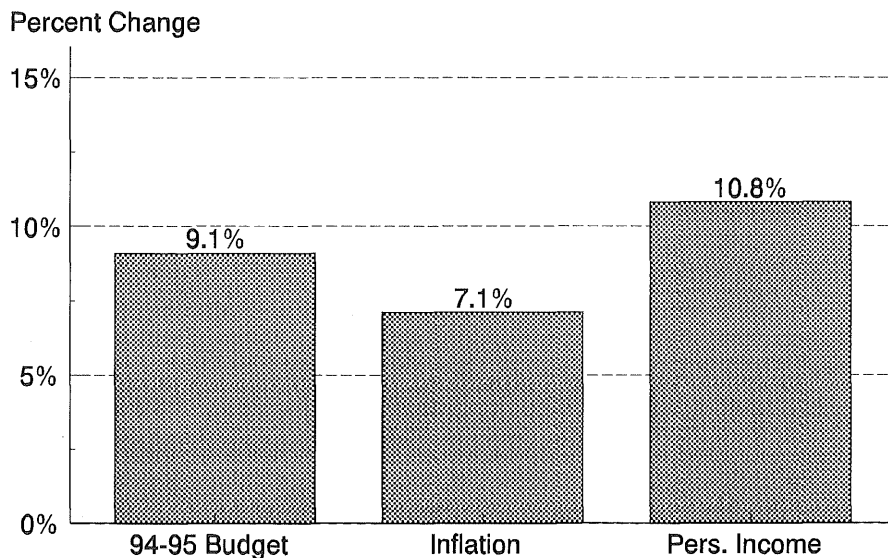
1994-95 (Millions)

Forecast Resources	\$16,054	
New Taxes	0	
All Other	(47)	
Available Resources		\$16,007
Current Spending	\$14,675	
Spending Increase	1,331	
1994-95 Spending		16,006
Balance		1

Without any tax increase, state spending will be above inflation and below personal income growth

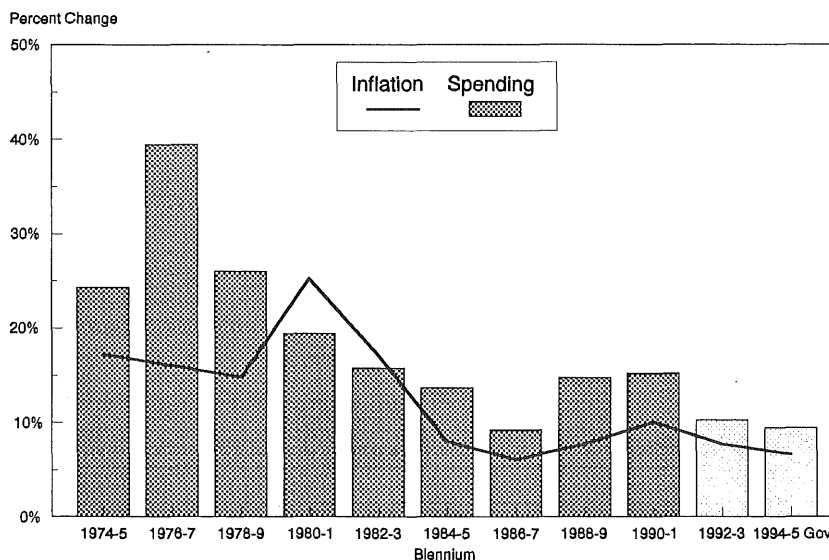
Spending will grow faster than inflation, but less than personal income

General fund spending in 1994-95 will increase by 9.1 percent, higher than the expected two year rate of inflation (7.1 percent), but lower than the projected increase in personal income (10.8 percent).



Spending growth will continue to be the lowest in 20 years

In the mid-1970s, state spending increased dramatically with the Minnesota Miracle. During the Quie Administration and the recession of the early 1980s, a series of shifts and tax increases were used to continue high spending increases. Spending slowed during the early Perpich years, but escalated later. Despite significant unfunded spending "tails" left by the Perpich Administration and the effects of the current recession, the Carlson Administration has kept the rate of increase in state spending close to the rate of inflation.



The Carlson Administration has held state spending growth to near the rate of inflation, and to the lowest increase in 20 years

Because salary costs represent such a large share of state and local budgets, reform is necessary to control growth in service costs

Salary cost management

Salary costs typically represent about three-fourths of state and local budgets in Minnesota. As a result, contract settlements and other compensation increases play an important role in determining the cost of public services.

Recent studies have concluded that Minnesota's state and local public workers are fairly compensated.

For example, the State Auditor found in a 1991 study that:

"Local government employees overall are adequately, and often amply compensated relative to the private sector as a whole."

Benefits for most for most public employees are equivalent to, or better than, those offered by the typical medium or large sized private sector firm.

A comprehensive 1992 study by the respected Center for the Study of the States documented that Minnesota's public employees are well compensated relative to other states, especially when cost of living differences are considered. Although Minnesota ranks 17th in the nation in per capita personal income, our state and local employees rank 3rd in total compensation, adjusted for cost of living.

MN's U.S. Rank	
Per capita personal income	17
Average state employee earnings	6
Average local employee earnings	10
Ratio of public/private employee earnings	11
Average public employee compensation adjusted for cost of living	3

Governor Carlson supports collective bargaining rights *and* the right of the citizens who pay the bills to learn about and comment on negotiated settlements.

Governor Carlson strongly supports the collective bargaining rights of Minnesota's public service employees. The Governor also supports the rights of state and local employers to negotiate what they feel are fair and affordable settlements with their employees.

The Governor *also* believes that citizens who pay the costs of these negotiated agreements have a right to full disclosure of the contract terms and the opportunity to comment on the agreements before their final ratification. Therefore, Governor Carlson is proposing the following reforms to ensure better disclosure of our negotiated labor agreements to the people who pay the bills:

Public employee and employer bargaining rights are protected and proposed reforms will increase public disclosure

Public salary disclosure. The Governor recommends that both state and local salary contracts be subject to improved public review through an expanded truth-in-taxation process. Beginning in 1993, all state and local agencies would be required to:

- Prepare employee compensation information and show proposed changes in the numbers of employees and compensation levels.
- Publish and present this information in local newspapers and at public hearings.

PELRA reform. In addition, the Governor recommends the formation of a commission to review the current Public Employment Labor Relations Act (PELRA) statutes that govern public bargaining. The commission will review the procedures established by the act, and the rights and responsibilities assigned to negotiating parties, to ensure that the negotiating process does not unfairly advantage any of the participants, and that responsible decisions are encouraged.

Services will be protected by restraining salary growth

In order to protect current service levels without tax increases, and to allow time for cooperative service redesign, the Governor is requesting that *all* state and local agencies and their bargaining agents show restraint in their contract negotiations.

For the 1994-95 Budget, the Governor directed that all state agencies fund program growth and operating cost increases through service redesign and reallocations of their priorities. By meeting this challenge, state agencies have assured that priority services will be delivered without increasing the cost of state government.

About two-thirds of the state budget goes to cities, counties, school districts, colleges and universities. Similar to state workers, Governor Carlson believes that these public employees have their own ideas for improving services without increasing costs. If these agencies will also show restraint in salary growth and demonstrate service delivery creativity, then they can also maintain their high priority program commitments without increasing their overall costs.

Salary restraint will save over \$600 million and 9,700 jobs for the biennium.

Minnesota's 263,000 state and local public employees earned over \$8.5 billion of total compensation in F.Y. 92. Restraint on salary growth for one year would save over \$600 million dollars for the 1994-95 biennium.

The Governor is proposing that these savings remain with local agencies and higher education institutions to protect against service cuts and employee layoffs. The savings would fully fund 9,700 service workers for the next two years. In combination with state funding increases, these savings will avoid the need for any state or local tax increases, or any tuition hikes.

*One year salary restraint
will save over \$600 million
and 9,700 jobs*

	Total Employees	Compen (billions)	2 Year Savings	
			Savings (millions)	Positions
School Districts	108,400	\$3.225	\$234	4,300
Higher Education	37,900	1.458	106	1,300
State Government	35,600	1.166	84	1,300
Local Government	80,800	2.673	194	2,800
Total	262,700	\$8.522	\$618	9,700

Local agencies and higher education must follow the state lead in salary restraint and creative service redesign to protect high priority services

Restraint in the growth of salaries is a reasonable expectation

Citizen approval will be required for 1994 property tax increases resulting from higher compensation costs

Salary savings and service redesign will cover discretionary inflation.

If local agencies and higher education institutions hold-the-line on salary increases, this will generate savings that will cover about two-thirds of projected discretionary inflation. These agencies will be expected to redesign their services to absorb the remaining one-third. While local agencies are being asked to cover less than one-third of their inflationary growth, state agencies will be required to absorb *all* of their discretionary inflation.

Governor Carlson believes that this request for restraint in the growth of salaries is a reasonable way for public employees to share in the responsibility for solving state and local budget problems.

Other states and localities have required similar concessions and give-backs to deal with their fiscal problems. For example,

- One-third of all the states in the country reported no across-the-board pay raises for F.Y. 1993.
- Fifty-nine percent of all public employees covered by collective bargaining agreements negotiated in the first six months of 1992 received no pay increase in the first year of the agreement.
- In 18 states, employees will be required to shoulder additional costs for insurance and pension benefits.

Private sector employers have also taken strong measures to combat revenue losses attributable to the recession by reducing their operating costs:

- In a 1993 survey of over 1,000 private sector employers, more than eleven percent reported that a pay freeze was currently in effect.

If local agencies and their bargaining units do not show restraint in their 1994 negotiations, they will be required to obtain approval from their citizens for property tax increases that result from higher local compensation costs.

*All spending areas will
receive more state funding
-- none will be cut*

*Salary restraint will
provide even more
program support*

All spending areas will receive funding increases

No spending area will be cut below its current funding level. All spending areas will receive *more* state funding in the 1994-95 Biennium.

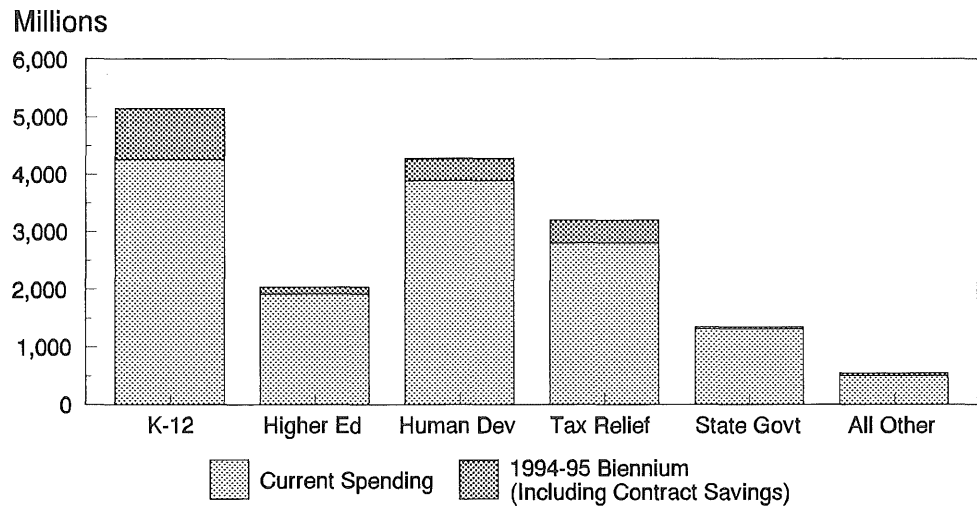
Minnesota will spend \$16 billion in 1994-95. Over \$1.3 billion of new funding is provided in the Governor's budget. When combined with restraint in salary growth and service redesign, effective program support increases even more since available dollars can buy more services than they would have, if salary costs had gone unchecked and service delivery systems unchanged.

Program Area	Current Spending	1994-95 Budget	Funding Increase		Contract Savings	Total Support
Elem & Secondary Education	\$4,259	\$4,905	\$646	15.2%	\$234	20.6%
Higher Education	1,915	1,933	17	0.9	106	6.6
Human Development	3,887	4,271	385	9.9		9.9
Property Tax Relief	2,808	3,012	204	7.2	194	14.2
State Government	1,307	1,341	34	2.6	[50]	2.6
All Other	499	544	45	9.0		9.0
Total	\$14,675	\$16,006	\$1,331	9.1%	\$533	12.7%

Support for education, human develop & property tax relief

Major increases will be provided for education, human development and local property tax relief programs. As was the case during the last biennium, state government will again receive the smallest increase in program support.

Increased Support for Program Areas



Education, human services and local tax relief programs will receive major increases in support

The \$769 million budget gap will be solved with cost controls, not with tax increases

Budget is balanced by controlling costs, not by raising taxes

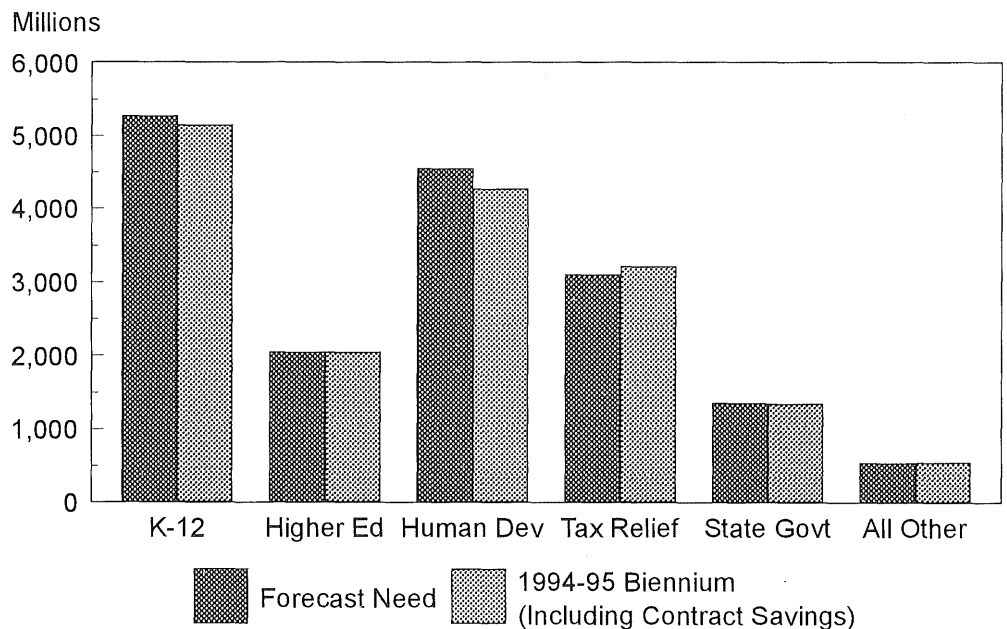
The entire budget solution comes from cost controls. No taxes are raised to close the \$769 million gap between forecast revenues and expenditures. In fact, revenues will actually decline as a result of new tax credits.

	Forecast		Budget		Differenc
Beginning Balance		\$217		\$200	
Revenues	\$15,837		\$15,807		\$(30)
Expenditures	16,823		16,006		(817)
Balance		\$(769)		\$1	
Cash Flow Account		240		240	

Over 98% of forecast needs will be met without new taxes

New funding from the normal growth of tax revenues and the savings resulting from restraint in public employee contract increases will provide the necessary support to meet over 98 percent of all forecasted 1994-95 program needs. Support for local government aids and property tax relief programs will be *greater than* the forecast.

Over 98 percent of forecast needs will be met, and property tax relief will be greater than the forecast



Budget gap is solved by controlling costs

Minnesota's budget will be balanced fairly, and without imposing more taxes on the people and businesses who already shoulder one of the highest tax burdens in the country. The \$769 million gap forecast for 1994-95 will be solved by controlling costs.

