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PROPOSED BIENNIAL BUDGET

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**State of Minnesota
Department of Finance**

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February 28, 1995

To: Senator Gene Merriam, Chair
Senate Finance Committee

Representative Loren Solberg, Chair
House Ways and Means Committee

Fr: Laura M. King *LMK*
Commissioner

Re: Supplement Budget Items, Errata and Omissions to the Governor's 1996-97 Biennial
Budget - Change Order #1

Attached please find modifications to the Governor's January budget submission. The changes reflect the supplemental budget released this date as well as errata and omissions to the biennial budget.

The Executive Branch will follow the same procedures used in previous biennia for transmitting any changes to the Governor's budget. Only changes submitted under my signature should be considered as official changes in the Governor's budget. This procedure is necessary to ensure control over the general fund balance as well as eliminate confusion regarding the Governor's recommendations. This process has worked well in past legislative sessions.

Sufficient detail is provided for clarification of errata, omission or change and reference to the appropriate budget page. New numbers and language were inserted, while deleting old inappropriate language or references on the budget narrative pages. New or revised pages have been copied with original budget data remaining on the opposite page side to allow for ease in inserting and removal of pages into three-ring binder budget books.

Attached to this memorandum, please find the following page updates:

Education & Education Aids:

Education Finance:

Pages A-1 through A-6, revised index pages.

Pages A-7 through A-10B, revised supplemental budget Education Aids Appropriations.

Pages A-12 through A-15, revised School District Gross Certified Levies.

Page 2

Page A-17, revised index page.

Pages A-25, A-26 & A-27, revised Governor's recommendations for the General Education Program.

Pages A-37 & A-38, revised Education AIDS - Governor's budget.

Pages A-40 through A-42, revised Governor's recommendations for Property Tax Revenue Recognition.

Page A-42A, new Governor's initiative for Transition to Accountability Aid. This initiative adds expenditures of \$29,164.0 for FY 96 and \$29,342.0 for FY 97. The net effect to the general fund for the biennium is an increased cost of \$58,506.0.

Page A-42B, new page, Governor's budget for Transition to Accountability Aid.

Pages A-47 through A-52, revisions for the Transportation Program.

Page A-54, revised Governor's recommendation for Miscellaneous Transportation Levies.

Pages A-55, A-57, A-61, revisions to Post Secondary Enrollment Options Transportation.

Pages A-63 through A-65, revisions for Transportation Safety.

Pages A-70, A-72, A-74, A-75 & A-85, revisions to Special Education Aid-Regular.

Pages A-87, A-88 & A-89, revisions to Special Education - Special Pupil

Pages A-93, A-94 & A-95, revisions to Special Education Summer School.

Pages A-98 & A-99, revisions to Special Education - Home based Travel.

Pages A-101, A-102 & A-103, revisions to Special Education - Excess Cost.

Pages A-105, A-106 & A-107, revisions to Limited English Proficiency.

Pages A-109, A-110 & A-111, revisions to Secondary Vocational - Students with Disabilities.

Pages A-113, A-114 & A-115, revisions to Special Education Levy Summary and Equalization Aid.

Pages A-118 & A-119, revisions to Secondary Vocational Aid.

Page A-133, corrections made under Program Funding, for A) Statutory Formula AID and B)

Page 3

AID Entitlement Reconciliation for FY 1994 and FY 1995.

Page A-135, revisions to the Governor's budget for Indian Scholarships.

Pages A-141, A-142 & A-143, revisions for Tribal Contract Schools.

Pages A-150, & A-151, revisions to Assurance of Mastery.

Pages A-180 through A-183, revisions to Community Education.

Page A-184, revisions to the Governor's budget for Youth Service.

Pages A-185 & A-187, revisions to Extended Day Equalization Aid.

Pages A-193 through A-195, revisions for Adult Basic Education.

Pages A-198 & A-199, revisions for Adults with Disabilities.

Pages A-201 through A-203, revisions for Adult Graduation Aid.

Pages A-207 through A-209, revisions for Early Childhood Family Education.

Pages A-212 through A-213, revisions for Early Childhood Screening.

Pages A-220 & A-221, revisions for Learning Readiness.

Page A-229, revisions for Alcohol - Impaired Driver Education

Page A-231, revisions for Chemical Abuse Prevention Grants.

Page A-235, revisions of Governor's budget for Ombudspersons.

Pages A-264 through A-267, revisions for Capital Expenditures - Facilities

Pages A-268 through A-271, revisions for Capital Expenditures - Equipment

Pages A-272 through A-276, revisions for Capital Expenditures - Health and Safety.

Pages A-288 through A-291, revisions for Debt Service Equalization.

Pages A-295 through A-297, revisions for Cooperation and Combination Aid.

Pages A-299 through A-301, revisions for District Cooperation Revenue.

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Page 4

Pages A-303 through A-305, revisions for Consolidation Transition Aid.

Pages A-308 & A-309, revisions for Special Consolidation Aid.

Page A-319, revised index page.

Page A-326, revisions to the Governor's recommendations. Other corrections have been made under Program Funding for A) Statutory Formula AID and B) AID Entitlement Reconciliation for FY 1994.

Page A-327, revised Governor's recommendations for Summer Scholarships (HECB).

Page A-331, corrections made under Program Funding for A) Statutory Formula AID and B) AID Entitlement Reconciliation for FY 1995. Other changes were made under Student Exam Subsidies and Unprorated State Aid for FY 1995, directly above the program funding numbers.

Page A-333, revised Governor's recommendations for Advanced Placement/International Baccalaureate Program.

Pages A-335 through A-337, revisions for Interactive Television Aid and Levy.

Page A-340, corrections made under Program Funding for A) Statutory Formula AID and B) AID Entitlement Reconciliation for FY 1994.

Page A-341, revised Governor's recommendations for Educational Effectiveness.

Page A-345, corrections made under Program Funding for A) Statutory Formula AID, B) AID Entitlement Reconciliation, and C) Aid Funding Level Reconciliations for FY 1994.

Page A-347, revised Governor's recommendations for Minnesota Academic Excellence Foundation.

Page A-354, corrections made under Program Status, I. Graduation Standards, Standards and Assessment Development for FY 1994 and FY 1995 and changes to the subtotals and grand total. Additional corrections made under Program Funding for A) Statutory Formula AID and B) AID Entitlement Reconciliation for FY 1994 and FY 1995.

Page A-355, revised Governor's recommendations for Graduation Rule Acceleration.

Page A-357, Corrections made in narrative.

Page A-363, revised Governor's recommendations for School Restructuring Grants.

Page 5

Page A-366 & A-367, revised Governor's recommendations for Staff Development Incentives.

Page A-391 & A-392, revised Governor's recommendations for Learner Improvement.

Page A-396A, new Governor's initiative for technology access. Provides additional funding of \$5,000.0 in FY 96 and \$5,000.0 in FY 97 from the general fund.

Page A-396B, new page, Governor's budget for Technology Access.

Pages A-426 & A-427, corrections made under Program Funding for A) Statutory Formula AID and B) AID Entitlement Reconciliation for FY 1994 and FY 1995.

Page A-428, revised Governor's recommendations for Teacher Mentorship (Board of Teaching).

Page A-430, corrections made under Program Status, funds not awarded for FY 1994 and FY 1995 and total funding.

Page A-431, corrections made under Program Funding for A) Statutory Formula AID and B) AID Entitlement Reconciliation for FY 1994 and FY 1995.

Page A-432, revised Governor's recommendations for Minority Teacher Incentives.

Page A-442 & A-443, corrections made under Program Funding for A) Statutory Formula AID and B) AID Entitlement Reconciliation for FY 1994 and FY 1995.

Page A-444, revised Governor's recommendations for Teacher Education Improvement

Page A-450, revised Governor's recommendations for Rule Compliance Levy.

Pages A-452, A-454 & A-456, revisions and recommendations for Non-Pupil Aid.

Pages A-457, A-458 & A-459, revisions and recommendations for Abatement and Aid levy.

Page A-460, revised Governor's recommendations for Abatement Aid.

Pages A-462 & A-463, revisions and recommendations for Miscellaneous General Levies.

Page A-533, revisions to report for discontinued /nonrecurring programs.

Page 6

Department of Education:

Page A-568, Agency Budget Brief is revised for supplemental budget recommendations. The Governor recommends an After School Enrichment Program in the amount of \$1,000.0 for FY 96. The net effect to the general fund for the biennium is an increased cost of \$1,000.0.

Page A-574, Governor's recommendations changed at the agency level for supplemental budget changes.

Page A-577, new Governor's initiative page.

Minnesota Center for Arts Education:

Page A-653, Agency Budget Brief is revised for supplemental budget recommendations. The Governor recommends the elimination of the funding for an initiative previously recommended: Operating Costs for Renovated Dormitory. This saves \$136.0 for each year of the biennium. The net effect to the general fund for the biennium is an decreased expenditure of \$372.0.

Page A-656 & A-657, Governor's recommendations changed at the agency level for supplemental budget changes.

Page A-660, revised Governor's initiative page.

Higher Education:

Higher Education Coordinating Board:

Page B-4, left side of the page, under the column FY 1996-97, the Governor's recommendations for the State Grant Program and MINITEX were stated in error. This revised page corrects errors so that columns add properly.

Health & Human Services:

Department of Human Services:

Page C-6, C-7 & C-8, Agency Budget Brief is revised for supplemental budget recommendations. Base year FY 95 has been revised downward by \$26,161.0. The net effect to the general fund for the biennium is a reduction of \$(52,322.0). Agency decision items have been revised due to forecast changes, Health Care has been reduced by \$(696.0) for FY 96 and \$(4,755.0) for FY 97; Comm. Mental Health & SOS is reduced by \$(58.0) for FY 96 and \$(58.0) for FY 97; and Income Maintenance adjustments have increased by \$11,548 for FY 96 and \$13,689.0 for FY 97. The net effect to the general fund for the biennium is an increased cost of \$19,670.0. The following Governor's initiatives have been revised: Child Care-Basic Sliding Fee reduced by \$(90.0) for FY 96 and \$(90.0) for FY 97; Welfare Reform has changed by \$1,139.0 for FY 96 and \$(1,207.0) for FY 97; and Transfer to Children and ED Svs Dept has been reduced by \$1,546.0 for FY 97. New Governor's initiatives have been included: CD

Page 7

Treatment Rate Reduction of \$(1,088.0) for FY 96 and \$(3,567.0) for FY 97; GAMC Capitation Rate Reduction of \$(4,791.0) for FY 96 and \$(7,397.0) for FY 97; GAMC Dental Coverage Reduction of \$(2,897.0) for FY 96 and \$(7,989.0) for FY 97; and Restructure PCA & TEFRA of \$(2,369.0) for FY 96 and \$(9,131.0) for FY 97. The net effect to the general fund of the new and changed initiatives is a biennial decrease of \$(37,931.0).

Page C-9, Agency Budget Brief is revised for supplemental budget recommendations. Agency initiatives have been revised which the Governor concurs with. The revised recommendations have reduced expenditures for FY 96 by \$24,467.0 and for FY 97 by \$9,262.0. The net effect to the Health Care Access Fund for the biennium is a reduction of \$(33,729.0).

Page C-15, Governor's recommendations changed at the agency level for supplemental budget changes.

Page C-16, revised Base Reconciliation Report.

Page C-16A, new Governor's initiative page.

Page C-31, revised Governor's initiative.

Pages C-62 & C-63, Governor's recommendations changed at the program level for supplemental budget changes.

Pages C-122 & C-124, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Page C-125, revised Governor's initiative.

Page C-125A, new Governor's initiative page.

Page C-136, revised Governor's initiative.

Page C-161, C-162, C-163 & C-164, Governor's recommendations changed at the program level for supplemental budget changes.

Page C-165, revised Governor's initiative.

Page C-174, revised management activity level page to reflect lower revenues than originally projected in the Governor's budget for Special Revenues under Sources of Financing.

Pages C-178 & C-179, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Page C-180, revised Governor's initiative.

Page 8

Page C-183, C-184, & C-185, Governor's recommendations changed at the management activity level for supplemental budget changes.

Pages C-196 & C-197, changes made to object codes of expenditures. Dollars moved from Aids to Individuals to Local Assistance.

Page C-208, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-209, revised Governor's initiative.

Page C-212, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-213, revised Governor's initiative.

Page C-216, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-217, revised Governor's initiative.

Page C-220, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-222, revised Governor's initiative.

Pages C-228, C-230 & C-234, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-235, revised Governor's initiative.

Pages C-240, C-241 & C-242, Governor's recommendations changed at the program level for supplemental budget changes.

Pages C-244 & C-245, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Pages C-248, C-258 & C-262, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-264, revised Governor's initiative.

Page C-276, revised Governor's initiative.

Page 9

Page C-277, revised Governor's initiative.

Pages C-280 & C-281, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Pages C-284, & C-285, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-287, revised Governor's initiative.

Page C-288, revised Governor's initiative.

Page C-290, revised Governor's initiative.

Page C-291, revised Governor's initiative.

Page C-294, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-297A, new Governor's initiative page.

Page C-298, revised Governor's initiative.

Page C-300, Governor's recommendations changed at the management activity level for supplemental budget changes.

Page C-301, revised Governor's initiative.

Page C-304, Governor's recommendations changed at the management activity level for supplemental budget changes

Page C-305, revised Governor's initiative.

Page C-305A, new Governor's initiative page.

Page C-305B, new Governor's initiative page.

Page C-314, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Page C-318, Governor's recommendations changed at the management activity level for supplemental budget changes.

Pages C-319, C-320 & C-321, revised Governor's initiative.

Page 10

Page C-322, revised Governor's initiative.

Pages C-324 & C-326, Governor's recommendations changed at the management activity level for supplemental budget changes.