Budget increases will fund all student and caseload growth

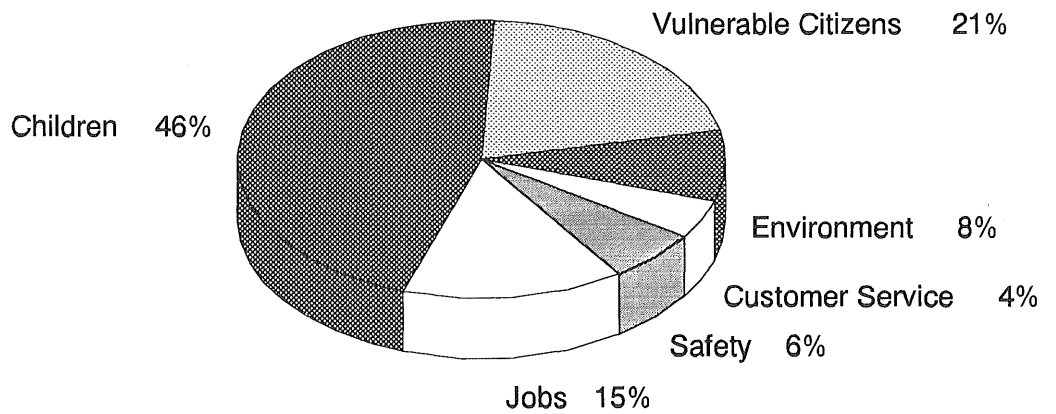
Discretionary inflation will not be funded for any spending area, since salary restraint will avoid cost increases

	Forecast		Budget	
Education Current Spending	\$6,174		\$6,174	
Student Growth	288		288	
Discretionary Inflation	381		[339]	
All Other	461		376	
Subtotal Education		\$7,304		\$6,838
Including Contract Savings				[7,177]
Human Development Current	\$3,887		\$3,887	
Caseload Growth	327		327	
Discretionary Inflation	190		76	
All Other	138		(19)	
Subtotal Human Develop		\$4,542		\$4,271
Local Assistance Current	\$2,808		\$2,808	
Additional Local Assistance	224		198	
Discretionary Inflation	0		[194]	
All Other	60		6	
Subtotal Local Assistance		\$3,092		\$3,012
Including Contract Savings				[3,206]
State Government Current	\$1,307		\$1,307	
Discretionary Inflation	61		0	
Grants	1		35	
Agency Operations	(20)		(78)	
Agency Initiatives	0		77	
Subtotal State Government		\$1,349		\$1,341
Debt Service		\$458		\$464
Dedicated Expenditures		78		80
Total Spending		\$16,823		\$16,006
Including Contract Savings				[16,539]

Spending will increase for Minnesota's priorities

The greatest share of funding increases and reallocations will be provided for Minnesota's children and vulnerable citizens. Major increases will be provided for new initiatives that address the Governor's top priorities: jobs, children, quality of life and customer service.

Spending increases will be directed to children and to those most in need



*The Governor's initiatives
reflect our citizens' priorities
established in Minnesota
Milestones*

Governor's Initiatives

Preparing for Tomorrow's Jobs		
Lowering the cost of doing business	\$251.8	
Growing small businesses	15.9	
Meeting special worker needs	14.0	
Subtotal Jobs		\$281.7
Meeting the Needs of Our Children		
Consolidating children & education services	\$10.9	
Supporting families in their communities	50.2	
Educating and training our workforce	832.9	
Subtotal Children		\$894.0
Preserving Our Quality of Life		
Protecting our citizens	\$109.6	
Stewardship of our natural resources	159.5	
Serving our vulnerable citizens	397.8	
Subtotal Quality of Life		\$666.9
Serving Our Customers Better		
Making services more accessible	\$17.6	
Making government work better	48.8	
Helping government work together	20.3	
Subtotal Customers		\$86.7
Total New Spending & Reallocations		\$1,929.3

Preparing for Tomorrow's Jobs

Jobs will be grown in Minnesota by improving our competitive position and by supporting small businesses

Jobs grown in Minnesota. The objective of the Carlson Administration is to stimulate the creation of new, meaningful jobs, while ensuring that Minnesota's workers are adequately prepared for these new opportunities. The keys to economic growth and job security in our state are improving our competitive position by lowering the cost of doing business, and making a sustained commitment to the growth of small businesses throughout Minnesota.

Minnesota Milestones goals

Minnesotans share a common vision that our state's economic activity will create wealth and provide a good standard of living for all our people. By preparing for tomorrow's jobs and improving the state's business climate, Minnesotans will move closer to the goals they identified as priorities in Minnesota Milestones, the state's 30-year plan:

Minnesota will have sustained, above-average, strong economic growth that is consistent with environmental protection.

All Minnesotans will have the economic means to maintain a reasonable standard of living.

Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.

Our state's economic activity will create wealth and provide a good standard of living for all people

In support of Minnesota Milestones, an Economic Blueprint was created to provide more specific objectives for Minnesota's economic security:

Internationally competitive levels of productivity growth.

Family incomes adequate to provide a reasonable standard of living.

Capital investment in the state adequate to ensure economic renewal and competitiveness.

A business environment that stimulates business creation, innovation and retention.

Improved employment and economic opportunity for all citizens in all regions.

A diversified industry mix to insulate the state economy from shocks and national business cycles.

Minnesota's business climate must remain attractive to retain and grow jobs

A commitment of \$147 million will lower C/I property tax rates to 4.6 percent, without shifting the cost to residential owners

The 1994-95 Budget addresses these goals through three principle strategies:

Lowering the cost of doing business

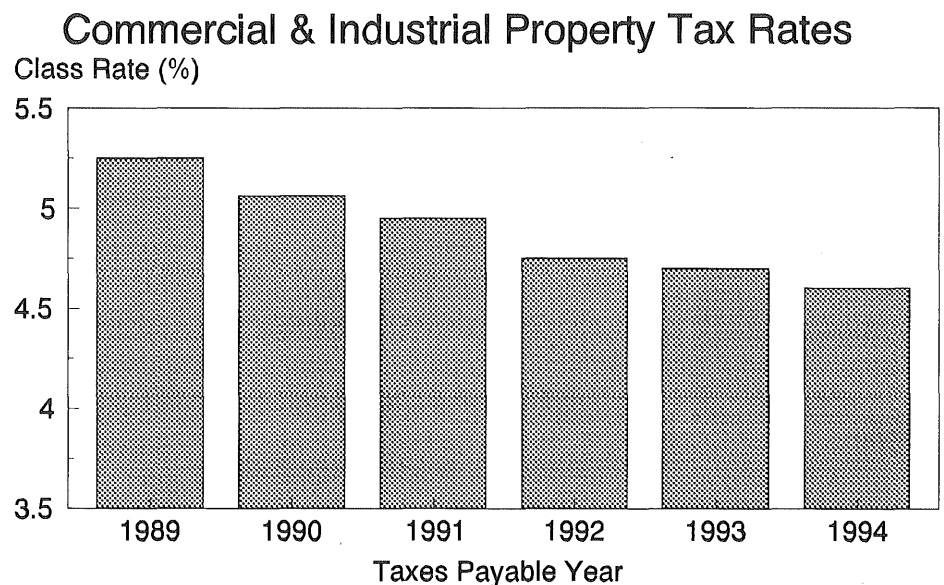
Growing small businesses

Meeting special worker needs

Lowering the cost of doing business

Minnesota's high tax burden and myriad of regulations put us at a disadvantage with our competition. We must permanently lower the state-imposed cost of doing business and improve the overall business climate of our state to retain and grow jobs.

C/I property tax reduction. Minnesota has one of the highest commercial/industrial property tax burdens in the country - double and triple that of our neighboring states. The classification rates of commercial and industrial property will be further lowered from the current 4.75% rate to 4.6% by 1995. This \$147 million program will be fully funded, and not shifted onto residential property owners.



Workstead property tax credit. A new property tax credit patterned after the Homestead Credit will be targeted to Minnesota's small manufacturing firms to reduce effective property tax rates by about 20 percent.

Our commitment to residential property tax relief will also be increased

Minnesota's workers comp costs will be no higher than the national average

Regulatory reform will make it easier for responsible employers to comply without weakening protections

Local property tax abatements. Cities and counties will be provided the option to abate property taxes for targeted new businesses that create jobs. This program is simpler than tax increment financing, easier to understand, more efficient and ensures better local accountability. It also allows communities the flexibility to combine incentives and to cooperate regionally.

Residential property tax relief. Funding for the circuit breaker program will also be increased by \$39 million to provide relief for those low income homeowners and renters least able to afford property tax increases.

Elimination of capital equipment sales tax. Waiver of the state's sales tax on new capital equipment will be continued for all firms, and the tax on *replacement* equipment will be eliminated for small manufacturers to encourage efficiency and productivity by growing companies.

Workers compensation reform. The reform efforts initiated last year will be continued to ensure that Minnesota's workers compensation costs will be no higher than the national average. Additional measures are being examined to further reduce costs, including the possible refund of excess premium payments, benefit portability and individual worker security accounts to provide incentives for prudent benefit use and safer workplaces.

Regulatory reform. Last November, Governor Carlson issued an Executive Order to streamline and clarify the business regulatory and permitting process by requiring state agencies to eliminate or revise rules and regulations that do not have an immediate, necessary and substantial impact on their missions. Reforms will eliminate unnecessary regulations and will make it easier for our state's responsible employers to comply, without weakening environmental and consumer protection standards.

Business processing assistance. Processing improvements will also be made to help guide businesses through the state regulatory maze. As examples,

Uniform business identifiers will be used by all state agencies for licensing.

Building regulation activities will be consolidated.

A new **DTED small business representative** will expedite environmental permit approvals.

A new **PCA Computer Compliance System** will help speed clearance for new development projects.

Over \$100 million of public and private capital will be leveraged to support small business start-ups and expansions

Management and technical assistance will be made available to support small business needs

Growing small businesses

The entrepreneurial spirit of Minnesota's people will be reinforced by supporting capital investment needs and providing the technical assistance essential to grow businesses.

Capital investment support. Small business development will be encouraged by expanding the availability of capital for start-ups and expansions. Public-private partnerships with lending institutions will leverage access to private capital for job retention and new job creation.

Minnesota Initiative Fund. The rural MIF fund will be recapitalized to stimulate private investment in new and expanding businesses. State funds will leverage an equal investment by the McKnight Foundation to provide low interest loans for working capital, equity and fixed asset financing. Grants will be made to locally-governed initiative funds in six regions, with loan repayments available to create revolving funds.

Urban Initiative Fund. Similar to the rural initiative, a new metropolitan initiative fund will be capitalized to provide working capital, equity and fixed-asset financing for small business start-ups and growing company expansion in targeted areas. Special emphasis will be given to minority and women-oriented enterprises.

Minority Capital Access Pool. The existing Capital Access Program will be expanded to emphasize minority business start-ups. State investments will leverage new capital through guarantees of private lender loans, and will help new businesses establish credit histories with local lenders.

Seed Capital Fund. The Seed Capital Fund operated by Minnesota Technology, Inc. will be protected to leverage equity investments in existing small manufacturing companies.

Management and technical assistance. Long-term strategies to encourage manufacturing start-ups and expansions must also support research and development operations as well. Manufacturing and technology-based businesses create and support a climate of innovation that attracts new ideas, creative people and new capital. Small businesses will be provided the essential management training and technical assistance they need to survive and prosper.

Management training assistance. Small business development centers will be fully funded to provide technical assistance to new businesses throughout the state.

Minnesota Technology, Inc. MTI technical assistance and research programs will be fully protected against reductions to state agencies. This will allow technical assistance to continue for small manufacturing companies in Greater Minnesota. MTI also plans to expand this program to the Twin Cities area with a new federal grant.

*Minnesota's important
agricultural and tourism
industries will receive
increased support*

International Information Network. Minnesota representatives in foreign countries will be supported through a contractual network. Accurate, timely and pertinent information will be provided in Japan, England, Germany, Belgium, Norway, Sweden, Taiwan, Mexico, Costa Rica and Australia through a partnership of corporate contacts, resident representatives and shared government offices.

Business Data Base. Fragmented information on Minnesota business conditions will be incorporated into an accessible data base to provide timely and accurate information to businesses on site availability and investment opportunities, and to communities on business location leads.

Agriculture and tourism industry support. Minnesota's important agricultural and tourism industries will receive expanded support.

Ethanol production subsidy. Funding for existing subsidies to ethanol producers in Minnesota will be increased to stimulate production growth and new jobs in this important industry.

Agriculture Utilization Research Institute. AURI programs will also be fully protected from any program reductions required to balance the shortfall to allow program expansion in applied research and technical services to develop and market new agricultural products.

Agricultural value-added processing. State efforts in value-added agricultural processing will be improved through better coordination of existing public and private sector efforts, and support for producer-owned cooperatives.

Tourism Loan Program. The size of the Tourism Loan Program will be increased and its scope broadened to include loan guarantees and property acquisition to help Minnesota's small resort operators acquire, develop and maintain their facilities.

Training will help secure the economic future for Minnesota's workers with special needs

Meeting special worker needs

The special needs of our workers will also be addressed to ensure that they have the opportunity to live and work in their home state.

Workforce Investment Fund. A new Workforce Investment Fund will be established through better coordination of existing JTPA and Dislocated Workers programs, so that Minnesota's workers can effectively compete for tomorrow's jobs. The Jobs Skills Partnership Program will be transferred to the Department of Jobs and Training in order to strengthen the necessary partnership with our business community for their future training needs.

Apprenticeship training and education. The current program in the Department of Labor and Industry will be expanded to focus on recruiting women and minorities to train for highly skilled jobs that can command good wages. Apprenticeship sponsors will be recruited from manufacturing and highly skilled businesses, rather than from the traditional building trades.

Special needs workers. The successful Projects with Industry will be expanded in underserved areas throughout the state to assist employers in finding and hiring qualified workers with special needs, such as persistent mental illness or deafness. Particular emphasis will be placed on unemployed American Indians with disabilities.

Workforce 2000. The existing Minnesota Conservation Corps in the Department of Natural Resources will be expanded to provide more young people with work experience and training in the natural resources field. In addition, the successful Youth in Natural Resources program will be continued to allow our minority youth to explore careers and gain valuable field experience. An internship and scholarship program will also be established to help attract a more diverse applicant pool to resource management education programs and careers.

Meeting the Needs of Our Children

*The needs of our children
will come first*

An important key in Minnesota's future is a major and sustained investment in our children's future. The needs of our children will come first, instead of the needs of our bureaucracies and interest groups.

Minnesota Milestones goals

*We will focus on improving
results for Minnesota's
families and children*

Minnesotans share a common vision that our state will be a community of people who respect and care for one another, and that our citizens will be good thinkers, creative, always learning, with the skills to compete internationally. For the first time, we as a state will begin to focus on improving results for families and children. Participants in Minnesota Milestones identified the following goals:

Our children will not live in poverty.

Families will provide a stable environment for their children.

All children will come to school ready to learn.

Minnesotans will excel in basic academic skills.

Minnesotans will have the advanced education and training to make the state a leader in the global economy.

Minnesotans will be healthy.

In support of these goals, Minnesota's fragmented educational and children's service systems will be restructured to meet the comprehensive needs of our children. Strategies in the 1994-95 Budget include:

Consolidating children and education services

Supporting families in their communities

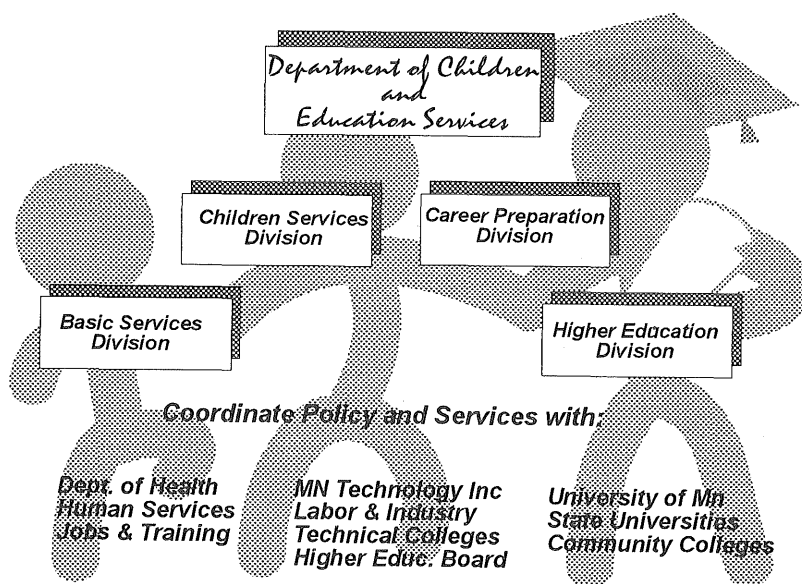
Educating and training our workforce

Consolidating children and education services

Minnesota's fragmented educational and children's service systems will be restructured to meet the comprehensive needs of our children.

Department of Children and Education Services. A new Department of Children and Education Services will consolidate early childhood, elementary and secondary education, and higher education services programs. The department will replace the existing Department of Education and the Higher Education Coordinating Board, and will incorporate parts of various other state agencies. There will be four major divisions:

Our fragmented service systems will be restructured and funding programs will be integrated to meet the comprehensive needs of our children



Children Services Division will bring together programs serving children from birth to kindergarten.

Basic Services Division will be responsible for facilities and finance, standards and assessment, research and other services relating to education and special education.

Career Preparation Division will focus on young people from about age 16 to 20, offering them a wide range of options from baccalaureate preparation to youth apprenticeships to technical training. The Division will also coordinate the development of career guidance information.

Higher Education Division will be responsible for programs serving students that participate in higher education, including the management of all student aid programs and development of information on post-secondary education and training.

Responsibilities for program funding and service delivery will be consolidated and integrated so that state and local agencies are focused on and accountable to their customers - Minnesota's families. In addition, existing citizen boards will be retained as advisory bodies to the new department.

Educational outcome standards. The new department will be responsible for setting educational standards and assessments, developing a benchmark Certificate of Mastery assessment that will be taken at about 10th grade to confirm students' basic academic skills, setting high school graduation standards, and developing alternative learning methods to ensure that all children master basic academic skills.

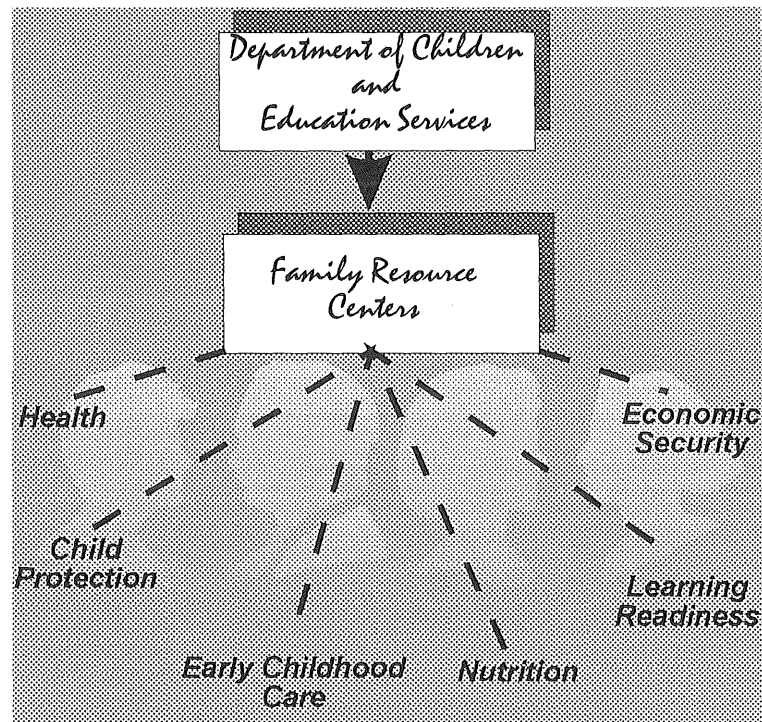
Higher Education Board. The mission of the existing Higher Education Board will be reinforced. The HEB will continue to be responsible for the overall coordination and consolidation of the separate higher education systems in our state.

*New outcome standards
will ensure that all
children master
basic academic skills*

Supporting families in their communities

The disjointed state and local service delivery system for young children will be completely redesigned to support families in their communities, the appropriate place for nurturing and growth to occur.

Community Family Resource Centers will offer a single place in each community for families with young children to meet with family resource advocates, learn about children's programs, obtain child care and health care services. Technical and grant assistance will be provided to the locally governed centers to insure that state and local government agencies respond to family needs in collaborative and integrated ways with streamlined processing, single applications and on-site case management.



Families will be supported in their communities at one-stop Community Family Resource Centers

Integrated service funding. Funding resources will be consolidated into block grants to increase local flexibility so that providers can respond to family needs before problems have developed into crises.

Funding for successful and innovative children's programs will be increased

Increased funding for children. Current funding levels will be maintained for *all* children's programs, with reductions made in other programs to balance the budget. *Increased* funding will be provided for successful and innovative programs such as:

Childhood nutrition to ensure that *every* child in the state desiring or in need of breakfast will be able to have a school breakfast.

Child support enforcement strategies to make Minnesota's laws and programs the toughest in the nation.

Homeless families with children to keep families in their homes, and to move families into transitional or permanent housing.

Minnesota Family Investment Program (MFIP) and STRIDE work experience for families receiving public assistance to encourage greater self-sufficiency.

Subsidized Adoption to help ensure that children with special needs can live in a permanent family.

Lead abatement strategies to reduce lead poisoning in children throughout the state.

Community-based **Maternal and Child Health** programs to expand family planning efforts and preventative care for children.

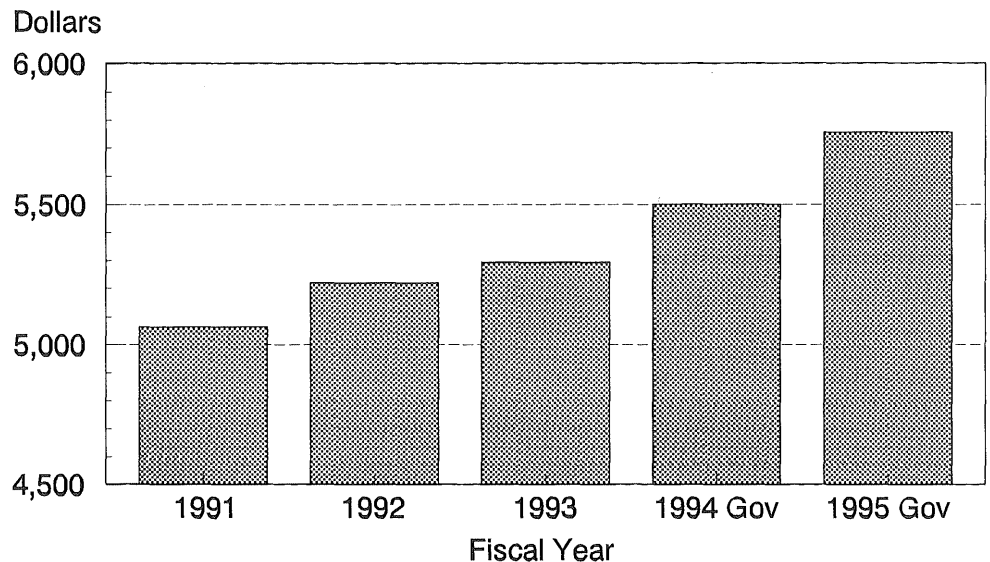
Educating and training our workforce

For a prosperous state, it is not enough to just create more jobs. We must also guarantee that our future workers have the proper education and training to qualify for tomorrow's jobs. Equal access to a quality education is a fundamental right of every Minnesota child. Funding and program reform will be accomplished to guarantee this right. The education governance and funding structures will be reformed so that institutions are more responsive to the needs of their customers - the students.

Funding for education. Total revenues for elementary and secondary education will increase by 6.3 percent in FY 1994 and by 7.0 percent in FY 1995. Revenues per student will increase by 3.9 percent and by 4.7 percent. These funding increases will be provided to pay for an expected 2.2% annual growth in the number of students in Minnesota's school districts. The general education formula will be increased to \$3,100 in 1995, and marginal cost funding will be introduced to more fairly recognize the actual cost of educating new students.

Student growth will be fully funded and marginal cost funding will more fairly recognize the actual cost of new students

Total K-12 Revenues Per Student



Total K-12 revenues will increase by 6.3 percent and 7.0 percent in F.Y. 1994 and F.Y. 1995; per student revenues will increase by 3.9 percent and 4.7 percent and the general education formula will be increased to \$3,100 per student

Equity funding will increase \$104 million

Equitable funding. Funding for elementary and secondary education will be made more equitable to assure that all of our state's children have access to a quality education. Funding for debt service and referendum equalization will be enhanced by \$104 million for the 1994-95 biennium. In addition to new quality initiatives, the special needs of our most vulnerable children and of our deteriorating facilities will be met:

School districts will be able to issue lower cost bonds for facilities and cash flow

Targeted funding will be increased by \$55 million for early childhood and education of the handicapped. In addition, funding will be increased for health and safety capital requirements for school buildings state-wide.

School district financial management assistance. Funding will be provided to help local school districts improve their financial reporting, administration and planning functions.

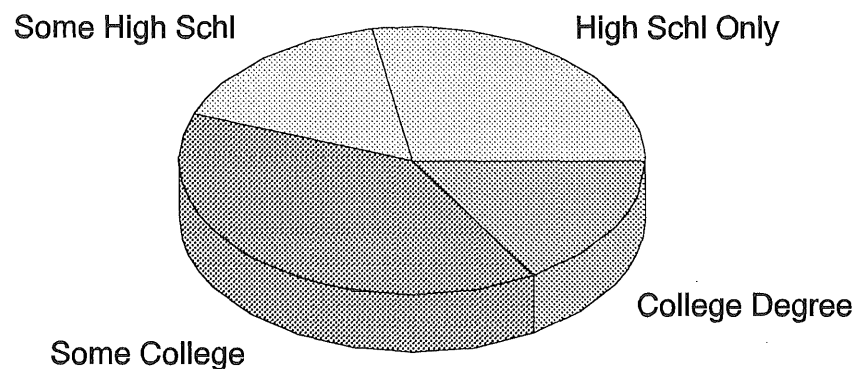
School district facility and cash flow funding. A new credit enhancement program will assist local school districts to issue lower cost bonds for facility upkeep and cash flow needs. Regional facility planning will be required for participation in the program.

Partners for Quality. Efforts of the Minnesota Academic Excellence Foundation (MAEF) to develop public-private partnerships in our state's schools will be expanded statewide to provide greater opportunities and incentives for quality education.

Math/Science initiative. Investments in math and science education will be increased by \$2.7 million to improve teacher training and student performance in these subjects that are so vitally important to our state's future.

Youth apprenticeships. The new Department of Children and Education Services will meet the needs of *all* our young citizens. Although four-year college degrees and post-graduate study are appropriate for many of our citizens, only a small portion of 18 year olds elect to attend 2 or 4 year colleges. We must also ensure that a workforce is available with the technical skills necessary to meet the future needs of our state's employers.

Education Choices of 18-24 Year Olds



A new Youth Apprenticeship program will provide for the "forgotten half" of our young people

Career Preparation Advisory Council. The new Department of Children and Education Services will support a statewide Career Preparation Advisory Council consisting of employers, educators and representatives of organized labor to coordinate locally governed youth apprenticeship programs. The Council will recommend policy apprenticeship areas, curriculum and assessment standards, instructor training and program funding.

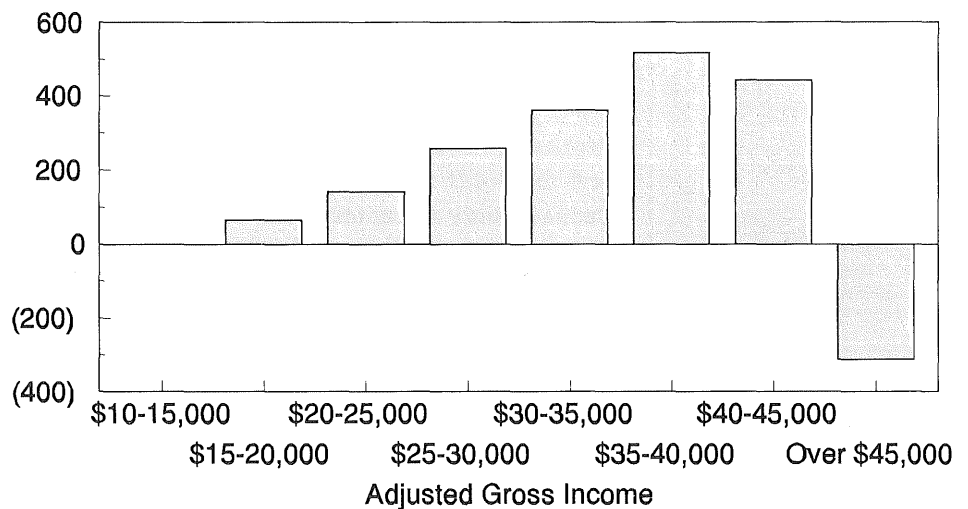
Funding for students, not institutions. The higher education funding system will be restructured to provide more resources directly to students, rather than to institutions. Funding will also be more targeted according to need and type of program. For example, aid programs will emphasize lower income undergraduate students from families with adjusted annual gross income of less than \$45,000, rather than graduate students in professional programs.

More resources will go directly to students that need assistance, rather than to institutions

Special accounts will help families save for their children's education and training -- the state will contribute \$25 million for low income students

Increased Student Financial Aid

FY 95 Annual Savings



Women's athletic programs will receive additional funding to achieve greater gender equity in our state's colleges and universities.

Children's Education and Training Accounts. Special accounts will be established to encourage families to save for their children's training and education. About \$25 million in state funds will be available to children in low income families to finance their future training. In addition, foundation and business contributions will be solicited to enhance savings for the education and training needs of all children.

Children's budget

Minnesota will invest \$6.7 billion in services that primarily benefit children in 1994-95. The new Department of Children and Education Services will manage \$5.7 billion in state funding. The Department will also provide policy leadership and coordination for several activities, whose direct management will remain in other state agencies. As planning for the reconfigured childrens services system proceeds, services will be examined to determine the most effective future organizational assignment.

The \$6.7 billion children's budget will be managed by the new Department of Children and Education Services

Children's Budget		
Department of Children and Education Services		
Children Services Division		
Early Childhood Care and Education	\$41.5	
Learning Readiness	23.8	
Health Screening	3.3	
Child Abuse Prevention	.9	
Community Development	15.2	
Subtotal Children Services Division	\$84.7	
Basic Service Division	5,296.7	
Career Preparation Division	5.3	
Higher Education Division	337.4	
Subtotal Department of Children		\$5,724.1
Programs Coordinated by Department		
Maternal and Child Health	\$23.4	
Nutrition (WIC)	1.7	
Lead Screening and Abatement	.7	
Early Childhood Screening (EPSDT)	3.9	
Subtotal Programs		\$29.7
Other Children's Programs		
Health Programs	\$508.3	
Child Protection & Family Preservation	28.2	
Economic Security	361.6	
Early Childhood Care	46.2	
Juvenile Corrections	37.0	
Subtotal Other Programs		\$981.3
Total Children's Budget		\$6,735.1

Preserving Our Quality of Life

*Minnesota's high quality
of life will be preserved*

Minnesotans have long treasured our high quality of life. A major commitment is made to preserve this heritage by protecting both our citizens and our natural environment.

Minnesota Milestones goals

In addition to their belief in a caring and secure community, Minnesotans share a common vision that we will protect and enjoy the natural world. In the Minnesota Milestones meetings, the public identified the following Milestones goals as crucial for the protection of our state's social community and physical environment:

Our communities will be safe, friendly and caring.

People with disabilities will have the opportunity to participate in society.

People who need help providing for themselves will receive the help they need.

We will welcome, respect and value people of all cultures, races and ethnic backgrounds.