Pages C-330 & C-331, Governor's recommendations changed at the program level for supplemental budget changes.

Pages C-334 & C-335, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Pages C-350 & C-351, Governor's recommendations changed at the management activity level for supplemental budget changes.

Department of Health:

Page C-425, Agency Budget Brief is revised for supplemental budget recommendations. The Governor's initiative for the Women's Health has been reduced by \$(80.0) for the biennium. Three new initiatives have been added to reduce the Governor's biennial budget recommendations: Occupational Policy Analysis \$(112.0); Interagency Board Coordination \$(108.0); and Environmental Radiation Monitoring \$(200.0). The net effect to the general fund for the biennium is a reduction of \$(500.0).

Page C-427, Governor's recommendations changed under the narrative section.

Pages C-431 & C-432, Governor's recommendations changed at the agency level for revised supplemental budget changes.

Pages C-437, C-438 & C-439, Governor's recommendations changed at the program level for revised supplemental budget changes.

Pages C-454 & C-455, Governor's recommendations changed at the budget activity level for revised supplemental budget changes.

Page C-459, Governor's initiative page revised.

Pages C-464 & C-465, correction in expenditures between objects of expenditures. This change increased grants for local assistance, reduced state operations and related staff positions.

Page C-468, Governor's initiative page revised to display loss of revenue to the Health Care Access Fund of \$(1,200.0) for FY 97.

Page 11

Page C-468A, new Governor's initiative to transfer responsibility for the development and implementation of comparative performance measurement of health plan companies, hospitals, provider organizations, and care delivery systems to the Minnesota Health Data Institute. This initiative reallocates funding from state operations to grant and recommends repeal of statutory authority for state approved practice parameters and the Practice Parameter Advisory Committee.

Pages C-469, C-470 & C-470A, Governor's recommendations changed at the program level for revised supplemental budget changes.

Pages C-476 & C-477, Governor's recommendations changed at the budget activity level for revised supplemental budget changes

Page C-477A, new Governor's initiative page making a reduction.

Pages C-482 & C-483, Governor's recommendations changed at the budget activity level for revised supplemental budget changes.

Page C-486A, new Governor's initiative page making a reduction.

Pages C-487, C-488 & C-488A, Governor's recommendations changed at the program level for revised supplemental budget changes.

Pages C-492 & C-493, Governor's recommendations changed at the budget activity level for revised supplemental budget changes.

Page C-495A, new Governor's initiative page making a reduction.

Environment & Natural Resources:

Pollution Control Agency:

Page D-4, Agency Budget Brief is revised for supplemental budget recommendations. A Governor's initiative for general reductions has been added which reduces FY 96 by \$(250.0) and FY 97 by \$(250.0). The net effect to the general fund for the biennium is a reduction of \$(500.0). Other changes to this page include a typing error under base adjustment: Attorney General costs for FY 1996-97 should be displayed as \$458 not \$229.

Page D-7, Change to the Agency Budget Brief for the environmental Fund, proposed increased fee revenues and offsetting expenditures of \$69.0 for FY 96 and \$69.0 for FY 97 have been eliminated from the agency plan and Governor's recommendations. The net effect to the environmental fund is \$0.0.

Page D-11, Under REVENUE SUMMARY: the third bullet, Hazardous Waste fees, should be \$4,480,000 rather than \$4,618,000; second to the last bullet on the page for Water, Solid Waste

Page 12

and Tanks Training Programs, the amount displayed should be \$365,000 not \$128,000.

Page D-12 & D-13, Governor's recommendations changed at the agency level for revised supplemental budget changes. Also on page D-12, under Agency-Wide, Multi-Division Request Summary: references deleted related to Hazardous Waste fee increases.

Page D-19, corrections made under the narrative portion of the Governor's recommendations. The dollar recommendations stated in the narrative did not agree with the numbers box at the top right of the page.

Page D-22, D-23 & D-24, Governor's recommendations changed at the program level for revised supplemental budget changes.

Pages D-35 & D-36, Governor's recommendations changed at the budget activity level for revised supplemental budget changes.

Page D-38, minor edits to narrative. Third bullet under Program Description -- deleted part of last sentence. First bullet under Planned Results -- minor word edit.

Page D-41, makes reduction for 6 federal positions at the program level..

Page D-42, under budget issues, the last bullet related to state match is new language.

Page D-43 & D-44, makes reduction for 6 federal positions at the budget activity level.

Page D-53, kind code error correction for the Landfill Cleanup Fund at the program level. Total funding does not change.

Page D-58, kind code error correction for the Landfill Cleanup Fund at the budget activity level. Total funding does not change.

Page D-68, D-69 & D-70, Governor's recommendations changed at the program level for revised supplemental budget changes. Also, corrections made to the revenue table on the right side of the page. The totals for FY's 1996 and 1997 were incorrectly stated. Other changes to revenue table and narrative reflect the eliminated proposed fee increase of \$69.0 for FY 96 and \$69.0 for FY 97 for the hazardous waste fee.

Page D-73 & D-74, Governor's recommendations changed at the budget activity level for revised supplemental budget changes.

Page D-84, Governor's recommendations changed at the program level for revised supplemental budget changes. Also, corrections made to the revenue table on the right side of the page. Non-dedicated other revenue columns for FY's 1996 and 1997 were incorrectly stated. This also changed total columns. These changes caused the explanation for 1996 revenues for non-

dedicated other funds to be revised.

Pages D-85 & D-86, Governor's recommendations changed at the budget activity level for revised supplemental budget changes.

Department of Natural Resources:

Page D-136, Agency Budget Brief is revised for supplemental budget recommendations. A new Governor's initiative has been added, 1837 Treaty: Fish and Wildlife Surveys. The initiative costs \$405.0 in FY 96 and \$403.0 in FY 97. The net effect to the general fund for the biennium is an increased cost of \$808.0.

Pages D-143, D-144, D-145 & D-146, Governor's recommendations changed at the agency level for supplemental budget changes. Includes eliminating the mandates imposed on counties for the administration of tax forfeited lands. This will save tax in lieu payments of \$2,125.0 for FY 96 and \$2,125.0 for FY 97 from open general fund appropriation dollars. The net effect to the general fund for the biennium is a saving of \$4,250.0.

Page D-153A, new Governor's initiative page.

Pages D-166, D-167 & D-168, Governor's recommendations changed at the program level for supplemental budget changes.

Page D-169, new Governor's initiative, replaces a blank page.

Pages D-171 & D-172, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Pages D-206, D-207 & D-208, Governor's recommendations changed at the program level for supplemental budget changes.

Pages D-213, D-214, D-217 & D-218, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Department of Agriculture:

Pages D-285, D-331, D-332, D-341, & D-342, One LCMR project was inadvertently eliminated from BBS in January when last minute budget changes were made. These pages restore \$400.0 of LCMR reallocations for FY 96.

Page D-351, in the RFA program, funding was entered under the wrong object of expenditure. Funding was entered under expense and contractual services when it should have been under other (loans). This revised page corrects this expenditure display.

Economic Development:

Department of Trade and Economic Development:

Page E-4, Agency Budget Brief is revised for supplemental budget recommendations. Three new Governor's initiatives were added: Urban Contaminated Site Cleanup of \$14,000.0 for FY 96, Biomedical Center -- U of M for \$3,000.0 for FY 96 and Eliminate Community Resources Program for \$(1,000.0) for FY 96 and \$(1,000.0) for FY 97. The net effect to the general fund for the biennium is an expenditure increase of \$15,000.0. Other changes to the budget were made to correct base adjustments reflected on this page. The net effect to the general fund of base adjustment changes for the biennium is an expenditure decrease of \$(250.0). The Governor also recommends \$4,000.0 be added to the Economic Recovery Grant program in FY 95 to fund business expansion projects submitted to the agency prior to 12-31-94.

Pages E-8 & E-9, Governor's recommendations changed at the agency level for supplemental budget changes.

Page E-10, revised base reconciliation report.

Page E-12, E-13 & E-14, Governor's recommendations changed at the program level for supplemental budget changes. Base adjustment reductions included on the numbers pages.

Page E-33 & E-34, Governor's recommendations changed at the program level for supplemental budget changes. Base adjustment reductions included on the numbers pages.

Page E-35 & E-35A, new Governor's initiative pages.

Pages E-49, E-51 & E-52, revised pages reflect reduced base adjustments.

World Trade Center:

Pages E-88 & E-89, Governor's recommendations changed at the agency level for supplemental budget changes. Initiative was added for Debt Service Pay-Off cost of \$450.0 for FY 96. The net effect to the general fund for the biennium is an increased cost of \$450.0.

Page E-90A, new Governor's budget initiative.

Department of Economic Security:

Page E-94, Agency Budget Brief is revised for supplemental budget recommendations. Two new Governor's initiatives were added: Eliminate lead abatement funding of \$(200.0) for FY 96 and \$(200.0) for FY 97, and Reduce Funding of Food Shelf Program by \$(300.0) for FY 96 and \$(300.0) for FY 97. The net effect to the general fund for the biennium is an expenditure reduction of \$(1,000.0).

Pages E-96 & E-97, Governor's recommendations changed at the agency level for supplemental budget changes.

Page 15

Pages E-114 & E-120, revenue estimates are corrected.

Page E-126, E-127 & E-128, Governor's recommendations changed at the program level for supplemental budget changes.

Page E-132, revenue estimates are corrected.

Page E-133 & E-133A, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Page E-141 & E-141A, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Page E-154, correction to replace a typing error state operations expenditure data. No fiscal numbers changed.

Department of Labor & Industry:

Page E-262, Agency Budget Brief is revised for supplemental budget recommendations. A new Governor's initiative has been added to convert records from paper to computer documents. DAEDALUS Project provides for one year funding in FY 96 of \$320.0. The net effect to the Workers Comp. Special fund for the biennium is an increased cost of \$320.0.

Page E-264 & E-265, Governor's recommendations changed at the agency level for supplemental budget changes.

Page E-268 & E-269, Governor's recommendations changed at the program level for supplemental budget changes.

Page E-273, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Page E-273A, new Governor's initiative page.

State Government:

State Board of Investment:

Page F-128, new Governor's initiative added as part of the supplemental budget process. The Local Relief Assoc. Acct. Mgmt. initiative costs \$40.0 in FY 96 and \$40.0 in FY 97, and will return \$36.0 per year to the general fund as non-dedicated receipts. The net effect to the general fund for the biennium is an increased cost of \$8.0.

Pages F-132 & F-133, Governor's recommendations changed at the agency level for supplemental budget changes.

Page 16

Page F-135, Governor's recommendations changed at the budget activity level for supplemental budget changes.

Page F-135A, new Governor's initiative.

Department of Administration:

Page F-164, Agency budget Brief is revised for supplemental budget recommendations. The Governor's initiative for Electronic Commerce Services has been reduced by \$250.0 for FY 96 and \$250.0 for FY 97. The net effect to the general fund for the biennium is a reduction of \$(500.0).

Pages F-166 & F-167, Governor's recommendations changed at the agency level for supplemental budget changes and kind code error.

Pages F-197 & F-205, kind code change moves 911 funding from statutory to direct appropriations. No change in total dollars.

Pages F-234 & F-235, Governor's recommendations changed at the program level for revised supplemental budget changes.

Page F-237, Governor's recommendations changed at the budget activity level for revised supplemental budget changes.

Department of Employee Relations:

Page F-307, Agency Budget Brief is revised for supplemental budget recommendations. The Governor's initiative for Minnesota Quality College has been reduced to \$0.0 for FY 96 and \$0.0 for FY 97, and a second initiative has been added for WCRA Premium Adjustments which reflects reduced reinsurance premium costs of \$(300.0) for FY 96 and \$(250.0) for FY 97. The net effect to the general fund for the biennium is a reduction of \$(1,050.0).

Page F-309, Governor's recommendations changed at the agency level for revised supplemental budget changes. Includes a one-time appropriation of \$1,000.0 for FY 96 from the Health Care Access Fund to provide cash-flow reserves for the Minnesota Private Employers' Insurance Program.

Pages F-312, F-313 & F-314, Governor's recommendations changed at the program level for supplemental budget changes.

Page F-317, revised initiative page.

Pages F-318, F-319 & F-320, Governor's recommendations changed at the program level for supplemental budget changes.

Pages F-321A & F-321B, new Governor initiative pages.

Page 17

Department of Revenue:

Page F-325, Agency Budget Brief is revised for supplemental budget recommendations. The Governor's initiative for Business Process Investment has been reduced to \$0.0 for FY 96 and \$0.0 for FY 97. The net effect to the general fund for the biennium is a reduction of \$(2,072.0).

Pages F-330 & F-331, Governor's recommendations changed at the agency level for supplemental budget changes

Page F-334 & F-335, Governor's recommendations changed at the program level for supplemental budget changes.

Page F-347, Governor's initiative removed from the budget activity level.

Page F-348, blank page due to initiative removal from page F-347.

Page F-349, revised initiative page.

Amateur Sports Commission:

Page F-355, an omission to the budget was the state payment for the Target Center buyout. This amount was not encumbered in the current accounting system, so an error was not displayed as a FY 95 expenditure, nor budgeted as an open and standing payment for FY 96 and FY 97. This increases expenditures for the general fund by \$750.0 in FY 96, \$750.0 in FY 97 and like amounts for FY's 98 and 99. The net effect to the general fund for the biennium is an increased cost of \$1,500.0.

Public Employee Retirement Association:

Page F-473A, new Governor's initiative. A reduction in contribution rates to Police & Fire Fund administered by PERA saves the General Fund \$1,404.0 in FY 97. The net effect to the general fund for the biennium is a savings of \$1,404.0.