Minnesotans will act to protect and enhance their environment.

We will improve the quality of air, water and earth.

Minnesota's environment will support a rich diversity of plant and animal life.

Minnesotans will have opportunities to enjoy the state's natural resources.

To achieve these goals the 1994-95 Budget uses three basic strategies:

Protecting our citizens

Stewardship of our natural resources

Serving our vulnerable citizens

*Our citizens and our
physical environment
will be protected*

Violent crimes against women will not be tolerated

Assistance to victims will be increased by 50 percent

Protecting our citizens

Our local police cars proudly carry the message: "to serve and to protect." In cooperation with local officials, the state will continue to lead the effort to eliminate crime and violence in our society.

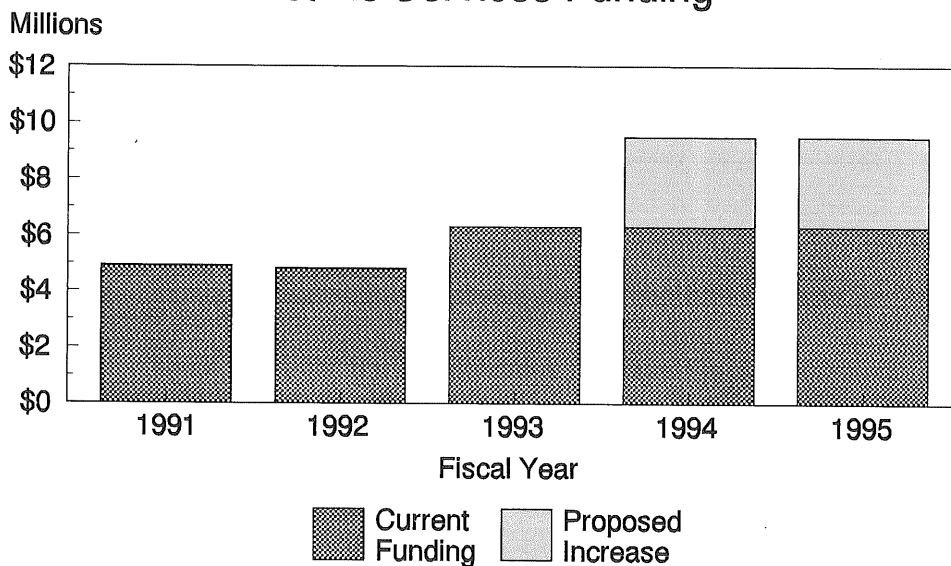
Crime and violence against women. Violent crimes against women will not be tolerated. Strong anti-stalking legislation will be introduced to halt dangerous persons *before* there is violence, and a number of other steps will be taken, such as:

A new **computer tracking system** will be developed to keep tabs on previously identified dangerous individuals.

Access to **drivers license records** will be limited to reduce stalking opportunities.

Assistance to victims. Funding will be increased by about 50 percent for victims assistance programs and to support safe havens for women and children refugees from domestic violence. Successful programs will be expanded in underserved parts of the state for battered women, domestic abuse intervention, sexual assault and abused children.

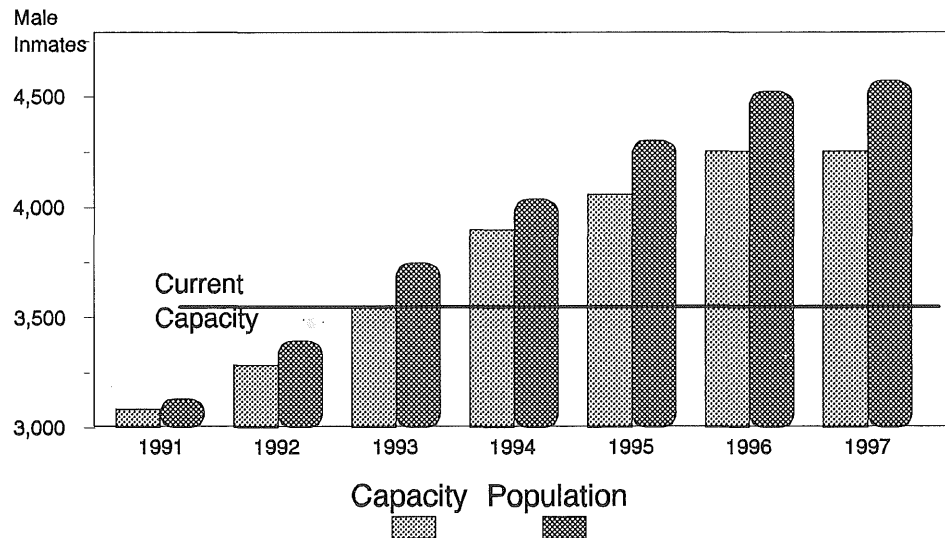
Victims Services Funding



*Exploding prison needs
will be managed with
creative interagency
cooperation and investments
in less costly alternatives to
incarceration*

Interagency corrections partnerships. Minnesota's model corrections system is experiencing significant cost pressures. Creative interagency partnerships will be used to manage growing prison populations. For example, conversion of unneeded units at the Faribault and Moose Lake Regional Treatment Centers into medium security prisons will provide much needed prison space at a fraction of the cost of new construction.

Prison Population Versus Capacity



Incarceration alternatives. Our burgeoning prison population will also be managed through greater investments in less costly local and state alternatives to traditional incarceration. For example, prisoners sentenced to terms of less than one year will remain in more cost efficient local jails and programs rather than the state prisons. Local CCA funding will be substantially increased to support local jails, encourage more crime prevention, diversion, intensive supervision, work release and sentencing to service programs.

Sentencing Guidelines Commission. Funding will be provided to the Sentencing Guidelines Commission to allow better planning and coordination among the judicial and legislative branches.

Gambling control. Funding will be provided to study the impact of the gambling industry that is expanding throughout our state, and to help identify possible additional regulatory requirements.

*We will be good stewards
of our environment and
natural resources*

Stewardship of our natural resources

Stewardship - the proper management of our resources. We must serve as good stewards of our environment and natural resources by ensuring that development takes place in a responsible and renewable way.

Governor Carlson's Environmental Initiative. Minnesota is a national leader in establishing programs that protect our environment. We have devoted hundreds of millions of dollars to programs that control water pollution, protect the quality of our air, and preserve our natural resources. We have enacted landmark environmental legislation, such as the Groundwater Protection Act and the Wetlands Protection Act.

This budget continues these efforts and builds upon our past commitment with significant new proposals. The Governor's Environmental Initiative includes over \$116 million in new resources for this effort from a variety of funding sources:

*A \$116 million
environmental package is
proposed to build on our
past commitments*

Project	General Fund	Other Funds	LCMR	Bonding	Total
Point Source Pollution				\$20.4	\$20.4
Non-Point Source Pollution	\$5.0		\$5.8		10.7
State Superfund		\$6.0			6.0
Local Landfills		19.0			19.0
Air Quality		2.6			2.6
Subtotal Environ Clean Up	\$5.0	\$27.6	\$5.8	\$20.4	\$58.7
Sustainable Development	4.0	0.8			4.8
Reinvest in Minnesota	.9		11.0		11.9
Block Grant/Wetlands Imp	4.0				4.0
Subtotal Natural Resources	\$8.9	\$0.8	\$11.0		\$20.8
State Parks & Trails	1.9		10.0		11.9
Metro Regional Parks & Trails			5.0		5.0
Minnesota Zoo				19.9	19.9
Subtotal Recreational	\$1.9		\$15.0	\$19.9	\$36.8
Total Initiatives	\$15.8	\$28.4	\$31.8	\$40.3	\$116.3

A major reorganization of environmental agencies is planned to improve services

Environmental agency reorganization. During the past year, the Commission on Reform and Efficiency (CORE) has studied how environmental policies and programs are administered in Minnesota, and has found that the current system is fragmented, uses processes that are unresponsive to citizen needs, is overly prescriptive, and has conflict resolution processes that are time consuming and costly. CORE has issued preliminary recommendations for a reorganization of the state's environmental agencies to remedy these deficiencies. Final recommendations will be released in late January.

Governor Carlson is encouraged by these preliminary recommendations, and will closely review the final report as a basis for the introduction of legislation to restructure the system to more effectively serve our citizens.

Environmental clean-up. A major effort will be undertaken to protect and clean-up Minnesota's environment, including our land, water and air. Successful efforts to combat air and water pollution will continue, and new initiatives will be made to tackle our remaining, more intractable, pollution problems.

A coordinated effort will address non-point source water pollution

Point source water pollution. We have made measurable progress in our efforts to clean up the main sources of water pollution. Funding is provided for the ninth year of a ten-year program to separate metropolitan area sanitary and storm sewers, and to match federal funding for the wastewater treatment program.

Non-point source water pollution. Governor Carlson has established a ten-year goal to clean-up our namesake - the Minnesota River. A coordinated effort among PCA, BSWR and Agriculture will be undertaken to control pollution associated with agricultural run-off. Although the focus will be in the Minnesota River Basin, statewide benefits will be realized. The solution to the non-point challenge is much more complicated than the construction of pollution control facilities, since it will involve changes in behavior and business practices by our state's farmers, businesses and households.

The Superfund will be recapitalized and the state will assume responsibility for local landfill clean-up

State Superfund. Despite an extensive backlog, Minnesota's superfund is broke. The remaining sites to be addressed are the most difficult cases, because no single responsible party can be identified, and liability is unclear. These sites will be cleaned up through increased funding from broader fees on waste generators.

Local landfills. Local landfill problems and other Superfund site problems will be separated so that progress better can be made on both fronts. The state will assume responsibility for local clean-up of closed landfills, in exchange for existing dedicated resources from local solid waste surcharges on landfills and expansion of the fees to incinerators. Funding sources will be consolidated and a new Landfill Account will be established in the Environmental Fund.

Solid waste recycling. County SCORE block grants for recycling will be fully protected, and recycling by state agencies will be greatly enhanced through the operation of a new state recycling center.

Air quality. Funding will be provided to ensure that the provisions of the federal Clean Air Act are implemented on schedule.

Sustainable development will be promoted to foster economic growth compatible with environmental protection

RIM and wetlands preservation commitments will be expanded, and local funding will be more flexible

Parks and trails services will be protected

Environmental preservation. A commitment to the preservation and proper management of our state's natural resources is also made in the 1994-95 Budget.

Sustainable development. Environmental, natural resources and agriculture programs will be managed to promote sustainable development that fosters economic growth compatible with environmental protection. For example,

A new **Focus on Forests** initiative will provide for sustainable timber harvesting by ensuring an appropriate balance between a strong economy, healthy and diverse forests, and wildfire protection.

Market management incentives will protect land no longer covered by expiring federal **Conservation Reserve Program** contracts.

Reinvest in Minnesota. Administration of the RIM program will be fully protected from budget cuts. Additional funding for RIM to protect wildlife habitat and to increase participation in the conservation reserve easement program will be provided.

Wetlands implementation. Important measures to protect our remaining wetlands were adopted in 1991. Implementation of these commitments will be insured by matching grants to local governments for administration of the Wetlands Act.

Environmental block grants. Multiple environmental grants now provided to local agencies for wetlands preservation, shoreland management and water planning will be consolidated for administrative savings, better accountability and improved outcomes.

Enhancing recreational opportunities. Despite budget pressures, recreational opportunities will be protected and improved. Public access to our extensive natural resources is an important facet of our quality of life.

Parks and trails. A combination of partial exemption from budget reduction targets and agency cost control measures will prevent a deterioration in services to our citizens who use the state park and trail systems. In addition, funding will be increased for acquisition, development and maintenance.

Metropolitan area parks and trails. Funding will be provided to assist local governments to operate their park and trail facilities. Distribution of these funds should be coordinated by the Metropolitan Council, in accordance with its strategic plan and allocation process.

Minnesota Zoo. The Minnesota Zoo has made impressive progress in its evolution toward the enterprise funding of its operations. Receipts generated from admissions and sales will enable the Zoo to preserve and improve services to the public, with no increase in state support. An important part of this effort is a new Marine Education Center that will be financed by state bonds. The debt service payments on the bonds as well as future operating costs will be paid from increased receipts generated by the Center.

Serving our vulnerable citizens

The quality of life for our state's vulnerable citizens will be enhanced through numerous reform efforts designed to improve their choices and to hold providers accountable to their clients.

Service choices for the disabled. A new IMPACT program will improve access to services for Minnesota's residents with developmental disabilities by allowing them greater choices in services. Multiple, overlapping funding sources will be consolidated to allow local providers greater flexibility in meeting the needs of their clients. Administrative regulations and process-oriented management will be replaced by outcome-based quality assurance, with incentives for the selection of cost-effective services.

*Client-oriented restructuring
will improve choices and
outcomes for Minnesota's
developmentally disabled
citizens*

Impact Program

State:

**Combine 7 Entitlements
Merge 12 Service Options
Establish Outcome Standards
Guarantee Client Outcomes**

Local:

**Single Intake Assessment
Seamless Service Delivery
Discretion for State Funds**

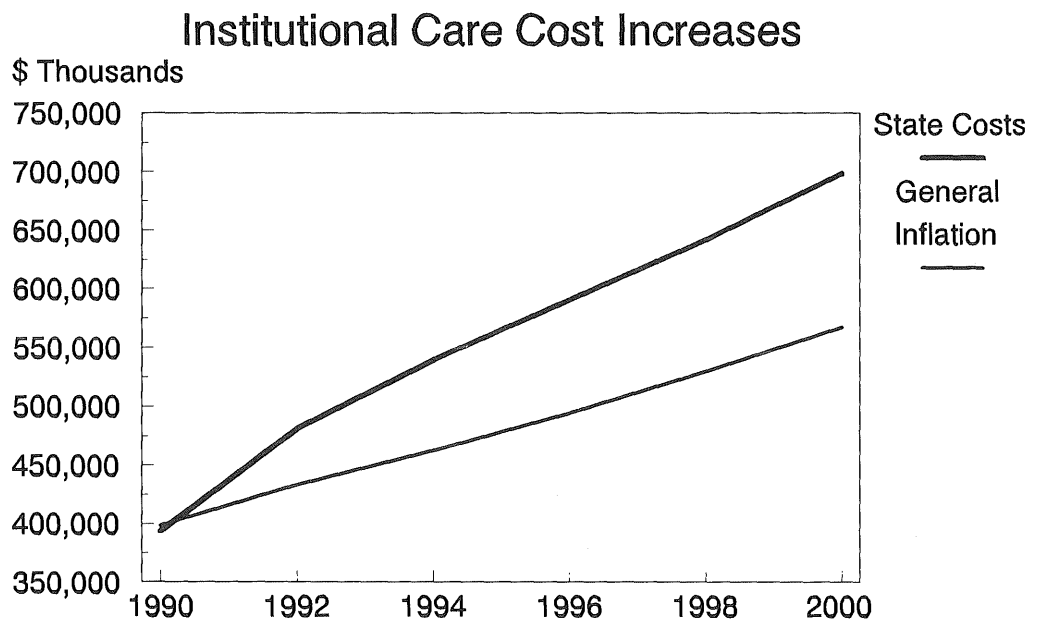
Service Provider:

**Provide Social and Health Care
Services
Document Outcomes
Recommend Care Plan Changes**

Funding flexibility. Increased funding flexibility and waivers in federal guidelines will be used to encourage greater independence of our state's vulnerable citizens. For example, General Assistance (GA) and Minnesota Supplemental Aid (MSA) funds will first be transferred into Group Residential Housing (GRH) accounts, and then into State Mental Health Grants to provide counties with more flexibility to meet client needs.

Better long-term care at lower cost. Our state's long-term care system is broken, and major reform is necessary to both improve service and control costs. Our fundamental problems are best illustrated by three graphs. State costs of funding institutional care continues to outstrip inflation. Without a state commitment to modify the current system, the gap will continue to widen.

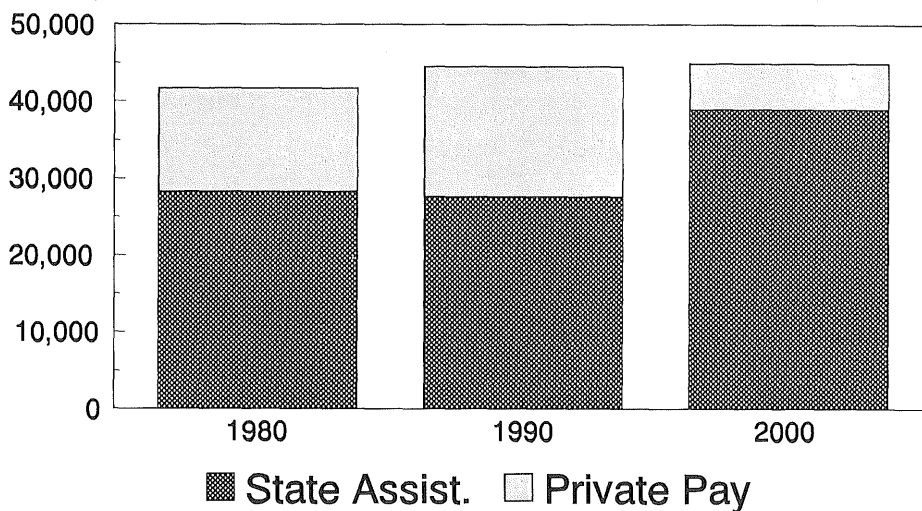
Unless we make a commitment to change, institutional care costs will continue out of control, and...



...Minnesota taxpayers will soon support 87% of all nursing home residents

For a number of years, the state's share of nursing home beds was relatively constant. We are now beginning to see a surge in the number of beds paid for with state funds. This puts additional costs pressures on the state's health care programs.

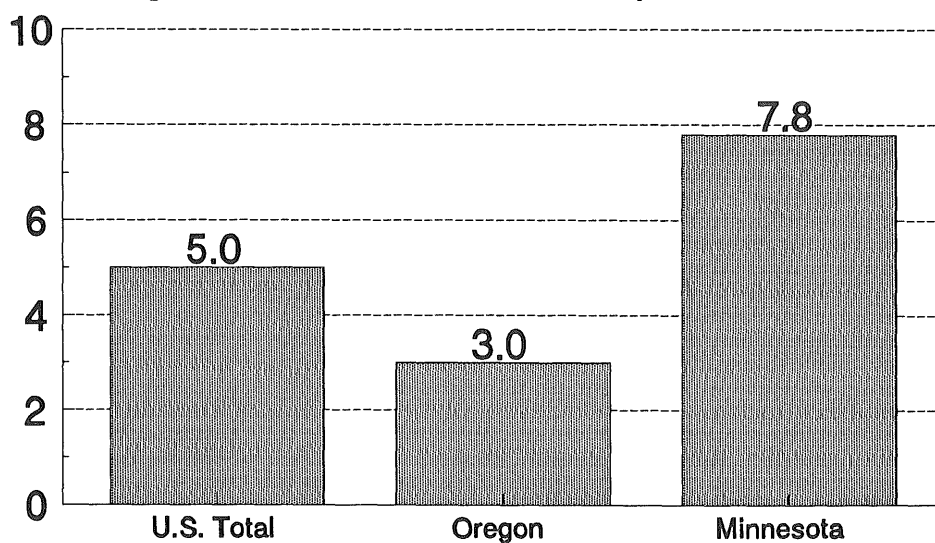
Who Pays for Nursing Home Care in Minnesota



Finally, it is important to recognize that Minnesota has an institutional bed supply that is among the highest in the nation. Institutional care is the most expensive method of providing long-term care and consumes much of our health care resources. In 1990, Minnesota had far more beds per capita than the country as a whole, and by 1993, this ratio had increased to 8.3 beds per 1,000.

Minnesota has more nursing home beds per capita than any other state

Nursing Home Beds Per 1,000 Population, 1990



Major reform will both control costs and improve services by allowing more citizens to stay in their own homes and communities

The most expensive treatment options, which do not always result in the best service for our clients, will no longer be emphasized. Long-term care for our elderly and disabled residents should be encouraged to take place *in their own homes and communities*, rather than in less desirable and more costly institutions. To control costs,

Education programs to encourage informed choices will help reduce or delay institutional care.

Pre-admission screening teams will be authorized to disallow placements, and screening criteria will be redesigned to slow the growth in long-term institutional care needs.

Institutional beds will be reserved for people with the greatest care needs. **Delivery systems will be consolidated** by restructuring contracts based on bidding and performance.

Asset preservation laws will be changed to more fairly recognize the capacity of families to support their own older family members.

Costs will be capped through the development of lower cost community options.

Serving Our Customers Better

A commitment to quality and excellence will be made to deliver to Minnesotans what they expect from their state government: more accessible services, a government that works better and a system that is customer-driven, rather than responsive only to providers, workers and special interest groups.

Minnesota Milestones goals

Minnesotans share the common vision that our government will be responsive, effective and close to the people. Through Minnesota Milestones, our citizens have identified this goal as a key priority for improving state and local government:

Government in Minnesota will be cost-efficient and services will be designed to meet the needs of the people who use them.

The 1994-95 Budget addresses this complementary goals of cost-effective customer service through three general strategies:

Making services more accessible

Making government work better

Helping government work together

*Minnesotans expect
accessible, cost-effective,
customer-driven service
from their government*

Reforms will bring services to our customers, rather than requiring them to come to us

Technology will both save costs and improve access to services

Business management principles will be applied to make more services self-sustaining

Making services more accessible

State government will be made more accessible and user-friendly to its customers.

Customer Service Centers. Mobile offices will visit communities to bring services to our customers, rather than always requiring citizens to come to us in St Paul. In addition, state agencies will be co-located in communities so that customers can visit several offices at the same time.

Information kiosks will be located throughout the state to provide information on services, taxes, regulations and other state functions.

Decentralization. State offices will be decentralized to improve service to our customers in Greater Minnesota. For example, PCA will regionalize many of its functions.

Citizen ombudsmen will be better coordinated to improve their availability and effectiveness for their clients.

Transportation access. Funding for transit services in the metro area and Greater Minnesota will be exempt from any cuts in order to protect transit-dependent citizens and to maintain recent gains in bus ridership.

Technology investments will be made to improve access. For example,

Imaging and automated teller machines will speed **driver registration services**.

Public assistance clients will receive benefits electronically to provide safer access at a lower cost, help eliminate client and retailer fraud, reduce local neighborhood traffic and simplify business processing.

Access to **higher education** will be improved through new investments in telecommunications technologies.

Making government work better

Numerous improvements will be made to improve the efficiency, productivity and effectiveness of state government.

Competition will be fostered to challenge government providers, and more programs will be self-sustaining. For example,

Public Service and Health Department testing labs will be updated and required to cover their own costs by soliciting business.

The **Minnesota Historical Society and Minnesota Zoo** will make service investments and initiate comprehensive marketing programs for business development.

The **Itasca State Park Douglas Lodge Complex** will operate as a self-supporting enterprise.

The **Sauk Centre juvenile correctional facility** will be converted to a fee-for-service operation so that counties and school districts will purchase services based on the efficiency and effectiveness of the center's operation.

The **Department of Administration** recently completed a strategic plan that has resulted in a realignment of general fund supported services. Self-supporting enterprise activities were created and internal service fund rate structures were revised to be more competitive.

Reorganization and consolidation. Agencies will be reorganized and consolidated to provide better services at lower cost. For example,

Minnesota's **environmental agencies** will be reorganized to more closely focus policy making, consolidate fragmented programs, eliminate program overlap, and ensure more responsive service to citizens and businesses.

The **Department of Natural Resources** will realign its organizational structure to reduce costs and increase responsiveness by eliminating a layer of management control and delegating more decisionmaking authority to field offices.

The **Department of Natural Resources** will also preserve service levels in state parks by reducing costs through the implementation of a work experience and training program for under and unemployed residents, who will perform seasonal park operations tasks.

Minnesota's twelve **health boards** will jointly support a coordinated businesses services unit.

The **Department of Employee Relations** will decentralize hiring decisions, improve management training services and streamline the state's personnel classification system to better meet agency needs.

State patrol communications centers will be consolidated, providing the same level of service with advanced technology.

Technology investments. Investments will be made in technology to increase productivity and improve management information. For example,

The **Statewide Systems Project** is being jointly sponsored by the Departments of Finance, Employee Relations and Administration to update and redesign the state's comprehensive computerized accounting, payroll, personnel and purchasing systems. The comprehensive multi-year project involves every state agency and is intended to streamline financial processing and improve management control. The new systems promise major efficiencies and afford the opportunity for re-engineering key business processes.

Better services will be provided at a lower cost through reorganization

Technology investments will improve performance and productivity

Minnesota's **accounts receivable process** will be redesigned to improve collections of overdue accounts.

The **Department of Labor and Industry** will implement a fully integrated electronic information system to improve customer service.

Helping government work together

In recognition of our shared responsibilities for the funding and provision of public services, the current state-local adversarial relationship will be transformed into a true intergovernmental partnership.

Forum for issue resolution. The Minnesota Advisory Commission on Intergovernmental Relations (ACIR) will be reoriented to allow the state, cities, counties and towns to resolve issues in a non-legislative setting, to facilitate communication among multiple agencies, and to allow independent monitoring of local fiscal conditions.

Elimination and conversion of unfunded mandates. Local mandates not funded by the state will be reviewed, with the objective of eliminating or converting the regulations into more flexible outcome standards that allow local agencies considerable discretion over the strategies used to meet the intended objectives. In the future, **permissive codes** will be adopted that only mandate specific actions the state should directly control and fund. All other activities will remain the discretion of local agencies, and will be governed by prudent business practices, rather than restrictive mandates that require state waivers.

Local funding flexibility. Greater flexibility will be provided to local agencies through more general funding structures. For example, state environmental and human services grants to local agencies will be consolidated to provide greater local flexibility, save administrative costs and provide better accountability through outcome-based performance measures.

Local service cooperation. Funding will be provided to the Metropolitan Council and the Advisory Commission on Intergovernmental Relations (ACIR) to encourage greater consolidation and cooperation among local service providers. Cities, counties, towns and school districts will be encouraged to cooperate in their service delivery through expanded use of existing regional service organizations (ECSU's). Available services include health and safety programs, grant writing, equipment repair, professional development, cooperative purchasing, management information systems, risk management pools and long distance communications.

Unfunded local mandates will be eliminated or converted to flexible outcome standards and permissive codes

Local service cooperation will be fostered

FINANCIAL SUMMARIES

The following section provides additional detail on the historical and recommended level of revenue and spending for the 1994-95 Budget. The graphics and tables are presented to provide commonly requested information and additional financial data.

Graphic	Total 1994-95 Operating Budget	A-1
Graphic	Where the General Fund Dollars Come From	A-2
Graphic	Where the General Fund Dollars Go	A-3
Graphic	General Fund Spending by Object Classification	A-4

Other tables present the current biennium and proposed General Fund budget for 1992-93 displayed by functional spending category.

Summary	Recommendations by Year	A-5
Summary	Increase Over Current Spending Level	A-6
Summary	Annual Percent Change	A-7
Summary	November 1992 Forecast - Proposed 1994-95 Budget	A-8
Summary	1996-97 Planning Estimates	A-9, 10
Summary	1993-95 Cash Flow Estimates	A-11

A listing of the Governor's 1994-95 Initiatives highlights major budget changes beginning on page A-12.

The Operating Funds statement details recommended spending by agency in omnibus bill format for General, Other State Funds, and Federal Funds beginning on page A-18.

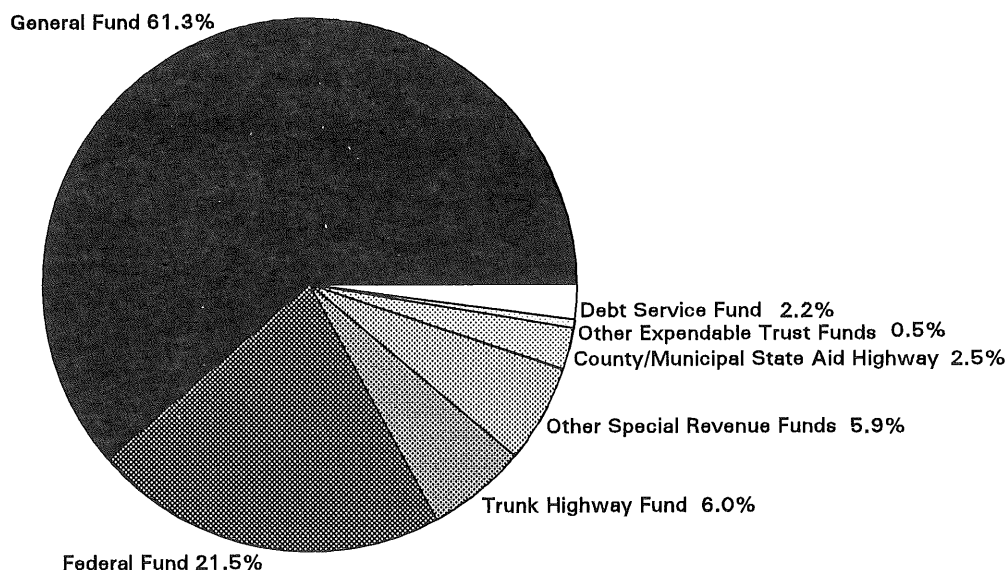
Complete information on individual program recommendations can be found in companion **Detailed Budget** volumes prepared for each omnibus appropriations bill.

Additional information on the economic and revenue forecast can be found in the **November Forecast Report**. An update to the economic forecast and planning estimates for 1996-97 will be released in March, 1993.