Transportation & Other Agencies:

Department of Transportation:

Page G-6, County State Aid was overstated by \$35,000.0 in FY 95. This change reflects the reduction of available funding.

Pages G-13 & G-14, agency level numbers pages, related to elimination of County State Aid due to overstatement by \$35,000.0 in FY 95, federal funds were reduced by \$6,000.0 in FY 95 and increased by \$500.0 for FY 96 and \$500.0 for FY 97 for railroads and waterways.

Page G-15, revised Base Reconciliation Report due to FY 95 fund changes.

Page G-39, reflects federal funding changes of \$(6,000.0) for FY 95, and +\$500.0 for FY 96

Page 18

and \$500.0 for FY 97 at the program level budget page for railroads and waterways.

Page G-40, the revenue receipts section is revised on the narrative page to reflect changes made.

Page G-41, federal aid was incorrectly pointed to railroads and waterways administrative budget activity rather than rail service improvement. This corrects the error and adds an additional \$500.0 each year for FY 96 & FY 97 at the budget activity level.

Page G-42, the revenue receipts section is revised on the narrative page to correct errors.

Page G-43, the budget activity level for railroads & waterways admin. which reflects federal funding changes of \$(6,000.0) for FY 95, and is the reduction side related to other federal dollars for FY 96 & FY 97 that were transferred to rail service improvement.

Page G-51, change related to County State Aid being overstated by \$35,000.0 in FY 95, this corrects the program level budget page.

Page G-53, change related to County State Aid being overstated by \$35,000.0 in FY 95, this corrects the budget activity page.

Department of Public Safety:

Page G-114, general fund Agency Budget Brief is revised for supplemental budget recommendations. A new Governor's initiative is added for adequate security for executive protection, \$159.0 in FY 96 and \$159.0 in FY 97. The Governor's initiative for the Criminal Justice Communications Network is reduced by \$(1,000.0) in FY 97. The net effect to the general fund for the biennium is a reduction of \$(682.0).

Page G-115, kind code error at the AID level that caused base expenditures to be reported as direct special revenue appropriations, when the numbers should have been displayed as statutory special revenue funding.

Pages G-120, G-121 & G-122, Governor's recommendations changed at the agency level for supplemental budget changes.

Page G-124 & G-125, program level changes to Governor's recommendations due to release of supplemental budget.

Page G-135, revised budget activity page due to reduction of the Criminal Justice Communications Network initiative.

Page G-137, revised Governor's initiative page.

Page G-139, revised program level page due to kind code error noted on page G-115.

Page 19

Page G-147, revised budget activity level page due to kind code error noted on page G-115.

Pages G-178 through G-180, program level changes to Governor's recommendations due to release of supplemental budget.

Page G-190 & G-191, revised budget activity narrative and numbers pages to explain new Governor's initiative included in supplemental budget.

Page G-191A, new budget initiative page.

Criminal Justice:

Department of Corrections:

Page H-124, Agency Budget Brief is revised for supplemental budget recommendations. The Governor's initiative for Preservation of Correctional Services has been reduced by \$(1,000.0) in FY 96. The net effect to the general fund for the biennium is a reduction of \$(1,000.0).

Pages H-126 & H-127, Governor's recommendations changed at the agency level for revised supplemental budget changes. Supplemental revisions adds \$375.0 of federal funding for FY 96 and \$713.0 for FY 97.

Pages H-180, H-181 & H-182, program level changes to Governor's recommendations due to release of supplemental budget. Changes relate to additional federal funds.

Page H-203, revised budget activity numbers pages to display new Governor's initiative for federal funds included in the supplemental budget.

Page H-206, revised Governor's initiative page.

Pages H-208 & H-209, program level changes to Governor's recommendations due to release of supplemental budget.

Page H-213, revised budget activity numbers page to display revised Governor's initiative.

Page H-215, revised budget initiative page.

Page H-220, narrative revision under Program Outcomes related to anticipated savings.

Sentencing Guidelines Commission:

Page H-241, this is an omission from the original budget submission. Inflation was allowed for small agencies; however, inadvertently missed for Sentencing Guidelines Commission. An accepted agency plan item of \$2.0 for FY 96 and \$4.0 for FY 97 increases the Governor's recommendations by these amounts. The net effect to the general fund for the biennium is an increased cost of \$6.0.

Errata and Supplemental Budget Changes
State & Local Finance Summary
Revenues
Local Aids & Credits

Pages 3 through 7, have been revised to provide current forecast and other updated information.

Page 9, the Governor has withdrawn the initiative for Environmental Tax Credit. The net effect to the general fund for the 1996-97 biennium is a revenue gain of \$2,000.0. The net effect to the general fund for the 1998-99 biennium is a revenue gain of \$2,000.0.

Page 10, the revenue estimates for the exemption of MNet purchases initiative have been revised. The effect on the budget is \$(250.0) for FY 96 and \$(250.0) for FY 97. The net effect to the general fund/Local Government Trust Fund for the biennium is a revenue loss of \$(500.0).

Page 11, the expenditures were correct in total, but not displayed from the correct funds for the County Homestead Block Grant Consolidation. Years 1997, 1998 & 1999 were displayed from the LGTF and should have been shown from the general fund. Revenues were also stated in error for FY 99 for the elimination of the Political Contribution Credit initiative. No change to the fund balance.

Page 12, a new Governor's budget initiative: changing Cambridge Bank refunds from refundable credit to a refund. This initiative would generate additional general fund receipts, otherwise lost, of \$3,000.0 for FY 96, \$3,000.0 for FY 97, \$3,000.0 for FY 98, and \$3,000.0 for FY 99. The net effect to the general fund for the 1996-97 biennium is a revenue gain of \$6,000.0.

Page 12A, a new Governor's budget initiative: the Governor recommends the issuance of revenue bonds to help fund the Cambridge Bank judgement. This initiative is a biennial savings of \$88 million relative to the current forecast.

Pages 60 & 61 have been revised to provide the Governor's February 1995 Price of Government recommendations.

**Errata to Executive Budget Summary
F.Y. 1996-97 Budget**

Please note the following corrections to the K-12 and Children's Department sections of the Executive Budget Summary for the FY 1996-97 biennial budget:

Page 18: Last sentence of the first paragraph should be corrected as follows: "Total revenues ~~per pupil~~ will increase 8.2%."

Last sentence in paragraph beginning with "A new program" should be corrected as follows: "As part of the \$10.5 million "Learner Improvement Program," the Governor's budget provides ~~\$10.5~~ \$5.5 million in F.Y. 1997 to districts to support demonstrated progress towards raising student achievement levels."

Page 28: The Total percent change for F.Y. 1996-97 over F.Y. 1994-95 in the Elementary and Secondary Education Funding table should be 8.2%, not 8.4%.

Page 31: The third sentence in the paragraph under the Results heading should be corrected as follows: "A new program of Funding for Results" will begin the move toward a performance based funding system, with ~~\$10.5~~ \$5.5 million to be distributed on a per pupil basis in F.Y. 1997 to districts that demonstrate progress towards raising student achievement levels."

Page 34. In the table Faribault Academies, General Fund transfer amount for F.Y. 1997 should be \$8,075.0, not \$7,083.0.

**Errata and Supplemental Budget Changes to Children and Family Services
F.Y. 1996-97 Budget**

Please note the following corrections to the Children and Family Services budget document. Corrections are made only on fiscal pages and in a narrative section. Corrections have not been made to the tables displayed in several narrative sections or the appendices.

- Page I-7: The F.Y. 1997 Governor's Recommendation for the Family and Community Services program should be \$135,597, not 134,208. The General Fund direct appropriations under sources of financing should be \$94,131, not 94,742. These changes reflect corrections explained below.
- Page I-13 Under Item 3 of the Governor's Recommendation the last sentence should be corrected as follows: The commissioner has discretion to contract with other agencies, such as the Department of Economic Security ~~Trade and Economic Development~~. as appropriate for this activity. CMI activities are conducted in the Department of Economic Security. The Department of Trade and Economic Development is not involved in this activity.
- Page I-19 The Governor's Recommendation for the Family and Community Services program for F.Y. 1997 should be: \$133,568, not 134,208. Under Governors Initiatives, the General Fund transfer from the Department of Human Services should be \$51,733, not \$53,160. These changes reflect the following corrections and supplemental recommendation: 1) The "Families First" program in the Department of Human Services, with a F.Y. 1997 appropriation of \$735,000, was transferred in error; 2) a total of \$19,000 of General Fund dollars in the Department of Human services Child Care Fund Entitlement Management activity was not transferred, in error; 3) \$721,000 is reduced due to other budget modifications; and 4) the Governor's supplemental budget recommendations for the General Fund include an additional F.Y. 1997 appropriation of \$816,000 for the "Part H" (Early Intervention Services for Infants and Toddlers with Disabilities) program. This "Part H" program is described on pages A-243 and A-244 of the Education Aids budget document. This recommendation was inadvertently omitted from he Governor's original recommendations.

EDUCATION AIDS PROGRAMS

PROGRAMS

ACTIVITIES

PAGE

GENERAL EDUCATION PROGRAM (01)

0101	General Education Program (Including Shared Time)	A-19
0102	Property Tax Revenue Recognition	A-39
0103	Transition to Accountability Aid	A-42A

PUPIL TRANSPORTATION PROGRAM (02)

0201	Transportation Program	A-45
0202	Miscellaneous Transportation Levies	A-53
0203	Postsecondary Enrollment Options Transportation	A-55
0204	School District Enrollment Options Transportation	A-59
0205	Transportation Safety-Pupil Transportation	A-63

SPECIAL PROGRAMS (03)

0301	Special Education - Regular	A-68
0302	Special Education - Special Pupil	A-87
0303	Special Education - Summer School	A-91
0304	Special Education - Home Based Travel	A-97
0305	Special Education - Excess Cost	A-101
0306	Limited English Proficiency	A-104
0307	Secondary Vocational - Students With Disabilities	A-108
0308	Special Education Levy Summary and Equalization Aid	A-112
0309	Secondary Vocational	A-117
0310	American Indian Language and Culture	A-121
0311	Indian Education	A-125
0312	Indian Postsecondary Preparation Program	A-129
0313	Indian Scholarships	A-133
0314	Indian Teacher Grants	A-137
0315	Tribal Contract Schools	A-141
0316	Tribal Contract Schools - ECFE	A-145
0317	Assurance of Mastery	A-149
0318	American Sign Language - Teacher Education	A-153

PROGRAMS**ACTIVITIES****PAGE****FEDERAL FLOW THROUGH PROGRAMS**

0319	Special Education - Individual with Disabilities	A-157
0320	Special Education - Preschool Incentive	A-159
0321	Special Education - Deaf/Blind	A-160
0322	Individuals with Disabilities in Residential Facilities	A-161
0323	Chapter 1 ECIA	A-162
0324	Learning Improvement Behavioral Intervention	A-167
0325	Migrant Education	A-168
0326	Transition Services for Youths with Disabilities	A-170
0327	Secondary Vocational	A-172
0328	Emergency Immigrant	A-175

COMMUNITY AND FAMILY EDUCATION (04)

0401	Community Education Program (Includes Youth Service)	A-179
0402	Extended Day	A-185
0403	Miscellaneous Community Service Levy	A-189
0404	Adult Basic Education	A-191
0405	Adults with Disabilities	A-197
0406	Adult Graduation Aid (Diploma Opportunities for Adults)	A-201
0407	Hearing Impaired Adults	A-204
0408	Early Childhood Family Education	A-206
0409	Early Childhood Screening	A-211
0410	Way To Grow	A-215
0411	Learning Readiness	A-219
0412	GED Test Reimbursement	A-223
0413	GED Coordination	A-226
0414	Alcohol-Impaired Driver Education	A-229
0415	Chemical Abuse Prevention Grants	A-231
0416	Ombudspersons	A-234
0417	Violence Prevention Grants (Includes Ch.326)	A-237
0418	Violence Prevention Councils	A-240
0419	Early Intervention Services for Infants and Toddlers with Disabilities (Part H)	A-243
0420	Family Services Collaboratives	A-246

PROGRAMS

ACTIVITIES

PAGE

FEDERAL FLOW-THROUGH PROGRAMS

0421	Infants and Toddlers - Part H	A-248
0422	Education for Homeless Children and Youth	A-250
0423	School Age Child Care - Dependent Care/Network Grants	A-251
0424	Drug Free Schools and Communities	A-253
0425	Serve America (Youth Service)	A-255
0426	AIDS Education	A-257
0427	Adult Basic Education	A-259

EDUCATION FACILITIES/EQUIPMENT (05)

0501	Capital Expenditures - Facilities	A-264
0502	Capital Expenditures - Equipment	A-268
0503	Capital Expenditures - Health and Safety	A-272
0504	Maximum Effort School Loan	A-277
0505	Desegregation Capital Improvements Grants (Information Only)	A-281
0506	Cooperative Secondary Facilities Grants (Information Only)	A-282
0507	Miscellaneous Capital Expenditure and Debt Services Levies	A-284
0508	Debt Service Equalization	A-286

EDUCATION ORGANIZATION/COOPERATION (06)

0601	Cooperation/Combination	A-294
0602	District Cooperation Revenue	A-298
0603	Consolidation Transition Aid	A-302
0604	Special Consolidation Aid	A-307
0605	Capital Facility Grants for C & C	A-311
0606	Transition Aid for Information Support	A-315

ACCESS TO EXCELLENCE (07)

0701	Area Learning Centers	A-321
0702	Summer Program Scholarships (HECB)	A-325
0703	Advance Placement and International Baccalaureate Grants	A-329
0704	ITV Levy Aid/Instructional Technology	A-335
0705	Educational Effectiveness	A-339
0706	Academic Excellence Foundation	A-343
0707	Environmental Education (MDE)	A-348
0708	Graduation Rule Acceleration	A-351
0709	School Improvement Incentive Grants	A-357

PROGRAMS**ACTIVITIES****PAGE****ACCESS TO EXCELLENCE (07) (Cont.)**

0710	School Restructuring Grants	A-360
0711	Staff Development Incentive	A-365
0712	Faculty Exchange Program	A-369
0713	Science and Math Initiative	A-373
0714	Institute of Advanced Teaching (MN Humanities Comm.)	A-378
0715	Technology Grants	A-383
0716	Educational Performance Improvement Grants	A-386
0717	Internet (InforMNs Project)	A-390
0718	Learner Improvement Revenue	A-391
0719	Charter School Start-Up	A-394
0727	Technology Access Initiative	A-396a

FEDERAL FLOW-THROUGH PROGRAMS

0720	Foreign Language Assistance	A-397
0721	NEH Articulate Language/Instruction	A-399
0722	Byrd Scholarship Program	A-401
0723	Framework in Arts	A-403
0724	Teacher Inservice Training	A-404
0725	Science/Math Internet Grant	A-406
0726	Goals 2000	A-408

OTHER EDUCATION PROGRAMS (08)

0801	School Lunch/Milk	A-418
0802	School Breakfast Program	A-413
0803	Summer Food Service Incentive	A-413
0804	Alternative Licensure, Minority Fellowship Grants (BdT)	A-422
0805	Teacher Mentorship (BdT)	A-426
0806	Minority Teacher Incentives	A-430
0807	Career Teacher Aid	A-434
0808	Teachers of Color Program	A-438
0809	Teacher Education Improvement - Residency (BdT)	A-442
0810	Integration Grants	A-446
0811	Rule Compliance Levy	A-449
0812	Nonpublic Pupil Aid	A-451
0813	Nonpublic Pupil Program Summary (Information Only)	A-455
0814	Abatement Aid and Levy	A-457

PROGRAMS**ACTIVITIES****PAGE****OTHER EDUCATION PROGRAMS (08) (Cont.)**

0815	Miscellaneous General Levies	A-461
0816	Youth Apprentice (Ch.335)	A-464
0817	Youth Works	A-467
0818	Cultural Exchange Program	A-472
0819	Site Grants - Coop Mentorship (BdT)	A-475
0820	Desegregation Office (MDE)	A-478
0821	Male Responsibility and Fathering Grants	A-482
0822	Magnet Schools and Program Block Grants	A-486
0823	Cross Cultural Initiatives	A-490
0824	Agriculture Education Specialist (MDE)	A-493
0825	Education and Employment Transitions System	A-496
0826	Teacher Certification	A-499

OTHER EDUCATION PROGRAMS (08)

0827	Nutrition Education Training	A-500
0828	School Lunch	A-502
0829	Special Milk	A-502
0830	School Breakfast	A-502
0831	Child and Adult Care Program	A-502
0832	Summer Food Service	A-502
0833	Food Distribution	A-502
0834	Consolidated Federal Programs (Block Grants)	A-506
0835	School to Work Opportunities	A-508
0836	Americorps	A-509
0837	Federal Impact Aid (Information Only)	A-511

PUBLIC LIBRARIES (10)

1001	Libraries - Basic Grants	A-516
1002	Libraries - Cooperative Grants	A-521
1003	Librarians of Color	A-525
1004	Children's Library Services Grants	A-527

FEDERAL FLOW-THROUGH PROGRAMS

1005	Public Library Aid	A-530
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DISCONTINUED/NONRECURRING PROGRAMS (11)

PROGRAMS

ACTIVITIES

PAGE

1100 State and Federal Categorical Aid Programs

A-533

EDUCATION AIDS APPROPRIATIONS
(\$ in 000s)

	ESTIMATED EXPENDITURES			GOVERNOR'S RECOMMENDATIONS		
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1994-95</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
A. STATE GENERAL FUND						
GENERAL EDUCATION						
01 General Education	\$1,950,208	\$1,983,471	\$3,938,800	\$1,920,252	\$2,117,822	\$4,096,580
03 Transition to Accountability Aid	0	0	0	29,164	29,342	58,506
TOTAL	\$1,950,208	\$1,988,592	\$3,938,800	\$1,949,416	\$2,147,164	\$4,042,108
PUPIL TRANSPORTATION						
01 Transportation Program	\$124,019	\$138,555	\$262,574	\$145,896	\$157,552	\$303,448
03 Postsecondary Options Transportation	55	62	117	72	80	152
04 School District Enroll Options Transportation	15	17	32	20	22	42
05 Transportation Safety - Pupil Transportation	0	2,085	2,085	2,522	2,633	5,155
TOTAL	\$124,089	\$140,719	\$264,808	\$148,510	\$160,287	\$308,797
SPECIAL PROGRAMS						
01 Special Education - Regular	\$195,063	\$211,211	\$406,274	\$192,018	\$195,390	\$388,409
02 Special Education - Special Pupil	277	465	742	470	479	435
03 Special Education - Summer School	4,658	4,931	9,589	4,222	4,291	8,524
04 Special Education - Home Based Travel	89	81	170	77	80	157
05 Special Education - Excess Cost	0	4,305	4,305	7,271	13,311	23,251
06 Limited English Proficiency	5,524	6,977	12,501	7,121	1,089	7,991
07 Sec. Vocational - Students with Disabilities	3,920	4,338	8,258	4,404	4,550	9,076
08 Special Ed. Levy Summary and Equalization Aid	15,318	19,265	34,583	17,884	18,000	35,459
09 Secondary Vocational	12,066	13,251	25,317	11,373	1,650	12,985
10 American Indian Language and Culture	591	591	1,182	515	502	1,017
11 Indian Education	175	175	350	152	148	300
12 Indian Postsecondary Preparation Program	857	857	1,714	738	738	1,476
13 Indian Scholarships	1,538	1,662	3,200	1,378	1,378	2,756
14 Indian Teacher Grants	183	197	380	163	163	326
15 Tribal Contract Schools	14	110	124	238	361	791
16 Tribal Contract Schools - ECFE	68	68	136	58	58	116
17 Assurance of Mastery	12,500	13,255	25,755	11,023	1,596	12,555
18 AmerSignLang - Tchr Ed Hearing	25	35	60	13	12	25
TOTAL	\$252,866	\$281,774	\$534,640	\$259,118	\$243,796	\$502,914

		ESTIMATED EXPENDITURES			GOVERNOR'S RECOMMENDATIONS		
		F.Y. 1994	F.Y. 1995	F.Y. 1994-95	F.Y. 1996	F.Y. 1997	F.Y. 1996-97
COMMUNITY AND FAMILY EDUCATION							
01	Community Education (includes Youth Service Ch. 146)	\$2,990	\$3,301	\$6,291	\$2,826	\$1,651	\$3,672
02	Extended Day	0	328	328	58	0	58
04	Adult Basic Education	8,590	10,522	19,112	8,374	8,374	16,748
05	Adults with Disabilities	670	674	1,344	577	577	1,154
06	Adult Graduation Aid (Diploma Opportunities for Adults)	2,021	2,509	4,530	1,866	2,000	3,866
07	Hearing Impaired Adults	70	70	140	60	60	120
08	Early Childhood Family Education	13,494	14,195	27,689	14,224	13,838	28,062
09	Early Childhood Screening	1,578	1,550	3,128	1,352	1,317	2,669
10	Way To Grow	475	475	950	409	409	818
11	Learning Readiness	9,485	9,515	19,000	9,506	9,505	19,009
12	GED Test Reimbursement	99	180	279	126	126	252
13	GED Coordination	60	60	120	52	52	104
16	Ombudspersons	80	0	80	33	36	69
17	Violence Prevention Grants (includes Chap. 326)	2,500	1,500	4,000	1,500	1,500	3,000
18	Violence Prevention Councils	200	200	400	0	0	0
19	Interagency Early Intervention - Part H	0	0	0	0	400	400
20	Family Services Collaboratives	0	0	0	3,500	4,000	7,500
TOTAL		\$42,312	\$45,079	\$87,391	\$44,463	\$43,845	\$88,308
EDUCATION FACILITIES/EQUIPMENT							
01	Capital Expend - Facilities	\$71,775	\$74,601	\$146,376	\$70,158	\$71,224	\$141,382
02	Capital Expend - Equipment	35,308	38,204	73,512	39,047	39,694	78,741
03	Capital Expend - Health and Safety	9,562	16,929	26,491	15,185	12,220	27,405
04	Deseg. Capital Improvements Grants (Info only)						
08	Debt Service Equalization	17,161	27,527	44,688	30,054	29,963	60,017
TOTAL		\$133,806	\$157,261	\$291,067	\$154,444	\$153,101	\$307,545
EDUCATION ORGANIZATION/COOPERATION							
01	Cooperation/Combination	\$3,769	\$3,902	\$7,671	\$3,297	\$1,973	\$5,270
02	District Cooperation Revenue	0	11,987	11,987	11,835	1,715	13,550
03	Consolidation Transition Aid	0	442	442	834	1,027	1,861
04	Special Consolidation Aid	0	82	82	75	40	115
05	Capital Facility Grants for C&C	0	500	500	408	0	408
06	Transition Aid for Information Support	0	800	800	500	250	750
TOTAL		\$3,769	\$17,713	\$21,482	\$16,949	\$5,005	\$21,954

ESTIMATED EXPENDITURES
F.Y. 1994 F.Y. 1995 F.Y. 1994-95

GOVERNOR'S RECOMMENDATIONS
F.Y. 1996 F.Y. 1997 F.Y. 1996-97

ACCESS TO EXCELLENCE

01	Area Learning Centers	\$150	\$150	\$300	\$0	\$0	\$0
02	Summer Program Scholarships (HECB)	198	214	412	0	0	0
03	Adv. Placement & Int'l Baccalaureate Grants	197	923	1,120	0	0	0
04	ITV Levy /Instructional Technology	0	2,749	2,749	2,573	6,819	9,392
05	Educational Effectiveness	868	870	1,738	749	749	1,498
06	Academic Excellence Foundation	469	575	1,044	452	452	904
07	Environmental Education (MDE)	30	30	60	0	0	0
08	Graduation Rule Acceleration	4,025	5,975	10,000	10,000	5,000	15,000
09	School Improvement Incentive Grants	125	125	250	0	0	0
10	School Restructuring Grants - Models	0	750	750	0	0	0
11	Staff Development Incentive	0	24	24	0	0	0
12	Faculty Exchange Program	0	75	75	0	0	0
13	Mathematics-Science Grant	295	2,705	3,000	1,292	1,292	2,584
14	Inst. Adv Tchg (Minnesota Hum. Commission)	325	325	650	0	0	0
15	Technology Grants	0	1,600	1,600	0	0	0
16	Educational Performance Improvement Grants	0	800	800	0	0	0
17	Internet (InforMNs Project)	200	200	400	200	200	400
18	Learner Improvement Revenue				0	10,051	10,051
19	Charter School Start-up	0.0	0.0	0.0	100	100	200
27	Technology Initiative				5,000	5,000	10,000
TOTAL		\$6,882	\$18,090	\$24,972	\$20,366	\$29,663	\$50,029

OTHER EDUCATION PROGRAMS

01	School Lunch/Milk Program	\$6,525.00	\$6,525.00	\$13,050.00	5,617	5,617	11,234
02	School Breakfast	200	400	600	344	344	688
03	Summer Food Service	0	30	30	13	13	26
04	Alternative Preparation Licensing, Minority Fellowship Grants	100	150	250	0	0	0
05	Teacher Mentorship (Bd T)	318	362	680	0	0	0
06	Minority Teacher Incentives	288	312	600	0	0	0
07	Career Teacher Aid	196	54	250	0	0	0
08	Teacher of Color Program	300	500	800	0	0	0
09	Teacher Education Improvement - Residency	21	579	600	0	0	0
10	Integration Grants	18,844	18,844	37,688	16,222	16,222	32,444
11	Rule Compliance Levy	0	0	0	0	0	0
12	Nonpublic Pupil Aid	8,243	9,696	17,939	8,447	8,229	16,676

		ESTIMATED EXPENDITURES			GOVERNOR'S RECOMMENDATIONS		
		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1994-95</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
13	Nonpublic Pupil Program Summary (Info only)						
14	Abatement Aid and Levy	14,518	23,615	38,133	22541	9605	32,146
15	Miscellaneous General Levies						
16	Youth Apprentice (Chap. 335) M.S. 126B.05	517	483	1,000	0	0	0
17	YouthWorks - Council, Grants, Match, Admin (Chap. 146)	127	4,031	4,158	1,813	1,813	3,626
18	Cultural Exchange Program	0	142	142	0	0	0
19	Site Grants - Coop Mentor- Alt Licensure (BdT)	0	100	100	0	0	0
20	Desegregation Office - MDE	0	150	150	129	129	258
21	Male Responsibility & Fathering Grants	0	500	500	0	0	0
22	Magnet Schools and Program Grants	0	1,500	1,500	2,302	2,302	4,604
23	Cross Cultural Initiatives (SBE)	1	134	135	0	0	0
24	Agriculture Education Specialist (MDE)	35	35	70	0	0	0
25	Education and Employment Transitions System (Info only)						
26	Teacher Certification (Info only)						
TOTAL		\$50,233	\$68,142	\$118,375	\$57,428	\$44,274	\$101,702
PUBLIC LIBRARIES							
01	Libraries - Basic Grants	\$7,819	\$7,819	\$15,638	7,037	6,334	13,371
02	Libraries - Cooperative Grants	527	527	1,054	474	427	901
03	Librarians of Color	0	55	55	48	48	96
04	Children's Library Services Grants	0	50	50	43	43	86
TOTAL		\$8,346	\$8,451	\$16,797	\$7,602	\$6,852	\$14,454
TOTAL STATE GENERAL FUND		\$2,572,511	\$2,725,821	\$5,298,332	\$2,658,296	\$2,833,987	\$5,492,283

B. OTHER STATE FUNDS

ENVIRONMENTAL TRUST (Fund 03)

DISCONTINUED/NONRECURRING

20	Environmental Projects (LCMR)	\$369	\$810	\$1,179	--	--	--
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MINNESOTA RESOURCES (Fund 13)

DISCONTINUED/NONRECURRING

20	Environmental Projects (LCMR)	0	726	\$726	--	--	--
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		ESTIMATED EXPENDITURES			GOVERNOR'S RECOMMENDATIONS		
		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1994-95</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
SCHOOL ENDOWMENT (Fund 20)							
GENERAL EDUCATION							
01	General Education	33,772	32,000	\$65,772	\$32,500	\$32,500	\$65,000
SPECIAL REVENUE (Fund 21)							
COMMUNITY AND FAMILY EDUCATION							
14	Alcohol-Impaired Driver Education	314	314	\$628	314	314	\$628.0
15	Chemical Abuse Prevention Grants	142	290	\$432	200	200	\$400.0
ACCESS TO EXCELLENCE							
08	Graduation Rule Acceleration	188	188	\$376	188	188	\$376.0
TOTAL OTHER STATE FUNDS		\$34,785	\$34,328	\$69,113	\$33,202	\$33,202	\$66,404

Appropriation data shown for F.Y. 1994 and F.Y. 1995 are actual or estimated expenditures during the year, including both prior year adjustment and current year payments. For many aid programs, the current year payments are based on 85% of the estimated annual aid entitlement for the current year. The final adjustment payments made in the following year are based on 100% of the actual aid entitlement computed using school district end-of-year data, minus the 85% current year payments. The expenditure amounts shown by program may not equal the direct appropriations provided in law due to cancellations, balance forwards, or transfers from programs with excess appropriations to programs with deficient appropriations. The Governor's recommendations for F.Y. 1996 and F.Y. 1997 are also shown on the 85-15% funding basis.