Total 1994-95 Operating Budget

All Operating Funds

1994-95 Biennium
\$25,158 Million Spending



	<u>1992-93 Biennium</u>	<u>1994-95 Budget</u>
<u>Actual and Estimated Uses</u>		
General Fund	\$14,059	\$15,431
Special Revenue Funds:		
Federal Fund	4,745	5,406
Trunk Highway Fund	1,616	1,519
All Other Special Revenue Funds	1,279	1,492
Expendable Trust Funds:		
County/Municipal State Aid Highway	613	639
All Other Expendable Trust Funds	136	124
Debt Service Fund	743	547
Total Expenditures	<u><u>\$23,191</u></u>	<u><u>\$25,158</u></u>

(\$ in Millions)

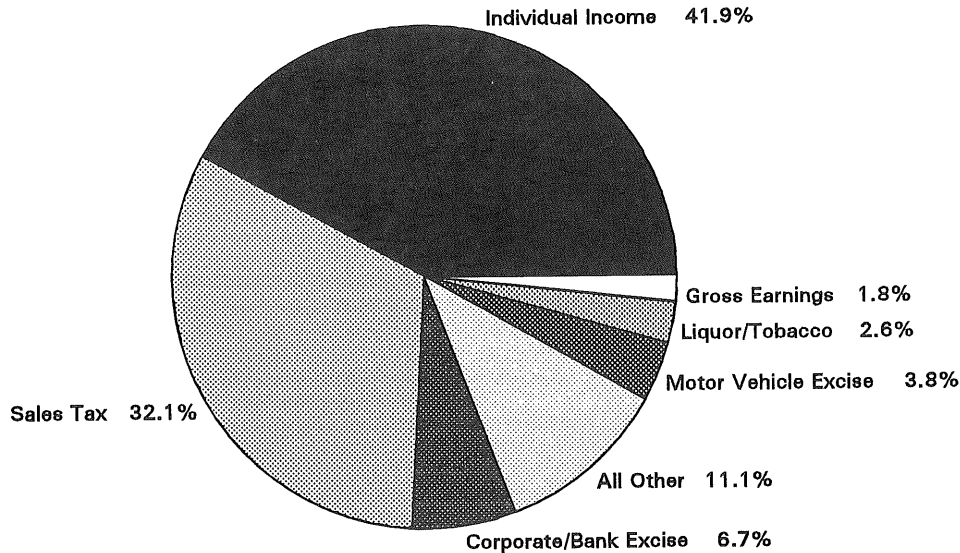
Where the General Fund Dollars Come From

Governor's Recommendation

(\$ in Millions)

1994-95 Biennium

\$16,247 Million



Balance Forward 6-30-93	\$440
Non-Dedicated Revenues:	
Individual Income Tax	6,805
Sales Tax	5,213
Corporate/Bank Excise Tax	1,087
Motor Vehicle Excise Tax	622
Gross Earnings Taxes	286
Liquor, Wine, Beer Taxes	105
Cigarette & Tobacco Taxes	325
Other Tax Revenues	430
All Other Revenues	778
Subtotal Non-Dedicated Revenues	15,651
Dedicated Revenues	80
Transfers From Other Funds	35
Prior Year Adjustments	41
SUBTOTAL CURRENT RESOURCES	15,807
TOTAL AVAILABLE RESOURCES, F.Y. 1994-95	\$16,247
Less: Estimated Expenditures	(16,006)
Less: Budget Reserve & Cash Flow Account	(240)
Projected General Fund Balance 6-30-95	
January, 1993 Governor's Recommendation	\$1

Where the General Fund Dollars Go

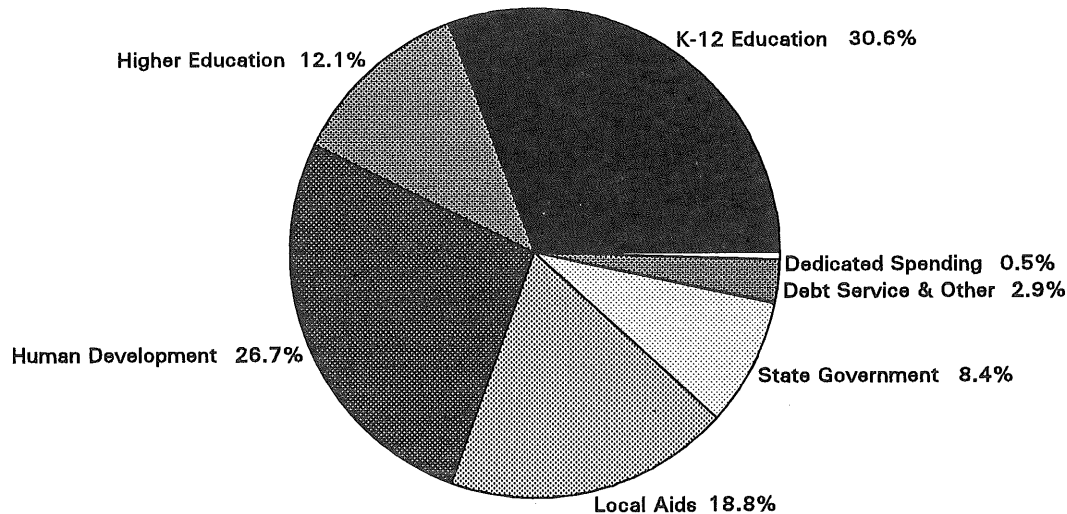
Governor's Recommendation

(\$ in Millions)

1994-95 Biennium

\$16,006 Million Spending

\$240 Cash Flow Account



TOTAL AVAILABLE RESOURCES, F.Y. 1994-95

\$16,247

Major Spending Items:

K-12 Education	\$4,905
Higher Education	1,933
Human Development	4,271
Local Aids	3,012
State Government	1,341
Debt Service & Other	464

Subtotal-Major Spending Items

\$15,926

Dedicated Expenditures

80

TOTAL ESTIMATED EXPENDITURES, F.Y. 1994-95

\$16,006

Budget Reserve & Cash Flow Account

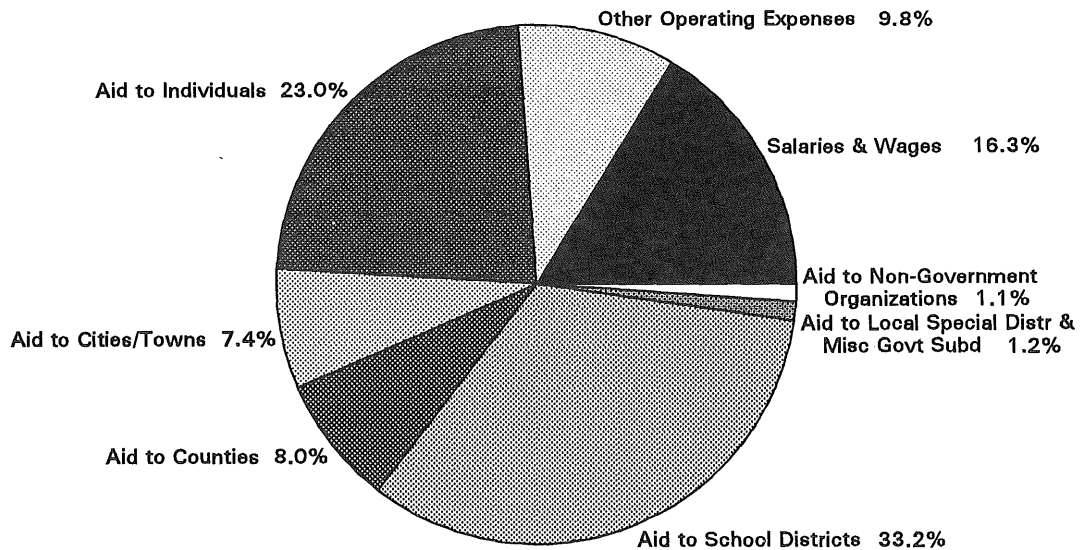
240

Projected General Fund Balance 6-30-95

January, 1993 Governor's Recommendation

\$1

General Fund Spending By Object Classification 1994-95 Biennium



	1994-95 Budget
Salaries & Wages	\$2,591
Other Operating Expenses	1,564
Aid to Individuals	3,663
Aid to Cities & Towns	1,183
Aid to Counties	1,278
Aid to School Districts	5,282
Aid to Local Special Districts	159
Aid to Misc Government Subdivisions	32
Aid to Non-Government Organizations	175
	<hr/>
Total Spending	\$15,926
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Governor's Proposed Budget
F.Y. 1994-95 General Fund and Local Government Trust Fund
Recommendations by Year

	Gov's Rec F.Y. 1994	Gov's Rec F.Y. 1995	Biennial Total
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	439,831	363,081	439,831
Current Resources:			
Tax Revenues	7,319,555	7,582,723	14,902,278
Non-Tax Revenues *	389,329	363,153	752,482
Dedicated Revenue *	40,485	39,360	79,845
Transfers In & Prior Year Adj	37,599	38,351	75,950
New Legislation Revenues:			
Capital Sales Credit	(8,400)	(10,800)	(19,200)
Other Revenue	(2,300)	18,154	15,854
Subtotal-Current Resources	7,776,268	8,030,941	15,807,209
Total Resources Available	8,216,099	8,394,022	16,247,040
<u>Actual & Estimated Spending</u>			
K-12 Education	2,358,009	2,547,399	4,905,408
Higher Education	960,236	972,426	1,932,662
Human Development			
Health Care	1,233,080	1,297,938	2,531,018
Family Support	178,067	168,836	346,903
Institutions	391,476	382,430	773,906
Local Assistance	279,591	339,796	619,387
Total Human Development	2,082,214	2,189,000	4,271,214
Local Aids			
Aids & Credits	1,360,780	1,403,295	2,764,075
Other Local Assistance	125,352	122,310	247,662
Total Local Aids	1,486,132	1,525,605	3,011,737
State Government			
Agency Operations	461,492	441,980	903,472
Aid to Non-Govt Org	32,684	26,433	59,117
Leg, Judicial, Const Officers	189,392	189,460	378,852
Total State Government	683,568	657,873	1,341,441
Debt Service & Other	242,374	221,800	464,174
Dedicated Expenditures	40,485	39,360	79,845
Total Expenditures	7,853,018	8,153,463	16,006,481
Balance Before Reserves	363,081	240,559	240,559
Budget Reserve	0	0	0
Cash Flow Account	240,000	240,000	240,000
<u>Budgetary Balance</u>	123,081	559	559

* Budget recommendations include converting Human Services hospital collections from dedicated to non-dedicated revenues. Fiscal 1994-95 revenues and spending have been restated to reflect this change.

Governor's Proposed Budget
F.Y. 1994-95 General Fund and Local Government Trust Fund
Increase Over Current Spending Level

	Current Spending	1994-95 Gov's Rec	\$ Diff	% Change
<u>Actual & Estimated Spending</u>				
K-12 Education	4,259,085	4,905,408	646,323	15.2%
Higher Education	1,915,239	1,932,662	17,423	0.9%
Human Development				
Health Care	2,203,094	2,531,018	327,924	14.9%
Family Support	372,194	346,903	(25,291)	-6.8%
Institutions	771,617	773,906	2,289	0.3%
Local Assistance	539,694	619,387	79,693	14.8%
Total Human Development	3,886,599	4,271,214	384,615	9.9%
Local Aids				
Aids & Credits	2,566,198	2,764,075	197,877	7.7%
Other Local Assistance	242,034	247,662	5,628	2.3%
Total Local Aids	2,808,232	3,011,737	203,505	7.2%
State Government				
Agency Operations	891,386	903,472	12,086	1.4%
Aid to Non-Govt Org	23,736	59,117	35,381	149.1%
Leg, Judicial, Const Officers	392,224	378,852	(13,372)	-3.4%
Total State Government	1,307,346	1,341,441	34,095	2.6%
Debt Service & Other	420,312	464,174	43,862	10.4%
Dedicated Expenditures	78,800	79,845	1,045	1.3%
Total Expenditures	14,675,613	16,006,481	1,330,868	9.1%

For comparative purposes, "current spending" is used throughout the budget document to highlight F.Y. 1994-95 budget growth over the current budget period. Current spending represents the F.Y. 1993 recommended spending level adjusted for the technical base adjustments. These technical adjustments are required to accurately define current, ongoing program costs and include, for example, the removal of one-time appropriations, appropriation carryforwards, and non-recurring expenditures.

The base adjustments used to increase appropriations above current levels, such as annualizing new program costs, open appropriation adjustments, and income maintenance forecast adjustments, are not included in current spending. However, they were used to define the November forecast baseline planning estimates for F.Y. 1994-95.

Governor's Proposed Budget
F.Y. 1994-95 General Fund and Local Government Trust Fund
Annual Percent Change

	Gov's Rec F.Y. 1993	Gov's Rec F.Y. 1994	Percent Change	Gov's Rec F.Y. 1995	Percent Change
<u>Actual & Estimated Resources</u>					
Balance Forward From Prior Year	448,664	439,831	-2.0%	363,081	-17.4%
Current Resources:					
Tax Revenues	6,961,168	7,319,555	5.1%	7,582,723	3.6%
Non-Tax Revenues *	405,776	389,329	-4.1%	363,153	-6.7%
Dedicated Revenue *	39,400	40,485	2.8%	39,360	-2.8%
Transfers In & Prior Year Adj	50,542	37,599	-25.6%	38,351	2.0%
New Legislation Revenues:					
Capital Sales Credit	0	(8,400)	na	(10,800)	na
Other Revenue	0	(2,300)	na	18,154	na
Subtotal-Current Resources	7,456,886	7,776,268	4.3%	8,030,941	3.3%
Total Resources Available	7,905,550	8,216,099	3.9%	8,394,022	2.2%
<u>Actual & Estimated Spending</u>					
K-12 Education	2,134,384	2,358,009	10.5%	2,547,399	8.0%
Higher Education	1,001,055	960,236	-4.1%	972,426	1.3%
Human Development					
Health Care	1,101,547	1,233,080	11.9%	1,297,938	5.3%
Family Support	186,097	178,067	-4.3%	168,836	-5.2%
Institutions	390,998	391,476	0.1%	382,430	-2.3%
Local Assistance	270,977	279,591	3.2%	339,796	21.5%
Total Human Development	1,949,619	2,082,214	6.8%	2,189,000	5.1%
Local Aids					
Aids & Credits	1,310,224	1,360,780	3.9%	1,403,295	3.1%
Other Local Assistance	119,181	125,352	5.2%	122,310	-2.4%
Total Local Aids	1,429,405	1,486,132	4.0%	1,525,605	2.7%
State Government					
Agency Operations	480,791	461,492	-4.0%	441,980	-4.2%
Aid to Non-Govt Org	11,868	32,684	175.4%	26,433	-19.1%
Leg, Judicial, Const Officers	207,741	189,392	-8.8%	189,460	0.0%
Total State Government	700,400	683,568	-2.4%	657,873	-3.8%
Debt Service & Other	211,456	242,374	14.6%	221,800	-8.5%
Dedicated Expenditures	39,400	40,485	2.8%	39,360	-2.8%
Total Expenditures	7,465,719	7,853,018	5.2%	8,153,463	3.8%
Balance Before Reserves	439,831	363,081		240,559	
Budget Reserve	0	0		0	
Cash Flow Account	240,000	240,000		240,000	
Budgetary Balance	199,831	123,081		559	

* Budget recommendations include converting Human Services hospital collections from dedicated to non-dedicated revenues. Fiscal 1994-95 revenues and spending have been restated to reflect this change.

(\$ in Thousands)

Governor's Proposed Budget
F.Y. 1994-95 General Fund and Local Government Trust Fund
November, 1992 Forecast - Proposed 1994-95 Budget

	Forecast 1994-95	Gov's Rec 1994-95	\$ Diff	% Change
<u>Actual & Estimated Resources</u>				
Balance Forward From Prior Year	457,205	439,831	(17,374)	-3.8%
Current Resources:				
Tax Revenues	14,880,878	14,902,278	21,400	0.1%
Non-Tax Revenues *	801,530	752,482	(49,048)	-6.1%
Dedicated Revenue *	78,800	79,845	1,045	1.3%
Transfers In & Prior Year Adj	75,950	75,950	0	0.0%
New Legislation Revenues:				
Capital Sales Credit	0	(19,200)	(19,200)	na
Other Revenue	0	15,854	15,854	na
Subtotal-Current Resources	15,837,158	15,807,209	(29,949)	-0.2%
Total Resources Available	16,294,363	16,247,040	(47,323)	-0.3%
<u>Actual & Estimated Spending</u>				
K-12 Education	5,266,311	4,905,408	(360,903)	-6.9%
Higher Education	2,038,100	1,932,662	(105,438)	-5.2%
Human Development				
Health Care	2,708,417	2,531,018	(177,399)	-6.5%
Family Support	435,196	346,903	(88,293)	-20.3%
Institutions	848,314	773,906	(74,408)	-8.8%
Local Assistance	549,724	619,387	69,663	12.7%
Total Human Development	4,541,651	4,271,214	(270,437)	-6.0%
Local Aids				
Aids & Credits	2,828,781	2,764,075	(64,706)	-2.3%
Other Local Assistance	262,893	247,662	(15,231)	-5.8%
Total Local Aids	3,091,674	3,011,737	(79,937)	-2.6%
State Government				
Agency Operations	906,362	903,472	(2,890)	-0.3%
Aid to Non-Govt Org	24,997	59,117	34,120	136.5%
Leg, Judicial, Const Officers	417,677	378,852	(38,825)	-9.3%
Total State Government	1,349,036	1,341,441	(7,595)	-0.6%
Debt Service & Other	457,874	464,174	6,300	1.4%
Dedicated Expenditures	78,800	79,845	1,045	1.3%
Total Expenditures	16,823,446	16,006,481	(816,965)	-4.9%
Balance Before Reserves	(529,083)	240,559	769,642	
Budget Reserve	0	0	0	
Cash Flow Account	240,000	240,000	0	
<u>Budgetary Balance</u>	<u>(769,083)</u>	<u>559</u>	<u>769,642</u>	

* Budget recommendations include converting Human Services hospital collections from dedicated to non-dedicated revenues. Fiscal 1994-95 revenues and spending have been restated to reflect this change.