EDUCATION AIDS APPROPRIATIONS

(\$ in 000s)

ESTIMATED EXPENDITURES

	F.Y. 1994	F.Y. 1995	F.Y. 1994-95
DISCONTINUED/NONRECURRING PROGRAMS			
13 Spec. Ed. - Residential	\$2,616	n.a.	\$2,616
14 Regional Mgmt Information Centers	3275	n.a.	3,275
15 Individualized Learning and Development	2403	n.a.	2,403
16 ECSU Aid	733	\$110	843
17 Sec. Vocational Cooperatives	142	24	166
18 Nett Lake Insurance/Unemployment	26	50	76
19 Education in Agriculture Leadership	21	29	50
20 Environmental Projects (LCMR)	1540	2	1,542
21 Spec. Ed. - Advisory Councils	15	n.a.	15
22 North Branch Community School	200	n.a.	200
23 ECFE - Home Visiting	450	n.a.	450
24 Local Collaboratives	4470	n.a.	4,470
25 Library Demonstration Grant	30	n.a.	30
26 Coop. Sec. Facility Planning	100	n.a.	100
27 Facility Collaboration Planning Grant #2580	50	n.a.	50
28 Metro Deaf Transportation	21	68	89
29 Mountain Iron-Buhl Grant	75	75	150
30 AmerSignLang- Proficiency Evaluation	12	10	22
31 PASS/Arts Grants (MCAE)	387	421	808
32 Richfield Grant	n.a.	500	500
33 Warroad Grant	n.a.	50	50
34 Additional General Education Aid	n.a.	15550	15,550
35 Task Force on Disabilities	n.a.	25	25
36 Student Suspensions and Expulsions Study	n.a.	40	40
37 Student Survey	n.a.	150	150
38 Violence Prevention Education (Chap. 576)	n.a.	999	999
39 Violence Prevention High Risk Youths (Chap. 576)	n.a.	2200	2,200
40 Local Grass Roots Collaboration	n.a.	100	100
41 Truancy Project (Chap. 576)	n.a.	100	100
42 Learning Readiness (Laws 94 Chap. 576)	n.a.	1500	1,500
43 Facility Planning Grant Lakefield et. al.	n.a.	100	100
44 Facility Planning Grant - N. St. Paul et. al.	n.a.	100	100
45 ITV Grants - Districts in Scott/Carver Cos.	n.a.	189	189
46 ITV Grant - Cromwell	n.a.	125	125
47 Time and Technology Grant - Cloquet	n.a.	83	83
48 Coalition for Education Reform and Accountability	n.a.	50	50
49 Low Income Concentration Grant	n.a.	1000	1,000
50 Free Breakfast Grants	n.a.	167	167
51 Nett Lake Youth Program	n.a.	25	25
52 Red Lake Multicultural Grant	n.a.	69	69
53 Sexuality and Family Life Survey	n.a.	25	25
54 Burnsville Facility Grant	n.a.	500	500
TOTAL	\$16,566	\$24,436	\$41,002

AGENCY: Education Aids

FEDERAL FUNDS

(\$ in 000s)

		<u>Estimated Expenditures</u>		<u>Governor's Recommendation</u>	
		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
C. FEDERAL PROGRAMS					
0319	Spec.Ed.Disabled	34,034	34,476	34,476	34,476
0320	Spec.Ed.Preschool	7,117	7,024	7,024	7,024
0321	Spec.Ed.Deaf/Blind	207	214	214	214
0322	Disabled/Residential Facilities	1,178	436	436	436
0323	Chapter 1 ECIA	83,141	79,862	79,862	79,862
0324	Behavioral Intervention	207	117	117	
0325	Migrant Education	1,857	1,570	1,570	1,570
0326	Transition - Disabled Youths	426	337	337	
0327	Secondary Vocational	4,451	5,473	5,473	5,473
0328	Emergency Immigrant	296	170	170	
0421	Part H - Infant and Toddlers	1,124	3,202	3,202	3,202
0422	Homeless Children and Adults	264	257	257	257
0423	School Age Child Care-Dependent Care	445	664	664	664
0424	Drug Free Schools & Communities	8,914	6,239	6,239	6,239
0425	Serve America (Youth Service)	389	520	520	520
0426	AIDS/HIV/STD Education	26	27	27	27
0427	Adult Basic Education	3,108	3,016	3,016	3,016
0720	Foreign Language Assistance	209	218	218	218
0721	NEH Articulate Language - FIPS	89	152	152	152
0722	Byrd Scholarship Program	174	351	351	351
0723	Framework in Arts	256	256	256	
0724	Teacher Inservice Training	4,025	2,526	2,526	2,526
0725	Sci/Math Internet Grant		65	65	65
0726	Goals 2000		710	9,000	9,000
0827	Nutrition Education Training	47	36	36	36
0828	School Lunch	58,384	58,175	58,175	58,175
0829	Special Milk	905	844	844	844
0830	School Breakfast	8,627	7,959	7,959	7,959
0831	Child Care Food	59,202	55,977	55,977	55,977
0832	Summer Food Service	2,196	1,734	1,734	1,734
0833	Food Distribution				
0834	Consolidated Programs (Block Grant)	8,643	5,572	5,572	5,572
0835	School - Work Opportunities		270	2,000	2,000
0836	Americorps		1,225	1,225	1,225
1005	Public Library Aid	1,846	2,058	2,058	2,058
	TOTAL	291,491	281,858	291,752	291,042

AGENCY: EDUCATION AIDS

SCHOOL DISTRICT GROSS CERTIFIED LEVIES

(\$ IN 000s)

Program Category	----- HISTORICAL LEVIES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y. 1994	F.Y. 1995	BIENNIUM	F.Y. 1996	F.Y. 1997	BIENNIUM
Calendar Year of Levy	Pay 1993	Pay 1994		Pay 1995	Pay 1996	
01 GENERAL EDUCATION						
01 General Education	\$971,794.7	\$1,044,199.2	\$2,015,993.9	\$1,054,918.3	\$1,235,089.7	\$2,290,008.0
01 Training and Experience	23,243.2	35,838.3	59,081.5	44,824.7	0.0	44,824.7
01 Supplemental	7,994.0	2,268.3	10,262.3	2,240.4	2,480.1	4,720.5
01 Referendum	276,383.1	187,484.1	463,867.2	187,300.0	208,116.4	395,416.4
-- Limitation Adjustments	(2,202.3)	(847.0)	(3,049.3)	(467.9)	(1,409.1)	(1,877.0)
TOTAL	\$1,277,212.7	\$1,268,942.9	\$2,546,155.6	\$1,288,815.5	\$1,444,277.1	\$2,733,092.6
02 PUPIL TRANSPORTATION						
01 Basic	\$67,642.5	\$67,236.9	\$134,879.4	\$65,666.0	\$66,802.4	\$132,468.4
01 Nonregular	28,078.8	26,137.0	54,215.8	29,111.0	30,751.6	59,862.6
01 Contracts	7,404.5	7,981.7	15,386.2	8,148.1	7,874.6	16,022.7
01 Excess	22,150.9	25,461.0	47,611.9	26,466.5	5,576.6	32,043.1
02 Late Activity Bus	1,953.0	1,985.3	3,938.3	2,998.8	610.4	3,609.2
02 Bus Purchase	5,808.1	6,477.2	12,285.3	6,116.2	6,299.7	12,415.9
02 Leased Facilities	0.0	0.0	0.0	0.0	0.0	0.0
03 Postsecondary	163.6	182.1	345.7	124.5	182.1	306.6
-- Limitation Adjustments	662.0	(3,469.8)	(2,807.8)	(1,219.1)	(2,178.3)	(3,397.4)
TOTAL	\$133,863.4	\$131,991.4	\$265,854.8	\$137,412.0	\$115,919.1	\$253,331.1
03 SPECIAL PROGRAMS						
08 Special Education Current Year	\$77,439.0	\$84,584.9	\$162,023.9	\$133,952.9	\$121,617.5	\$255,570.4
-- Limitation Adjustments	21,436.4	15,692.8	37,129.2	8,599.8	3,036.8	11,636.6
TOTAL	\$98,875.4	\$100,277.7	\$199,153.1	\$142,552.7	\$124,654.3	\$267,207.0
04 COMMUNITY AND FAMILY EDUCATION						
01 Community Education Basic	\$26,690.8	\$32,622.9	\$59,313.7	\$33,808.3	\$27,466.6	\$61,274.9
02 Extended Day-Disabled	1,901.8	2,277.9	4,179.7	2,311.8	0.0	2,311.8

03 Grandfather	648.4	645.8	1,294.2	590.3	0.0	590.3
03 ECFE Home Visiting	0.0	405.1	405.1	440.0	450.0	890.0
04 Adult Education Basic	5,899.5	3,348.7	9,248.2	3,397.9	3,568.9	6,966.8
05 Adults with Disabilities	635.9	664.2	1,300.1	637.8	577.0	1,214.8
08 Early Childhood Family Education	17,537.9	17,636.9	35,174.8	18,090.6	18,804.5	36,895.1
-- Limitation Adjustments	116.4	113.8	230.2	45.8	(15.2)	30.6
TOTAL	\$53,430.7	\$57,715.3	\$111,146.0	\$59,322.5	\$50,851.8	\$110,174.3

05 EDUCATION FACILITIES/EQUIPMENT

01 Facilities - Capital	\$40,663.6	\$42,452.5	\$83,116.1	\$42,943.8	\$43,055.9	\$130,932.5
02 Equipment - Capital	19,839.6	20,647.8	40,487.4	22,413.2	22,519.6	130,932.5
03 Health and Safety	57,423.3	23,251.3	80,674.6	32,312.4	32,681.1	64,993.5
07 Building Lease	8,715.1	10,036.6	18,751.7	12,163.2	12,528.1	24,691.3
07 Building Construction Down Payment	1,037.6	1,097.7	2,135.3	785.8	1,157.7	1,943.5
07 Cooperative Building Repair	0.0	12.0	12.0	0.0	12.0	12.0
07 Disabled Access	17,645.8	14,160.2	31,806.0	7,536.6	8,000.0	15,536.6
07 Consolidation/Transition (Cap Exp)	51.4	0.0	51.4	225.9	185.0	410.9
07 Alternative Facilities	0.0	5,400.0	5,400.0	5,900.0	6,077.0	11,977.0
08 Debt Service and Equalization	200,452.8	221,718.5	422,171.3	240,691.7	267,730.0	508,421.7
08 Debt Service Facilities	10.0	3.0	13.0	0.0	0.0	0.0
08 Debt Service Equipment	269.7	257.1	526.8	650.6	800.0	1,450.6
08 Coop Secondary Facilities Debt	1,532.0	971.1	2,503.1	1,714.2	300.0	2,014.2
08 Lease Purchase *	6,062.4	7,373.2	13,435.6	12,178.6	15,000.0	27,178.6
08 Energy Conservation *	3,754.8	4,404.9	8,159.7	3,985.6	3,600.0	7,585.6
08 Alternative Facilities Debt	0.0	13,936.7	13,748.0	15,000.0	28,748.0	
08 Debt Excess Levy	(10,169.8)	(6,366.1)	(16,535.9)	(10,005.8)	(10,000.0)	(20,005.8)
-- Limitation Adjustments	(14,142.3)	(12,966.6)	(27,108.9)	(6,827.8)	(780.0)	(7,607.8)
TOTAL	\$333,146.0	\$346,389.9	\$679,535.9	\$380,416.0	\$417,866.4	\$798,282.4

06 EDUCATION ORGANIZATION/COOPERATION

01 Cooperation/Combination	1,827.8	1,793.2	3,621.0	\$2,065.5	\$1,675.5	\$3,741.0
02 District Cooperation	0.0	23,882.6	23,882.6	47,240.8	50,927.4	98,168.2
03 Consolidation/Transition (Retirement)	0.0	0.0	0.0	37.6	190.0	227.6
-- Education Districts	\$13,024.0	\$0.0	\$13,024.0	0.0	0.0	0.0
-- Sec. Vocational Cooperatives	830.0	0.0	830.0	0.0	0.0	0.0
-- Interdistrict Cooperation	1,626.7	0.0	1,626.7	0.0	0.0	0.0
-- Intermediate Districts	15,096.5	15,462.0	30,558.5	0.0	0.0	0.0
-- Big District Cooperation	6,341.4	0.0	6,341.4	0.0	0.0	0.0

REVISED 2-28-95

PAGE A-13

-- Ed District/Voc Coop Additional Levy	2,058.0	1,819.3	3,877.3	0.0	0.0	0.0
-- Intermediate Formula Change	2,220.5	0.0	2,220.5	0.0	0.0	0.0
-- Limitation Adjustments	30.2	(226.6)	(196.4)	18,252.4	0.0	18,252.4
TOTAL	\$43,055.1	\$42,730.5	\$85,785.6	\$67,596.3	\$52,792.9	\$120,389.2

07 ACCESS TO EXCELLENCE

04 Interactive TV	3,122.4	1,494.5	4,616.9	1,713.9	5,956.0	7,669.9
10 School Restructuring	0.0	106.8	106.8	354.5	0.0	354.5
11 Staff Development	0.0	6.4	6.4	5.0	0.0	5.0
TOTAL	3,122.4	1,607.7	\$4,730.1	2,073.4	5,956.0	\$8,029.4

08 OTHER EDUCATION PROGRAMS

11 Desegregation	\$14,624.9	\$19,191.4	\$33,816.3	\$19,936.6	\$20,936.3	\$40,872.9
14 Abatement	25,421.0	15,768.8	41,189.8	35,495.9	10,074.0	45,569.9
15 Unemployment Insurance	5,569.7	5,759.1	11,328.8	5,091.4	5,100.0	10,191.4
15 Statutory Operating Debt	134.0	131.9	265.9	53.6	38.0	91.6
15 Operating Debt	600.9	1,176.6	1,777.5	1,156.9	0.0	1,156.9
15 Judgment	246.0	259.3	505.3	326.2	340.0	666.2
15 State Audit	14.3	0.0	14.3	0.0	0.0	0.0
15 Health Insurance Levy	709.4	5,826.4	6,535.8	5,897.7	5,900.0	11,797.7
15 Health Benefits Levy	8,062.9	8,189.4	16,252.3	7,761.1	0.0	7,761.1
15 Minneapolis Retirement	3,134.9	2,364.1	5,499.0	1,159.2	959.1	2,118.3
15 Additional Retirement	0.0	1,600.0	1,600.0	2,350.0	3,600.0	5,950.0
15 Minneapolis Health Insurance	0.0	266.4	266.4	0.0	276.0	276.0
15 St. Paul Severance	408.6	378.9	787.5	0.0	0.0	0.0
15 Crime Levy	3,482.9	3,382.3	6,865.2	3,638.5	3,817.1	7,455.6
15 Ice Arena Levy	167.5	205.0	372.5	188.4	0.0	188.4
15 Reorganization Operating Debt Levy	289.9	414.6	704.5	621.9	813.0	1,434.9
15 Severance Levies	91.0	473.2	564.2	1,086.2	1,050.0	2,136.2
15 Consolidation/Transition Levies	134.8	197.4	332.2	494.6	405.0	899.6
15 Outplacement Levy	0.0	41.8	41.8	18.4	0.0	18.4
-- Low Fund Balance	1,016.3	0.0	1,016.3	0.0	0.0	0.0
-- Tech College Merger --Service Fees	1,336.0	835.2	2,171.2	346.8	0.0	346.8
-- Limitation Adjustments	(5,034.3)	(1,302.9)	(6,337.2)	(2,990.0)	(2,417.8)	(5,407.8)
TOTAL	\$60,410.7	\$65,158.9	\$125,569.6	\$82,633.4	\$50,890.7	\$133,524.1

OTHER LEVIES AND ADJUSTMENTS

Technical College Levies	1,723.1	591.0	\$2,314.1	\$67.4	\$0.0	\$67.4
Taconite Adjustments	(\$11,261.5)	(\$10,865.2)	(\$22,126.7)	(10,916.6)	(11,212.9)	(\$22,129.5)
HACA	(189,257.6)	(144,418.3)	(333,675.9)	(145,688.6)	(145,688.6)	(291,377.2)
GRAND TOTAL CERTIFIED LEVIES	\$1,804,320.4	\$1,860,121.8	3,664,442.2	\$2,004,284.0	\$2,106,306.8	4,110,590.8
SUMMARY BY MAJOR TYPE OF LEVY						
Operating Fund Levies	\$1,669,970.4	\$1,668,424.4	\$3,338,394.8	\$1,780,405.8	\$1,845,341.9	\$3,625,747.7
Nonoperating Fund Levies	333,146.0	346,389.9	679,535.9	380,416.0	417,866.4	798,282.4
School District Revenue	\$2,003,116.4	\$2,014,814.3	\$4,017,930.7	\$2,160,821.8	\$2,263,208.3	\$4,424,030.1
Homestead Credit Adjustment-PERA	(2,990.3)	(2,990.3)	(5,980.6)	(2,990.3)	(2,990.3)	(5,980.6)
Int-Homestead Credit Adjustment-PERA	(133.7)	(133.7)	(267.4)	(133.7)	(133.7)	(267.4)
Statutory Operating Debt	(134.0)	(131.9)	(265.9)	(53.6)	(38.0)	(91.6)
TOTAL LEVY REVENUE	\$1,999,858.4	\$2,011,558.4	4,011,416.8	\$2,157,644.2	\$2,260,046.3	4,417,690.5

* Starting with 93 Payable 94 these components are debt service levy components.

NOTE: Levy data shown for F.Y. 1994 and F.Y. 1995 are actual amounts certified by school districts based on district estimates of pupil units, expenditures, and other factors driving levy limitations. Limitation adjustments based on actual data are shown in the year that the adjustments are certified. Levy data shown for F.Y. 1996 are estimated certified levies based on actual levy limitations and projected certification percentages. Levy data shown for F.Y. 1997 are estimated certified levies based on formulas recommended by the Governor, extrapolation of levy trends from recent years, and estimated 1994 adjusted net tax capacities.

The amounts shown may differ from the amounts reported on the individual program budgets, as the amounts reported in the individual program budgets are based on the latest Minnesota Department of Education estimates of final levy authority, including adjustments based on final expenditure and pupil unit data.

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GENERAL EDUCATION PROGRAMS (01)

State Aid Programs	<u>Page</u>
0101 General Education Program (Including Shared Time)	A-19
0102 Property Tax Revenue Recognition	A-39
0103 Transition to Accountability Aid	A-42a

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1996-97 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Education Aids

0101 GENERAL EDUCATION PROGRAM
(Continuation)

3. Starting in 1993-94, each district must set aside a certain amount to reduce elementary class sizes. The restricted amounts are:

For 1993-94: \$ 91.50 per ADM for grades 1-6, and half of this per kindergarten ADM.
For 1994-95 and after: \$ 189.00 per ADM for grades 1-6, and half of this per kindergarten ADM.

These restrictions equal the additional basic revenue created by increasing the kindergarten and elementary pupil weights from their 1992-93 values of 0.50 and 1.00.

E. REPLACEMENTS OF GENERAL EDUCATION REVENUE

A district's general education revenue is reduced by the amount that it receives from the following sources:

1. The School Endowment Fund

The School Endowment Fund is apportioned twice a year to all districts on the basis of the previous year's average daily membership (M.S. 124.09.) The School Endowment Fund distributes money that is transferred to it from the Permanent School Fund, which generates revenue from its holdings of real property.

If a district receives no general education aid because it is off the formula, the amount it receives from the Endowment School Fund is subtracted from other state revenues provided to the district.

2. County Apportionment Deduction

School districts receive revenue from the apportionment of certain county receipts (M.S. 124.10). This revenue is derived from penalties on real estate taxes, taxes on transmission and distribution lines, liquor license fees, fines, and other sources.

For districts on the formula, this revenue is deducted from general education aid. For districts off the formula, it is deducted from the general education levy.

3. Taconite Aid

Certain districts receive a portion of the state's revenue from various taconite taxes (M.S. 294.21-294.28, Chap. 298). The general education revenue of these districts is reduced by an equal amount. The general education levy is reduced by a minimum of 50% of the second previous year's taconite receipts. The remaining reduction is taken from general education aid.

PROGRAM STATUS:

Program statistics are shown in Tables 1-1 and 1-2.

BUDGET ISSUES:

A. CHALLENGES:

- Due to economic and demographic factors, projected spending growth under current statutory formulas will significantly exceed projected revenue growth for the next several bienniums.
- The complexity of the current education funding system limits public understanding and involvement.
- Minnesota districts face differing challenges. Priorities in districts vary based on their needs.
- Districts face challenges in terms of how to provide efficient, high quality service for students and their families given limited growth of resources.

B. STRATEGIES:

- To increase public understanding and accountability, the education funding system should be simplified and focused more on results.
- To maximize efficiency and effectiveness, decisions on the use of resources should be made as close to the learner as possible.
- Districts need enhanced flexibility to meet learner needs if they are to be held accountable for results.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$2,204,256 for F.Y. 1996 and \$2,181,740 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$1,920,252 in F.Y. 1996 (\$301,965 for F.Y. 1995 and \$1,618,287 for F.Y. 1996), and \$2,117,822 in F.Y. 1997 (\$313,985 for F.Y. 1996 and \$1,803,837 for F.Y. 1997).

The Governor recommends the following modifications in the General Education Program:

1. Increase the formula allowance to \$3,220 for F.Y. 1996 and to \$3,240 for F.Y. 1997.
2. Beginning in F.Y. 1996, change the referendum/supplemental allowance reduction such that the reduction does not increase as the formula allowance increases. Beginning in F.Y. 1997, freeze

1996-97 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Education Aids

0101 GENERAL EDUCATION PROGRAM
(Continuation)

the referendum/supplemental allowance reduction at the F.Y. 1996 level.

3. Beginning in F.Y. 1996, repeal the mandate requiring school districts to reserve a portion of general education revenue for class size reduction and the associated pupil unit weightings. Weight kindergarten pupils at 0.5 and elementary pupils at 1.0.
4. Beginning in F.Y. 1996, repeal the mandate requiring school districts to reserve a portion of general education revenue for staff development and parent involvement.
5. Beginning in F.Y. 1996, repeal the mandate requiring school districts to transfer a portion of general education revenue to the community service fund for the employer contributions for teacher retirement and FICA for teacher retirement association members paid from the community service fund.
6. Beginning in F.Y. 1996, permit school districts to permanently transfer money from the general fund to the equipment account in the capital expenditure fund.
7. Beginning in F.Y. 1997, repeal the reduction to general education revenue for school districts maintaining fund balances exceeding 25% of the formula allowance.
8. Beginning in F.Y. 1996, repeal the January 15 contract deadline and penalty.

These changes will increase school district flexibility to manage resources in the manner determined locally to be most effective for improving student performance.

9. Beginning in F.Y. 1997, combine the compensatory, assurance of mastery and limited English proficiency (LEP) revenues, (together with federal Chapter/Title I funds), to form a new learning gap block grant. Define learning gap pupil units as the sum of AFDC pupil units and LEP pupil units. Add an additional weighting of 0.03 for each AFDC pupil. Compute LEP pupil units as 0.18 times the district's LEP enrollment, with a minimum of 1 LEP pupil unit for a district enrolling LEP pupils. Compute learning gap revenue as the sum of \$4 times actual pupil units plus the formula allowance times learning gap pupil units. Require that learning gap revenue be used for compensatory education programs.

This block grant will target compensatory education revenues to school districts with the greatest needs, and will provide districts with greater flexibility to manage resources in the manner determined locally to be most effective for closing the learning gap.

10. Beginning in F.Y. 1997, equalize referendum levies spread on referendum market value based on the school district's referendum market value per pupil unit. Set the equalizing factor for levies spread on referendum market value at \$476,000 per pupil unit.

This will make the equalization method for market value referendum levies consistent with the tax base on which the levies are spread.

11. Beginning in F.Y. 1997, equalize referendum levies spread on tax capacity using an equalizing factor of \$9,415 per pupil unit.

This will stabilize the state and local shares of referendum revenue as changes are made in pupil unit weightings, the formula allowance, and the general education levy target.

12. Beginning in F.Y. 1997, fully fund training and experience revenue from state aid, eliminating the separate training and experience levy.

This will simplify levy computations, create a more uniform distribution of general education levies statewide, and make the method of funding training and experience revenue consistent with the method of funding compensatory revenue and sparsity revenue.

13. Beginning in F.Y. 1997, define the "statewide uniform education levy" as the sum of the general education, basic transportation, capital expenditure facilities, and capital expenditure equipment levies.

14. Beginning in F.Y. 1997, set the target for the statewide uniform education levy at \$1,368,268,000. Set the targets for the general education levy, the basic transportation levy, the capital expenditure facilities levy, and the capital expenditure equipment levy, respectively, at 90.27%, 4.88%, 3.15%, and 1.70% of this amount.

15. Beginning in F.Y. 1997, modify the notice of proposed property taxes and the property tax statement to show the statewide uniform education levy as a separate line.

These changes will clarify state and local roles in school property tax decisions, thereby increasing public understanding and accountability.

16. Beginning in F.Y. 1997, require school districts to hold at least one public hearing each spring to discuss and seek public comment on student performance, the district's budget for the current fiscal year, and the district's proposed budget for the following fiscal year. The hearing may be held in conjunction with a regularly scheduled school board meeting.