1996-97 Planning Estimates

The Governor's budget proposals for 1994-95 have been developed using a six-year planning horizon consistent with recommendations of the Governor's Commission on Long Term Financial Management Reform. This discipline considers the current biennium, the proposed 1994-95 budget, and the following biennium.

The 1996-97 Budget will be balanced.

The planning estimates for the 1996-97 biennium indicate a \$59 million positive balance based on current law extensions of the Governor's 1994-95 recommendations, and before any actions that might be taken in the next three legislative sessions. The Governor's 1994-95 budget will reverse a predicted 1996-97 gap of about \$600 to \$700 million (based on the November Forecast, and before discretionary inflation) to a positive balance of \$59 million. The planning estimates assume revenue growth based on Data Resources' (DRI) trendlong forecast. Predicted revenue growth of 7.2 percent is considerably less than the 9.1 percent increase of the 1994-95 biennium.

A balanced budget will be achieved in the 1996-97 biennium with the performance budgeting and baseline budgeting processes initiated for the 1994-95 Budget.

The new budgetary processes introduced with this budget will be used to address the potential *discretionary* inflation in the 1996-97 biennium's budget that would add an estimated \$651 million to projected spending. Depending on the use of any positive variance in the March Forecast, and its impact on the 1996-97 biennium, a significant portion of the discretionary inflation could be covered.

	1994-95 Biennium	1996-97 Biennium	% Change
Beginning Balance	\$200	\$1	
Revenues	15,807	16,938	7.2%
Expenditures	16,006	16,879	5.5%
Balance	\$1	\$59	
1996-97 Discretionary Inflation 3.5% Per Year		651	
Balance After Funding Inflation	\$1	(\$592)	
Cash Flow Account	\$240	\$240	

Detailed 1996-97 estimates by program area, including discretionary inflation, are shown on the following page.

Governor's Proposed Budget
F.Y. 1994-95 General Fund and Local Government Trust Fund
1996-97 Planning Estimates

	1992-93 Gov's Rec	1994-95 Gov's Rec	1996-97 Plng Est
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	554,876	439,831	240,559
Current Resources:			
Tax Revenues	13,510,195	14,902,278	16,097,174
Non-Tax Revenues *	832,504	752,482	685,331
Dedicated Revenue *	79,501	79,845	78,720
Transfers In & Prior Year Adj	99,336	75,950	76,702
New Legislation Revenues:			
Capital Sales Credit	0	(19,200)	(23,700)
Other Revenue	0	15,854	23,308
Subtotal-Current Resources	14,521,536	15,807,209	16,937,535
Total Resources Available	15,076,412	16,247,040	17,178,094
<u>Actual & Estimated Spending</u>			
K-12 Education	4,307,336	4,905,408	5,497,420
Higher Education	1,978,989	1,932,662	2,048,148
Human Development			
Health Care	2,078,859	2,531,018	2,909,571
Family Support	377,446	346,903	380,218
Institutions	769,659	773,906	765,282
Local Assistance	520,281	619,387	922,896
Total Human Development	3,746,245	4,271,214	4,977,967
Local Aids			
Aids & Credits	2,545,363	2,764,075	2,871,401
Other Local Assistance	241,989	247,662	244,762
Total Local Aids	2,787,352	3,011,737	3,116,163
State Government			
Agency Operations	921,909	903,472	953,599
Aid to Non-Govt Org	22,477	59,117	52,866
Leg, Judicial, Const Officers	380,864	378,852	398,631
Total State Government	1,325,250	1,341,441	1,405,096
Debt Service & Other	411,908	464,174	406,647
Dedicated Expenditures	79,501	79,845	78,720
Total Expenditures	14,636,581	16,006,481	17,530,161
Balance Before Reserves	439,831	240,559	(352,067)
Budget Réserve	0	0	0
Cash Flow Account	240,000	240,000	240,000
Budgetary Balance	199,831	559	(592,067)

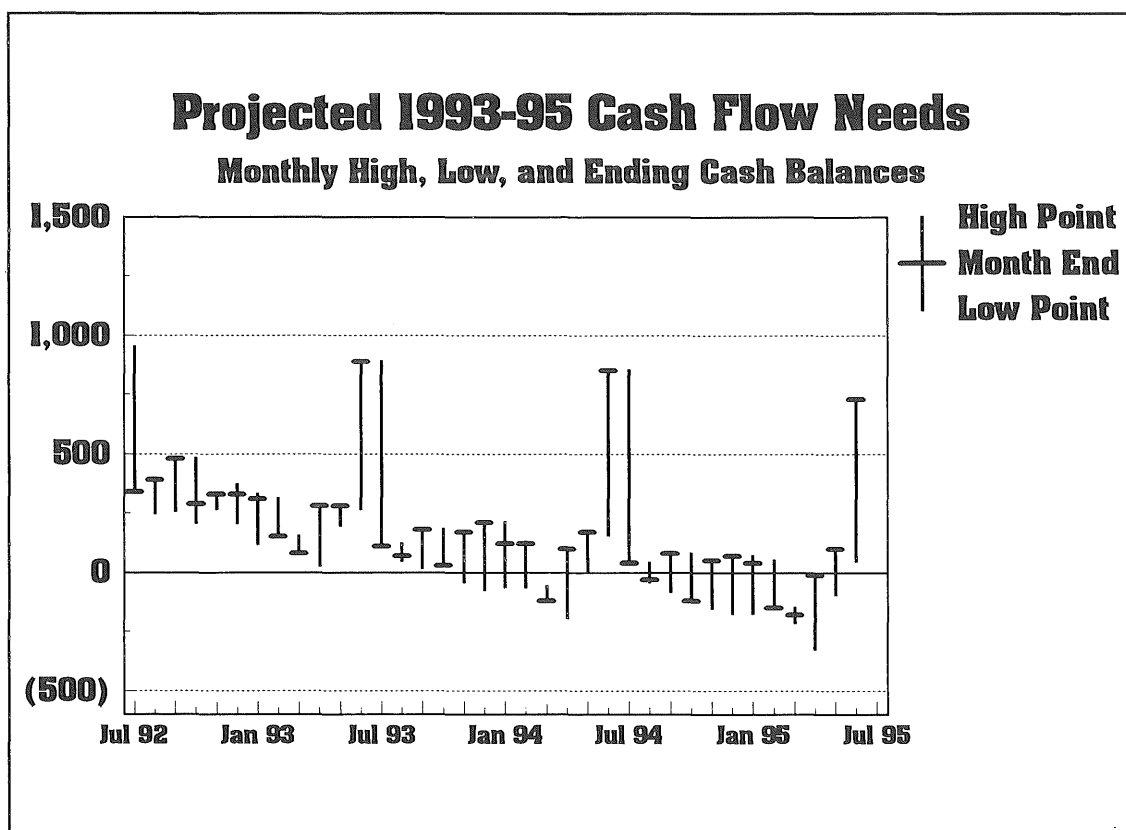
* Budget recommendations include converting Human Services hospital collections from dedicated to non-dedicated revenues. Fiscal 1994-95 revenues and spending have been restated to reflect this change.

1993-1995 Cash Flow Estimates

During the past year, the state's Cash Flow Account was drawn down to \$240 million to meet the previous budget shortfall. This was made possible by changes in payment and collection timing that enabled a lower account to be maintained during the 1992-93 biennium without short term borrowing.

Cash flow needs will be met with interfund borrowing.

Department of Finance policies require that an appropriate size for the Cash Flow Account be estimated so that short term borrowing can be avoided. Based on the current revenue forecast and recommended 1994-95 budget plan, a minimum of \$450 million would be necessary for the 1994-95 biennium. Because the existing account is only \$240 million, limited interfund borrowing for a few days each month is expected to be necessary beginning in November 1993. In F.Y. 1995, longer borrowing periods would be required during certain months. Depending on the use of any positive variance in the March Forecast, these needs could either be substantially reduced or worsened.



**1994-95 INITIATIVES
MAJOR INCREASES AND REALLOCATIONS**

PREPARING FOR TOMORROW'S JOBS	F.Y. 1994	F.Y. 1995	F.Y. 1994-95
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Lowering the Cost of Doing Business

C/I Property Tax Reduction – HACA Non–School	43,672	61,188	104,860
C/I Property Tax Reduction – HACA School	17,115	25,175	42,290
HACA School Growth	4,334	4,334	8,668
Aid to Police & Fire	1,894	2,000	3,894
Workstead Property Tax Credit	0	10,000	10,000
Residential Property Tax Relief	10,400	28,500	38,900
Elimination of Capital Equipment Sales Tax	8,400	10,800	19,200
Uniform Business Identifiers	250	0	250
PCA Computer Compliance System	571	521	1,092
Bloomington Ferry Bridge (Bonding)	20,292	0	20,292
Federal Demonstration Projects Outstate (Bonding)	2,320	0	2,320
Subtotal – Lowering the Cost	109,248	142,518	251,766

Growing Small Businesses

Minnesota Initiative Fund	6,000	0	6,000
Urban Initiative Fund	6,000	0	6,000
Minority Capital Access Pool	1,000	0	1,000
Minnesota Technology, Inc.	603	603	1,206
International Information Network	105	105	210
Business Data Base	137	227	364
Agricultural Value–Added Processing	50	50	100
Tourism Loan Program	1,000	0	1,000
Subtotal – Growing Small Businesses	14,895	985	15,880

Meeting Special Worker Needs

Workforce Investment Fund (Special Revenue Fund)	5,700	6,900	12,600
Apprenticeship Training and Education	180	180	360
Workforce 2000	481	571	1,052
Subtotal – Special Worker Needs	6,361	7,651	14,012

TOTAL – Preparing for Tomorrow's Jobs	130,504	151,154	281,658
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General Fund – Expenditures	93,792	133,454	227,246
General Fund – Revenues	(8,400)	(10,800)	(19,200)
Capital Projects	22,612	0	22,612
Special Revenue Fund – Expenditures	5,700	6,900	12,600

MAJOR INCREASES AND REALLOCATIONS

MEETING THE NEEDS OF OUR CHILDREN	F.Y. 1994	F.Y. 1995	F.Y. 1994-95
Consolidating Children & Education Services			
Department of Children and Education Services	250	500	750
Department of Children – Mn Planning	250	0	250
Educational Outcome Standards	4,000	4,000	8,000
Higher Educ Bd Funding	910	1,017	1,927
Subtotal – Consolidating Children Services	5,410	5,517	10,927
Supporting Families in Their Communities			
Community Family Resource Centers	3,500	6,500	10,000
Community Resource Program	2,959	1,479	4,438
Childhood Nutrition	700	700	1,400
Child Support Enforcement	2,350	2,863	5,213
Homeless Prevention	4,000	0	4,000
Minnesota Family Assistance Program	1,752	17,190	18,942
Maternal and Child Health	3,110	3,110	6,220
Subtotal – Supporting Families	18,371	31,842	50,213
Educating and Training Our Workforce			
Funding for Education	177,604	298,801	476,405
Equitable Funding	24,500	79,500	104,000
Targeted Funding	20,817	34,010	54,827
District Financial Management	244	244	488
Partners for Quality	140	140	280
Math/Science Initiative	1,350	1,350	2,700
Youth Apprenticeships	2,500	2,500	5,000
Funding for Students – HECB	57,800	67,000	124,800
Funding for Students – UofM Graduate Students	4,119	6,359	10,478
Women's Athletic Programs – SUS	40	40	80
Women's Athletic Programs – UofM	400	400	800
Children's Education and Training Accounts	1,213	23,787	25,000
Non-AFDC Child Care Grants – HECB	70	70	140
Restore Base Funding – DOE	730	732	1,462
UofM – Ave. Cost Funding Enrollment	4,914	3,776	8,690
Maximum Effort School Loan (Bonding)	17,742	0	17,742
Subtotal – Educating and Training	314,183	518,709	832,892
TOTAL – Meeting the Needs of Our Children	337,964	556,068	894,032
General Fund	320,222	556,068	876,290
Capital Projects	17,742	0	17,742

MAJOR INCREASES AND REALLOCATIONS

PRESERVING OUR QUALITY OF LIFE

F.Y. 1994

F.Y. 1995

F.Y. 1994-95

Protecting Our Citizens

Computer Tracking System – DPS	30	0	30
Assistance to Victims	3,250	3,250	6,500
Conversion at Moose Lake: Correctional Facility	4,800	10,600	15,400
Incarceration Alternatives – Local CCA	3,000	6,500	9,500
Crime Prevention	625	625	1,250
Intensive Supervision	1,183	1,634	2,817
Work Release	750	1,000	1,750
Sentencing to Service	1,750	2,000	3,750
Juvenile Detention	525	775	1,300
Sex Offender Treatment	450	455	905
Gambling Control	400	0	400
Correctional Facility Caseload: Forecast Adjustment	4,930	8,347	13,277
Challenge Camps & Moose Lake	2,513	2,746	5,259
Monitor System Staff for Sent Gdlns	130	109	239
Restore Military Affairs Reduction	472	472	944
Moose Lake Psychopathic Facility (Bonding)	7,433	0	7,433
Cambridge DD Remodeling (Bonding)	500	0	500
Design/Remodel BRHSO (Bonding)	2,000	0	2,000
Moose Lake Medium Prison Facility (Bonding)	25,800	0	25,800
Red Wing Juvenile Facility (Bonding)	3,027	0	3,027
St. Peter MI&D (Bonding)	7,500	0	7,500
Subtotal – Protecting Our Citizens	71,068	38,513	109,581

Stewardship of Our Natural Resources

Point Source Water Pollution (Bonding)	20,400	0	20,400
Non-Point Source Water Pollution	563	418	981
Non-point Source Pollution (LCMR)	5,773	0	5,773
PCA Clean Water Partnership	57	0	57
PCA MN River Implementation Project	200	200	400
PCA Clean Water Partnership Grants	800	0	800
Lakeshore Engineering Position – BWSR	68	70	138
Cost Share Grants to SWCDs	600	600	1,200
Superfund (Environmental Fund)	2,000	4,000	6,000
Municipal Landfills (Environmental Fund)	9,846	9,846	19,692
Solid Waste Recycling (SCORE)	700	700	1,400
State Recycling – DOA	225	225	450
Focus on Forests	2,418	2,424	4,842
Wetlands/RIM (LCMR)	11,000	0	11,000
Restore RIM Svcs Grant – BWSR	456	456	912
Wetlands Implementation	2,000	2,000	4,000
Restore Full Camping – DNR	505	1,161	1,666
Restore Trail Maintenance – DNR	92	128	220
Parks/Trails (LCMR)	15,000	0	15,000
Minnesota Zoo (Bonding)	19,900	0	19,900
Combined Sewer Overflow (Bonding)	13,700	0	13,700
Marine Education Center (Bonding)	18,800	0	18,800
Sewer Separation (Bonding)	1,300	0	1,300

(\$ in Thousands)

MAJOR INCREASES AND REALLOCATIONS

PRESERVING OUR QUALITY OF LIFE	F.Y. 1994	F.Y. 1995	F.Y. 1994-95
Restore Shoreland Mgmt Grants	518	518	1,036
Great Lakes Protection Fund	500	0	500
Restore Agricultural Societies' Grants	19	19	38
Mille Lacs Treaty Settlement	3,255	367	3,622
Water Program Frst Adj - DOH	2,401	1,270	3,671
Restore DNR Parks Positions	725	275	1,000
Restore Funding for Partially Dev Historical Sites	527	527	1,054
Subtotal - Stewardship	134,348	25,204	159,552
Serving Our Vulnerable Citizens			
IMPACT	0	34,744	34,744
Funding Flexibility - Group Residential Housing	11,871	31,949	43,820
Better Long-Term Care at Lower Cost	200	300	500
Health Care & Family Support - Agency Plan	112,272	100,795	213,067
MinnesotaCare Forecast Adjustments (HCA Fund)	23,662	73,382	97,044
Restore AIDS Prev/Case Mgmt	93	93	186
Vets Home - Luverne: Forecast Adjustment	2,625	3,736	6,361
Restore Nursing Unit Beds: Mpls Vets Home	316	918	1,234
Restore Food Shelf Funding	400	400	800
Subtotal - Serving Our Vulnerable Citizens	151,439	246,317	397,756
TOTAL - Preserving Our Quality of Life	356,855	310,034	666,889
General Fund	169,214	222,806	392,020
Capital Projects	120,360	0	120,360
Natural Resources - LCMR	31,773	0	31,773
Health Care Access Fund	23,662	73,382	97,044
Environmental Fund	11,846	13,846	25,692