This will increase public understanding and involvement in school performance and budget issues.

17. Beginning in F.Y. 1997, change the deadline for the Department of Education to certify levy limitations to school districts to September 8, and the deadline for school districts to certify proposed property taxes to the county auditor to September 30. Specify that, if a school district does not certify a proposed levy by September 30, the levy limitation shall be deemed the proposed levy.

1996-97 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Education Aids

0101 GENERAL EDUCATION PROGRAM
(Continuation)

23. Beginning in F.Y. 1996, reduce the PERA reduction to HACA by the amount attributable to technical college employees who were included in school district payroll data for F.Y. 1985.

This will enable the department to base initial levy computations on more accurate and complete data, will allow the school districts more time to review the levy limitations, and will avoid the need for special board meetings for school districts that intend to propose the maximum levy amounts.

18. Beginning in F.Y. 1997, compute AFDC pupil units for students moving between a school district with a desegregation plan and another school district under open enrollment using the AFDC pupil weighting for the district from which the students are moving.

This will facilitate desegregation by ensuring that districts receiving students from a district with a desegregation plan receive the same compensatory funding for these students as the home district would have received had the students remained in their home district.

19. Beginning in F.Y. 1997, compute pupil units for prekindergarten disabled students using a single formula based on membership hours. Define average daily membership as the number of hours of instruction divided by 825, with a minimum of 0.28 ADM per student.

This will simplify record keeping and reporting of prekindergarten pupil data for school districts.

20. Beginning in F.Y. 1996, adjust general education aid payments to school districts qualifying for a 90%-10% payment schedule under the year-round school statute to ensure that qualifying districts receive an amount equal to 90% of the district's aid for all programs during the current year.

This will enable the implementation of the required 90%-10% payment schedule without changing the appropriation computations for all categorical programs.

21. Beginning in F.Y. 1996, modify the computation of postsecondary enrollment options (PSEO) pupil units by a) using the actual number of annual instructional hours in the district as the divisor instead of 1020 hours, and b) including study hall hours for the portion of the year when the student is not participating in PSEO.

This will make the computation of average daily membership for PSEO pupils more consistent with the computation of average daily membership for other pupils.

22. Beginning in F.Y. 1996, adjust the referendum allowance, the referendum allowance reduction, and the referendum equalization revenue for the changes made in pupil unit weightings.

This will stabilize the referendum revenue and aid as changes are made in pupil unit weightings.

1996-97 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Education Aids

0101 GENERAL EDUCATION PROGRAM AND REFERENDUM REVENUE
 (Continuation)

TABLE 1-1
GENERAL EDUCATION PROGRAM (ANNUAL ENTITLEMENT BASIS)

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
I. Pupil Unit and Property Valuation Data					
A. Average Daily Membership					
1. Pre-kindergarten	4,825	4,900	4,900	4,900	4,900
2. Kindergarten disabled	1,843	2,086	2,086	2,086	2,086
3. Kindergarten non-disabled	59,212	59,201	59,894	60,705	60,966
4. Elementary	378,258	380,023	381,939	384,133	386,482
5. Secondary	<u>337,338</u>	<u>349,757</u>	<u>364,125</u>	<u>376,377</u>	<u>387,298</u>
6. Total ADM	781,476	795,967	812,944	828,201	841,732
B. Weighted Average Daily Membership					
1. Total WADM	853,076	883,582	916,948	935,631	952,457
C. AFDC Pupil Units					
1. Student Counts	67,336	69,450	74,293	76,495	78,015
2. AFDC pupil units (old formula)	25,044	25,656	27,379	N/A	N/A
3. AFDC pupil units (new formula)	34,578	35,706	38,449	39,646	40,457
D. Property Valuation					
1. Valuation Year	1990	1991	1992	1993	1994
2. ANTC (Adjusted Net Tax Capacity)	3,315,084.9	3,192,308.6	3,012,881.5	3,102,495.1	3,255,614.2
II. General Education Revenues					
A. Basic Revenue					
1. Formula Allowance	3,050	3,050	3,150	3,150	3,150
2. Basic Revenue (WADM times formula allowance)	2,601,882.3	2,694,926.0	2,888,386.4	2,947,236.6	3,000,239.0
3. Districts	413	394	381	381	381

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0101: GENERAL EDUCATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 1,903,838	\$ 2,140,616	\$ 2,219,166	\$ 2,289,324
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3				
3. Other Adjustments				
4. CURRENT LAW AID FUNDING LEVEL (After TRA Reduction)	1,903,838	2,140,616	2,219,166	2,289,324
5. Statutory Formula Aid (Detail in Narrative)	1,889,108 ^a	2,124,926 ^b		
6. Funding Excess/Deficiency	14,730	15,690		
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY	1,281,987	1,271,205	1,290,151	1,308,613
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	3,185,825	3,411,821	3,509,317	3,597,937
GOVERNOR'S RECOMMENDATIONS : AID				
1. Increase Formula Allowance to \$3220/\$3240; Freeze Referendum/Suppl.Reduction @ FY 96 Level			70,977	*
2. Change Pupil Unit Weights				*
3. Repeal Fund Balance Reduction			<88,051>	*
4. Change Compensatory Formula				*
5. Eliminate T & E Levy				*
6. Increase General Education Levy; Equalize Ref. Levy with Equalizing Factor of \$9415				*
7. Referendum Hold Harmless for Pupil Unit Weighting Change			2,164	*
Current Law Aid Funding Level (Line 4)			2,219,166	2,289,324
RECOMMENDED AID ENTITLEMENT (After TRA Reduction)			2,204,256 ^c	2,181,740 ^b

*Detailed data not available as of 2/28/95 - to be distributed with computed.

^aIncludes \$1,573 of declining pupil unit aid available in FY 1994 only.

^bExcludes \$16,100 of one-time special appropriations for general education aid (staff development), Richfield aid, and Angle Inlet school aid. (See discontinued programs for more information.)

^cIncludes policy changes recommended as part of the Governor's supplemental budget in the following amounts:

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1996-97</u>
Aid Entitlement	\$2,164	\$ 20,249	\$22,413
Levy	\$3,234	\$(15,447)	(12,213)
TOTAL	\$5,398	\$ 4,802	\$10,200

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

PAGE: 2

0101: GENERAL EDUCATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Increase Formula Allowance to \$3220/\$3240; Freeze Referendum/Supp. Reduction @ FY 96 Level			<2,648>	*
2. Change Pupil Unit Weights			<1,803>	*
3. Repeal Fund Balance Reduction				*
4. Change Compensatory Formula				*
5. Eliminate T & E Levy				*
6. Increase General Education Levy; Equalize Ref. Levy with Equalizing Factor of \$9415				*
7. Referendum Hold Harmless for Pupil Unit Weighting Change			3,233	*
Current Law Levy (Line 8)			1,290,151 ^c	1,308,613 ^c
RECOMMENDED LEVY			1,288,933	1,445,651
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY (After TRA Reduction)			3,493,189	3,627,391
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	257,551 ^d	270,110	301,965	313,985
Current Year 85 Percent	1,712,440	1,734,867	1,618,287 ^e	1,803,837 ^e
Transfers Per M.S. 124.14, Subd. 7	<19,783>	<21,506> ^f		
Total-State General Funds	1,950,208	1,983,471	1,920,252	2,117,822
Other Funds:				
School Endowment Fund	33,772	32,000	32,500	32,500

*Detailed data not available as of 2/28/95 - to be distributed with computed.

^dIncludes excess of \$19,783 used to fund categorical deficiencies for FY 1993

^eIncludes \$300.0 each year to replace the portion of the PERA reduction to HACA which is attributable to employees in technical colleges who were previously included in school district payroll data (1984-85).

^fEstimated excess of \$3,698 for funding deficiencies for FY 1994 and \$17,808 for funding deficiencies for FY 1995.

REVISED 2-28-95
PAGE A-38

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1996-97 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Education Aids

0102 PROPERTY TAX REVENUE RECOGNITION

CITATION: M.S. 121.904, Subd. 4a; 124.14, Subd. 6; 124.155
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To recognize in the fiscal year of receipt a reasonable portion of the school district share of the spring property tax collections.

DESCRIPTION:

School districts recognize, in the fiscal year of receipt, a portion of the school district share of the spring property tax collections. The property tax revenue recognition provision is structured such that a change in the levy recognition percent is revenue neutral to school districts, except for the referendum levy and other levies (such as health insurance) specified in law. Districts with first time referendum levies will recognize a portion of the levy a year early, while districts levying for the last time will only recognize the balance not recognized the previous year.

Prior to F.Y. 1983, all of the school district's spring property tax collections were held and recognized as revenue in the following fiscal year. This policy changed in F.Y. 1983. Legislation provided that in June of each year, beginning in 1983, school districts must recognize as revenue a specified percent of the spread levy payable in the current calendar year. The spread levy for this purpose is defined as the levy amount remaining after subtracting, by school district fund, the relevant amounts of the state paid property tax credits and the amounts of certain excluded levies (debt service, statutory operating debt, bus purchase, unemployment insurance, retirement, and severance, etc.). With this change, a portion of the amount originally levied for the 1983-84 school year was recognized in 1982-83, and the state aids and credits due in 1982-83 for 1982-83 were reduced by the amount of the levy recognition change, excluding the portion of the referendum levy recognition change.

Beginning in F.Y. 1984, legislation provided that state aid payments must be adjusted by the difference between the current year's levy recognition change amount and the previous year's levy recognition change amount. The referendum levy portion of the recognition change amount is excluded from this calculation. The purpose of the aid adjustment is to ensure that district revenue is not affected by the levy recognition change. This adjustment will decrease aid payments if the levy recognition change for the current year is greater than the levy recognition change for the previous year. The adjustment will increase aid payments if the current year levy recognition change is less than the previous year levy recognition change. Any additional amount necessary for the payment of aids for this adjustment is provided by an open and standing appropriation.

M.S. 16A.1541 requires that the levy recognition percent will automatically be decreased if the state's general fund balance reaches a certain level. For fiscal years 1996 and 1997, Laws 1994,

allows the levy recognition percent to be increased or decreased based on the November, 1994 forecast estimate of unreserved general fund balances at the end of the 1996-97 biennium.

F.Y. 1983: The levy recognition percent was 32% which resulted in early recognition of \$256.6 million in district levy revenue and a \$240.7 million reduction in aids and credits.

F.Y. 1984: The levy recognition percent continued at 32%. For 1983-84, the 32% levy recognition change resulted in early recognition of \$291.7 million in district levy revenue and a \$34.4 million net reduction in aids and credits.

F.Y. 1985: Based on the availability of a state general fund balance and the procedure specified in law, the levy recognition percent was reduced to 24%. The lowered levy recognition change amount for 1984-85 resulted in early recognition of \$220.3 million in district levy revenue and a \$69.5 million net payment of additional aid.

F.Y. 1986 and F.Y. 1987: The levy recognition percent was continued at 24%. For 1985-86, the result was early recognition of \$229.8 million in district levy revenue and a \$6.5 million net reduction in aids and credits. For 1986-87, the result was early recognition of \$246.2 million in district levy revenue and a \$12.9 million net reduction in aids and credits.

F.Y. 1988 and F.Y. 1989: The 1987 Legislature increased the levy recognition percent to 27%. For 1987-88, the result was early recognition of \$295.2 million in district levy revenue and a \$42.1 million net reduction in aids and credits. For 1988-89, the result was early recognition of \$332.4 million in district levy revenue and a \$29.0 million net reduction in aids and credits.

F.Y. 1990 and F.Y. 1991: The 1989 Legislature in special session increased the levy recognition percent to 31%. For 1989-90, the result was early recognition change of \$366.0 million in district levy revenue and a \$6.6 million net reduction in aids and credits. The Education Districts and Secondary Vocational Cooperatives levies were included for the first time in 1989-90. For 1990-91, the result was early recognition of \$415.6 million in district levy revenue and a \$42.7 million net reduction in aids and credits. The large reduction to 1990-91 aids and credits was due to a provision enacted in 1990 which changes the manner in which Homestead and Agricultural Credit Aid (HACA) was allocated to the various district levies, with more HACA allocated to the referendum and debt service levies, and no HACA allocated to the General Education levy and other major equalized levies.

F.Y. 1992: The 1991 Legislature increased the levy recognition percentage to 37%, and provided for an additional reduction to aids and credits for the increase in the revenue recognition of referendum levies as a result of the change in the levy recognition percentage. For 1991-92, the result was early recognition of \$523.4 million in district levy revenue and a \$108.6 million net reduction in aids and credits.

F.Y. 1993: The 1991 Legislature increased the levy recognition percentage to 50, and provided for an additional reduction to aids and credits for the increase in the revenue recognition of referendum levies as a result of the change in the levy recognition percentage. Statute also provided special categories of levy where revenues are recognized early (shiftable), but no subtraction of aid is required. For 1992-93, the result was early recognition of \$776.8 million in district levy revenue and a \$234.1 million net reduction in aids and credits.

F.Y. 1994: The levy recognition percentage was to continue at 50%, however, the provisions of

1996-97 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Education Aids

0102 PROPERTY TAX REVENUE RECOGNITION
(Continuation)

M.S. 16A.1541 were implemented based on projected unrestricted state general fund balances, and the rate was decreased to 37.4%. In addition, the 1994 Legislature provided for payment of state aid for the decrease in the revenue recognition of referendum levies due to the reduction in the shift percentage. For 1993-94, the recognition change amount is estimated to be \$627.2 million in district levy revenue and a \$145.4 million net payment of additional state aid.

F.Y. 1995: The levy recognition percentage continues at 37.4%. For 1994-95, the recognition change amount is estimated to be \$656.5 million in district levy revenue and an estimated \$47.7 million net reduction in aids and credits.