MAJOR INCREASES AND REALLOCATIONS

SERVING OUR CUSTOMERS BETTER

F.Y. 1994

F.Y. 1995

F.Y. 1994-95

Making Services More Accessible

Customer Service Centers	1,000	2,000	3,000
Transportation Access – DOT	440	440	880
Transportation Access – RTB	1,357	1,357	2,714
Driver Registration Services – DPS	40	0	40
Driver Registration Services (Tr Hwy Fund)	1,658	0	1,658
Electronic Benefit Transfer Improvements	3,234	2,369	5,603
Higher Education Access	2,325	1,125	3,450
Restore Human Rights Reduction	157	157	314
Subtotal – Making Services More Accessible	10,211	7,448	17,659

Making Government Work Better

DNR Reorganization	1,900	0	1,900
Health Board Consolidation (Spec Rev Fund)	126	0	126
State Patrol Communications Center (Tr Hwy Fund)	408	0	408
Statewide Systems Project	10,000	9,000	19,000
Accounts Receivable Process Improvements	1,500	0	1,500
DNR Real Estate Bill	18	18	36
Public Service Improvements	374	282	656
PUC Restore Positions	131	132	263
PUC Process Improvements	181	162	343
IPO HECB – Distance Learning	572	0	572
IPO PUC – Data Management	282	35	317
IPO DNR – LANS Improvement	295	115	410
IPO Administration – EDI Contracts	557	286	843
IPO Public Service	84	0	84
IPO Human Rights	170	55	225
IPO Municipal Bd	40	0	40
IPO Arts Bd	200	0	200
Agency Relocations	212	0	212
MnDOT Building Renovation (Tr Hwy Fund)	3,000	0	3,000
Judicial Center Phase II (Bonding)	7,000	0	7,000
Arden Hills Arsenal (Bonding)	285	0	285
Restore CAAPB Reductions	12	12	24
Restore Commerce Exam/Support Staff	198	316	514
CORE Human Res Mgmt Reform Phase I	850	850	1,700
DHS Severance Cost Allowance	2,000	0	2,000
Restore DOR Compliance Funding	1,900	1,900	3,800
DHS Collections & Forecasting	1,667	1,667	3,334
Subtotal – Making Government Work Better	33,962	14,830	48,792

(\$ in Thousands)

MAJOR INCREASES AND REALLOCATIONS

SERVING OUR CUSTOMERS BETTER

F.Y. 1994 F.Y. 1995 F.Y. 1994-95

Helping Government Work Together

Local Service Cooperation – ACIR & Met Council	1,000	1,000	2,000
MAXIS – DHS	8,150	8,582	16,732
Social Services Info System	750	810	1,560

Subtotal – Helping Government Work Together	9,900	10,392	20,292
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TOTAL – Serving Our Customers Better	54,073	32,670	86,743
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General Fund	43,179	32,469	75,849
Capital Projects	7,285	0	7,285
State Govt. Special Revenue Fund	201	201	201
Trunk Highway Fund	3,408	0	3,408

TOTAL INCREASES AND REALLOCATIONS	879,396	1,049,926	1,929,322
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Total General Fund – Expenditures	626,407	944,797	1,571,405
Total General Fund – Revenues	(8,400)	(10,800)	(19,200)
Total Capital Projects	167,999	0	167,999
State Govt. Special Revenue Fund	201	201	201
Natural Resources	31,773	0	31,773
Health Care Access Fund	23,662	73,382	97,044
Special Revenue Fund	5,700	6,900	12,600
Trunk Highway Fund	3,408	0	3,408
Environmental Fund	11,846	13,846	25,692

**Summary State Operating Funds
1994-95 Executive Budget**

<u>General Fund + LGTF</u>	<u>Other State Funds</u>	<u>Federal Fund</u>	<u>Total</u>
<u>Gov's Rec F.Y. 1994-95</u>	<u>Gov's Rec F.Y. 1994-95</u>	<u>Gov's Rec F.Y. 1994-95</u>	<u>Gov's Rec F.Y. 1994-95</u>

Omnibus Summary

Omnibus Appropriation Requests

Education and Children	6,922,926	90,220	608,695	7,621,841
Human Development	4,864,153	380,854	3,986,944	9,231,951
Environment & Natural Resources	334,719	441,964	61,288	837,971
Jobs and Commerce	326,800	2,659,423	710,062	3,696,285
State Government	1,213,479	213,262	38,641	1,465,382
Property Tax Aids & Credits	2,375,573	0	0	2,375,573
Subtotal Appropriations	16,037,650	3,785,723	5,405,630	25,229,003

Adjustments for General Fund Balance Reconciliation

Dedicated Expenditures	79,845	0	0	79,845
Federal Reimbursement	(62,212)	0	0	(62,212)
Indirect Cost Offset	(22,300)	0	0	(22,300)
WC Case Mgmt	(2,700)	0	0	(2,700)
Freight Expense	(3,802)	0	0	(3,802)
Cancellation Adjustment	(20,000)	0	0	(20,000)
Subtotal Adjusted Appropriations	16,006,481	3,785,723	5,405,630	25,197,834

Interfund Transfers

Debt Service	(453,274)	453,274	0	0
Human Services	(64,457)	64,457	0	0
Minnesota Technology, Inc.	(15,966)	15,966	0	0
All Other Transfers	(41,639)	41,639	0	0
Debt Service - Other State Funds	0	9,409	0	9,409
Transfers Outside Operating Funds	0	(48,923)	0	(48,923)

Total Expenditures	15,431,145	4,321,545	5,405,630	25,158,320
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(\$ in Thousands)

**State Operating Funds
Detail by Omnibus Bill, Agency**

	General Fund + LGTF	Other State Funds	Federal Fund	Total
	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95
<u>Education and Children</u>				
Education, Dept of	0	0	0	0
Children & Education Svcs, Dept of	402,167	7,102	30,143	439,412
Education Finance	4,905,408	67,087	508,274	5,480,769
Faribault Academies	15,717	248	514	16,479
Arts School & Resource Center	9,700	322	46	10,068
Higher Educ Coord Board	0	0	0	0
University of Minnesota	843,297	5,059	0	848,356
Higher Education Bd	1,927	0	0	1,927
Community College Board	178,054	3,068	15,568	196,690
State University Board	303,630	7,334	8,122	319,086
Technical Colleges	261,409	0	46,028	307,437
Mayo Medical School	1,617	0	0	1,617
Total Education and Children	6,922,926	90,220	608,695	7,621,841
<u>Human Development</u>				
Human Services, Dept of	4,286,912	262,787	3,806,744	8,356,443
MH/MR Ombudsman	1,818	0	0	1,818
Veterans Affairs-Nursing Homes	55,856	1,544	0	57,400
Health, Dept of	73,261	87,374	174,060	334,695
Chiropractic Exam Board	0	774	0	774
Dentistry Board	0	1,351	0	1,351
Medical Practices Board	0	4,111	0	4,111
Nursing Board	0	2,968	0	2,968
Nursing Home Admin Board	0	337	0	337
Optometry Board	0	151	0	151
Pharmacy Board	0	1,181	0	1,181
Podiatry Board	0	64	0	64
Psychology Board	0	618	0	618
Veterinary Medicine Board	0	214	0	214
Social Work Board	0	866	0	866
Marriage & Family Therapy Board	0	186	0	186
Comm Imp Persons (TACIP)	0	0	0	0
Cncl on Disability	1,082	6	0	1,088
Housing Finance	33,230	1,680	0	34,910
Cncl on Black Minnesotans	390	44	0	434
Cncl For Spanish Speaking People	436	58	0	494
Cncl Asian-Pacific Minnesotans	340	66	24	430
Cncl on Indian Affairs	904	751	122	1,777
Corrections, Dept of	408,365	13,723	5,994	428,082
Ombudsman for Corrections	824	0	0	824
Sentencing Guidelines Commission	735	0	0	735
Total Human Development	4,864,153	380,854	3,986,944	9,231,951

**State Operating Funds
Detail by Omnibus Bill, Agency**

	General Fund + LGTF	Other State Funds	Federal Fund	Total
	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95
Environment & Natural Resources				
Pollution Control Agency	15,961	172,258	43,199	231,418
Office of Waste Management	38,046	2,160	254	40,460
Harmful Substance Compensation Bd	0	417	0	417
Natural Resources, Dept of	158,090	203,511	13,243	374,844
Natural Resources, Dept of (OPENS)	29,529	3,497	0	33,026
Mn/Wisc Boundary Area Comm	242	0	0	242
Voyageurs Natl Park Adv Comm	134	0	0	134
Zoological Garden	10,099	16,503	76	26,678
Science Museum of Minnesota	2,106	0	0	2,106
Academy of Science	72	0	0	72
Agriculture, Dept of	41,920	38,418	3,664	84,002
Water & Soil Resources Bd	24,450	5,000	392	29,842
Animal Health Board	3,876	0	460	4,336
Horticulture Society	144	0	0	144
Ethanol Subsidy (OPEN)	0	0	0	0
Agric Util Research Inst	8,000	200	0	8,200
Non-Game Wildlife Fund (OPEN)(TR OUT)	2,050	0	0	2,050
Total Env & Natural Resources	334,719	441,964	61,288	837,971

Jobs and Commerce

Public Utilities Comm	6,442	7,164	0	13,606
Public Service, Dept of	17,430	1,862	927	20,219
World Trade Center (TR OUT)	0	0	0	0
Minnesota Technology, Inc (TR OUT)	15,966	2,550	6,000	24,516
Labor & Industry	7,895	282,025	6,822	296,742
Trade & Economic Development	57,097	8,968	46,082	112,147
Jobs & Training, Dept of	59,913	47,851	440,189	547,953
Transportation, Dept of	18,366	2,078,633	180,136	2,277,135
Regional Transit Board	54,260	0	0	54,260
Transportation Reg Board	0	1,412	0	1,412
Public Safety, Dept of	55,696	150,502	29,786	235,984
Public Safety, Dept of (TR TO THWY FUND)	2,640	0	0	2,640
Commerce, Dept of	27,753	2,375	0	30,128
Iron Range Resource & Rehab	0	58,563	0	58,563
Abstractors, Bd of	0	0	0	0
Accountancy, Bd of	940	0	0	940
Architectural/Eng, Bd of	1,159	0	0	1,159
Barbers Examiners, Bd of	252	0	0	252
Boxing, Bd of	118	0	0	118
Electricity, Bd of	0	9,112	0	9,112
Private Detective Board	126	0	0	126
Peace Officers Stnd Trng Bd	0	8,272	120	8,392
Safety Council	0	134	0	134
Region 3-Occupation Tax (OPEN)(TR OUT)	747	0	0	747
Total Jobs and Commerce	326,800	2,659,423	710,062	3,696,285

(\$ in Thousands)

**State Operating Funds
Detail by Omnibus Bill, Agency**

	General Fund + LGTF	Other State Funds	Federal Fund	Total
	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95
State Government				
Administration, Dept of	40,091	14,696	5,666	60,453
Administration, Dept of (OPEN, TR OUT)	6,000	0	0	6,000
Amateur Sports Commission	872	2	0	874
CAAPB	503	0	0	503
Employee Relations, Dept of	16,716	64,003	0	80,719
Finance, Dept of	36,353	0	0	36,353
Finance Non-Operating (OPEN)	2,072	2,800	4,154	9,026
Tort Claims	606	1,200	0	1,806
Contingent Accounts (TR OUT)	500	1,350	0	1,850
Investment Board	3,666	0	0	3,666
Administrative Hearings	0	7,039	0	7,039
Legislature	86,584	364	0	86,948
Legislative Rent	8,969	0	0	8,969
Legislators Retirement	4,000	0	0	4,000
Military Affairs, Dept of	18,475	0	23,802	42,277
Local Pension Funds:				
Pre-1973 Retirees (MERF)	1,100	0	0	1,100
Mpls Pension Reimbursement	20,910	0	0	20,910
Local Police/Fire Amortiz. (Direct)	12,112	0	0	12,112
Revenue, Dept of	131,380	6,534	100	138,014
Revenue, Dept of (OPENS)	2,380	0	0	2,380
Disabled American Vets	24	0	0	24
Military Order of Purple Hearts	20	0	0	20
Vets of Foreign Wars	62	0	0	62
Office of Strategic Planning	5,712	770	118	6,600
State Treasurer	2,450	0	0	2,450
Governor/Lt Gov Office	6,391	74	0	6,465
State Auditor	12,333	100	0	12,433
Attorney General	36,845	3,560	1,454	41,859
Constitutional Officers Retirement	400	0	0	400
Court of Appeals	11,100	0	0	11,100
District Courts	116,626	0	0	116,626
Supreme Court	32,124	190	414	32,728
Judicial Stnds, Bd on	352	0	0	352
Bd of Public Defense	47,705	0	258	47,963
Judges Retirement (OPEN)(TR OUT)	3,400	0	0	3,400
Tax Court of Appeals	1,033	0	0	1,033
Human Rights, Dept of	6,367	38	0	6,405
Veterans Affairs, Dept of	5,412	94	0	5,506
Gaming Department	0	0	0	0
Lawful Gambling Control Bd	3,968	0	0	3,968
Minn Racing Commission	1,638	1,331	0	2,969
Ethical Practices Board	648	5,710	0	6,358
Campaign Financing (OPEN)(TR OUT)	3,754	0	0	3,754
Political Contribution Refunds (OPEN)	1,200	0	0	1,200

**State Operating Funds
Detail by Omnibus Bill, Agency**

	General Fund + LGTF	Other State Funds	Federal Fund	Total
	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95	Gov's Rec F.Y. 1994-95
MN Municipal Board	599	0	0	599
Historical Society	34,478	8,774	1,286	44,538
Humanities Commission	460	0	0	460
State Arts Board	7,850	45	1,389	9,284
Secretary of State	9,573	610	0	10,183
Uniform Laws Comm	50	0	0	50
Debt Service	453,274	93,804	0	547,078
Arbitrage Rebate (OPEN)	4,600	0	0	4,600
Short-Term Borrowing Forecast	6,300	0	0	6,300
Mediation Services	3,442	174	0	3,616
Total State Government	1,213,479	213,262	38,641	1,465,382

Property Tax Aids & Credits

Property Tax Refunds:				
Regular Homeowners	140,900	0	0	140,900
Regular Renters	171,800	0	0	171,800
Targeting	21,500	0	0	21,500
Aid To Local Government	563,756	0	0	563,756
Equalization Aid	38,856	0	0	38,856
Disparity Reduction Aid	82,887	0	0	82,887
Border City Disparity Aid	5,184	0	0	5,184
Attached Machinery Aid	6,436	0	0	6,436
HACA-Basic	1,219,830	0	0	1,219,830
HACA-Mobile Home	12,064	0	0	12,064
HACA-Prior Year Adjustment	434	0	0	434
TIF HACA	46	0	0	46
Workstead Credit	10,000	0	0	10,000
Supplemental Homestead	1,810	0	0	1,810
Transition Credit Aid	93	0	0	93
Aid To Police And Fire	90,506	0	0	90,506
RTB Levy Reduction	4,152	0	0	4,152
Disaster Credit	1	0	0	1
Enterprise Zone Credit	58	0	0	58
Metropolitan Council	1,000	0	0	1,000
ACIR	1,000	0	0	1,000
Trust Fund Administration:				0
Intergovernmental Info System	2,400	0	0	2,400
Dept of Finance	210	0	0	210
Dept of Revenue	600	0	0	600
ACIR	50	0	0	50
Total Property Tax Aids & Credits	2,375,573	0	0	2,375,573

(\$ in Thousands)