PROGRAM STATUS:

Program statistics are shown in Table 1-3.

BUDGET ISSUES:

A. CHALLENGES:

Laws 1994, Chap. 632, Art. 5, Sec. 2 provides that if planning estimates show budgetary balances before reserves of less than \$350 million at the end of the 1996-97 biennium, the commissioner of finance may increase the tax shift recognition percentage as necessary (but not in excess of 48%) to bring the budget balance before reserves to \$350 million. If the same estimated budgetary balances before reserves exceed \$350 million, the tax shift recognition percentage is likewise decreased, but not to less than zero. If the shift is increased to 48% in F.Y. 1996 and 1997, school district revenues will not be affected, but districts may face greater cashflow difficulties in the last months of F.Y. 1996 as aid and credit payments are recovered to reflect the greater amount of spring tax receipts being recognized as revenue. This may result in increased borrowing for operating expenses and increased interest expenses for school districts.

B. STRATEGIES:

- Minnesota Statutes give authority for school districts to borrow for cashflow needs based on property taxes receivable from the county and state education aids receivable from the state. The 1993 Legislature established the credit enhancement program under M.S. 124.755. This program provides that if a participating district defaults on redemption of its certificates or bonds, the state will make the payment to the holders of the certificates or bonds if state cash balances are sufficient. The program gives the school districts the benefit of the State of Minnesota credit rating and is designed to allow school districts to qualify for favorable interest rates. In

event of a district default and payment made by the state, a district participating in the program is obligated to repay the state treasurer through a combination of special levy proceeds and recovery of state aid and credit payments due to the district.

■ The forthcoming report from the Cash Flow Advisory Committee will also offer recommendations on strategies that can help districts address cash flow difficulties.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modifications in property tax revenue recognition:

1. Beginning in F.Y. 1996, increase the levy recognition percentage to 48%.
2. Reduce state aids to school districts by the amount of the additional referendum levy recognized by the district in F.Y. 1996 as a result of the change in the levy recognition percentage.
3. Increase or decrease state aids to school districts in future years by the amount of the change in referendum levy recognition resulting from future changes in the levy recognition percentage within the range of 31% levy recognition to 48% levy recognition.

1996-97 Biennial Budget

PROGRAM: 01 General Education Program
 AGENCY: Education Aids
 0102 PROPERTY TAX REVENUE RECOGNITION
 (Continuation)

TABLE 1-3
 PROPERTY TAX REVENUE RECOGNITION CHANGE AND STATE AID ADJUSTMENT (\$ in 000s)

	F.Y. 1983	F.Y. 1984	F.Y. 1985	F.Y. 1986	F.Y. 1987	F.Y. 1988	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993	ESTIMATE F.Y. 1994	ESTIMATE F.Y. 1995	ESTIMATE F.Y. 1996	ESTIMATE F.Y. 1997
1. Revenue recognition percent	32%	32%	24%	24%	24%	27%	27%	31%	31%	37%	50%	37.4%	37.4%	48%	48%
2. Gross revenue recognition change	\$ 260,957	\$ 295,295	\$ 220,808	\$ 230,887	\$ 264,385	\$ 295,624	\$ 339,382	\$ 378,082	\$ 425,602	\$ 546,092	\$ 801,230	\$ 629,562	\$ 661,526	\$ 882,926	\$ 902,727
3. Less adjustment for certain districts ^a															
Number of districts	6	5	3	4	1	1	6	14 ^b	14	11	14 ^d	2	3	5	5
Amount	(4,402)	(3,624)	(540)	(1,082)	(137)	(450)	(6,950)	(12,100)	(9,958)	(22,645)	(24,432)	(2,261)	(5,000)	(8,000)	(6,000)
4. Adjusted gross revenue recognition change	<u>\$ 256,555</u>	<u>\$ 291,671</u>	<u>\$ 220,268</u>	<u>\$ 229,805</u>	<u>\$ 246,248</u>	<u>\$ 295,174</u>	<u>\$ 332,432</u>	<u>\$ 365,982</u>	<u>\$ 415,644</u>	<u>\$ 523,447</u>	<u>\$ 776,798</u>	<u>\$ 627,301</u>	<u>\$ 656,526</u>	<u>\$ 874,926</u>	<u>\$ 896,727</u>
5. Less referendum levy recognition change	(15,897)	(16,633)	(14,262)	(16,769)	(20,258)	(27,726)	(34,824)	(60,155)	(66,693)	(78,011)	(109,432)	(70,013)	(69,300)	(97,770)	(113,053)
6. Less levy recognition change for shiftable levies with no aid subtraction	--	--	(459)	(1,002)	(1,093)	(442)	(1,644)	(3,302)	(3,755)	(4,294)	(20,615) ^e	(28,368)	(10,606)	(11,836)	(11,654)
7. Net recognition change amount for aid adjustment calculation	<u>\$ 240,658</u>	<u>\$ 275,038</u>	<u>\$ 205,547</u>	<u>\$ 212,034</u>	<u>\$ 224,897</u>	<u>\$ 267,006</u>	<u>\$ 295,966</u>	<u>\$ 302,525</u>	<u>\$ 345,196</u>	<u>\$ 441,142</u>	<u>\$ 646,751</u>	<u>\$ 528,920</u>	<u>\$ 576,620</u>	<u>\$ 765,320</u>	<u>\$ 772,022</u>
8. Aid adjustment calculation:															
a. Prior year recognition change (out)	--	240,658	275,038	205,547	212,034	224,897	267,006	295,966	302,525	345,196	441,142	646,751	528,920	576,620	765,320
b. Current year recognition change (in)	240,658	275,038	205,547	212,034	224,897	267,006	295,966	302,525	345,196	441,142	646,751	528,920	576,620	765,320	772,020
9. Adjustment to state aids (8a-8b)	<u>\$(240,658)</u>	<u>\$(34,380)</u>	<u>\$ 69,491</u>	<u>\$(6,487)</u>	<u>\$(12,863)</u>	<u>\$(42,109)</u>	<u>\$(28,960)</u>	<u>\$(6,559)</u>	<u>\$(42,671)</u>	<u>\$(95,946)</u>	<u>\$(205,609)</u>	<u>\$ 117,831</u>	<u>\$(47,700)</u>	<u>\$(188,700)</u>	<u>\$(6,700)</u>

1996-97 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Education Aids

0102 PROPERTY TAX REVENUE RECOGNITION
(Continuation)

TABLE 1-3
PROPERTY TAX REVENUE RECOGNITION CHANGE AND STATE AID ADJUSTMENT (\$ in 000s)

	F.Y. 1983	F.Y. 1984	F.Y. 1985	F.Y. 1986	F.Y. 1987	F.Y. 1988	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993	ESTIMATE F.Y. 1994	ESTIMATE F.Y. 1995	ESTIMATE F.Y. 1996 ^f	ESTIMATE F.Y. 1997 ^f
10. Referendum levy recognition amount based on:															
a. Prior year recognition percent										65,361	80,980	97,590			
b. Current year recognition percent										78,011	109,432	70,013			
c. Difference = Adjustment to aids to aids ^c										(12,650)	(28,452)	27,577			
11. Total adjustment to state aids (9 + 10 ^c)	<u>\$(240.658)</u>	<u>\$(34.380)</u>	<u>\$ 69.491</u>	<u>\$(6.487)</u>	<u>\$(12.863)</u>	<u>\$(42.109)</u>	<u>\$(28.960)</u>	<u>\$(6.559)</u>	<u>\$(42.671)</u>	<u>\$(108.596)</u>	<u>\$(234.061)</u>	<u>\$ 145.408</u>	<u>\$(47.700)</u>	<u>\$(188.700)</u>	<u>\$(6.700)</u>

^a These adjustments occur when a district's gross revenue recognition change amount is greater than its state aids and property tax credits (which are for the fiscal year payable in that fiscal year) plus any referendum levy recognition change. In this case, the district's levy recognition change amount is limited to the lesser amount.

^b The increase in districts for which these adjustments are made is due to Education District and Secondary Vocational Cooperative levies being subject to the levy recognition change provisions for the first time.

^c The referendum levy recognition amount is normally not included for the aid adjustment calculation. This additional adjustment to state aids is provided in law as a one-time adjustment attributable to the increase in the revenue recognition percent that occurred in F.Y. 1992, F.Y. 1993, and F.Y. 1994. Refer to Laws 1991, Chap. 265, Art. 1, Sec. 31 and Laws 1992, Chap. 499, Art. 1, Sec. 22 and Laws 1994, Chap. 647, Art. 1, Sec. 3.

^d Beginning in 1993, this adjustment is for districts whose total adjustment to state aids and credits is calculated at the statutory revenue recognition percentage is greater than state aid limits as defined in M.S. 124.155. In this case the early revenue recognition is limited to the early revenue recognition of the prior year plus the aids limit as defined in M.S. 124.155.

^e Beginning in 1993, the Legislature identified several additional levy categories that are included in the early revenue recognition, but do not have a corresponding aid reduction. Prior to 1993, the only levy in this category was the desegregation levy.

^f If current law provisions are not modified, any available balance exceeding the \$350 cashflow account will be used to decrease the tax shift percentage.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Education Aids
PROGRAM: General Education
ACTIVITY:

ITEM TITLE: Transition to Accountability Aid

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$29,164	\$29,342	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends aid be available for eligible districts in the amount of \$65.50 per K-6 pupil for F.Y. 1996 and F.Y. 1997, to total \$29,164,000 in F.Y. 1996 and \$29,342,000 in F.Y. 1997. The aid must be used to reduce and maintain the district's instructor to learner ratios in kindergarten through grade 6, or in districts with exceptional need, to continue or initiate staffing patterns that meet the needs of a diverse student population. If districts have already achieved an instructor-learner ratio of 1 to 17 in grades K-6, the school board has discretion to use the aid for program improvement as it deems appropriate.

RATIONALE:

This aid would serve as a bridge for districts in F.Y. 1996 and F.Y. 1997 until development of the new graduation standards is completed. At that time, districts will be held accountable for actual student outcomes, rather than focusing on the inputs of the educational process. Until that time, however, this aid will help districts to improve and maintain staffing ratios which have been demonstrated to have a positive effect on the classroom environment and student achievement.

PROGRAM OUTCOMES:

A school district or outcome-based school would be eligible for this aid if the school board and the exclusive representative of the teachers submit an affidavit to the Commissioner of Education by 10-1-95 which provides that they agree to include the following provisions in the collective bargaining

agreement for F.Y. 1996 and F.Y. 1997. Both sides would agree to enter final-offer, total-package interest arbitration if they are unable to reach agreement. If the school board refused arbitration when the teachers representative has requested it, teachers would be able to strike if union members had rejected the last offered package. If the teachers representative refused arbitration when the school board requests arbitration, the teachers may not strike.

The recommended provisions also require that when choosing among the packages presented by the public employer and the teachers representatives, the arbitrator or panel give primary consideration to the ability of the public employer to raise new revenues without diminishing the quality of services and consider other factors such as the public interest, comparable wage and conditions of employees in similar circumstances, and the overall level of compensation of the employees.

LONG-TERM IMPACT:

This aid is available for F.Y. 1996 and F.Y. 1997 only.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0103: TRANSITION TO ACCOUNTABILITY AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$	\$	\$
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3				
3. Other Adjustments				
4. CURRENT LAW AID FUNDING LEVEL			0	0
5. Statutory Formula Aid (Detail in Narrative)				
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)			0	0
GOVERNOR'S RECOMMENDATIONS : AID				
1. Provide Funds for Class Size Reduction, Program Improvement			29,164	29,342
Current Aid Funding Level (Line 4)			0	0
RECOMMENDED AID ENTITLEMENT			29,164	29,342
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			29,164	29,342
APPROPRIATIONS BASIS:				
Prior Year				
Current Year			29,164	29,342
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds			29,164	29,342

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1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0201 TRANSPORTATION PROGRAM
(Continuation)

B. Nonregular Transportation Financing

Initial nonregular transportation revenue is based on the lesser of actual current year nonregular transportation costs or a two-year prior base cost which has been adjusted for inflation and enrollment change.

Beginning in F.Y. 1992, additional revenue was made available to districts which experienced sizeable increases in total nonregular expenditures between the base and current years. Excess nonregular transportation revenue for the 1994-95 school year equals 80 percent of the difference between:

1. The 1994-95 actual nonregular costs as defined for the 1994-95 school year, and;
2. the products of the 1992-93 nonregular costs as defined for the 1994-95 school year; times the ratio of the 1994-95 ADM to the 1992-93 ADM.

Total nonregular revenue equals the initial nonregular revenue plus the excess nonregular revenue minus the amount of regular funding received for desegregation and disabled transportation.

A district's nonregular transportation levy is computed as follows:

1. multiplying the district's nonregular revenue that exceeds the product of \$60 times the current year average daily membership by 50%;
2. then subtracting the result from the total nonregular revenue, and
3. multiplying the remaining amount times the lesser of one or the district's ANTC per ADM to \$8,000.

To calculate total formula funding, regular revenue is added to the nonregular revenue. Next, the nonregular, basic and contract levies are subtracted from the total formula funding to determine initial state aid. Gross state aid is the product of the initial state aid times the percentage of basic and nonregular levy certified.

PROGRAM STATUS:

All Minnesota school districts provide for transportation of students. A district's transportation funding is a combination of state aid and local levy. A district's total transportation aid equals its total formula funding minus the basic, contracted and nonregular transportation levy limits. Eleven districts were off-the-formula in F.Y. 1994. The same number of districts are estimated to be off-the-formula in F.Y. 1995.

(000s; \$ in 000s)

Current Law
F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

**TABLE 2-1
PUPILS TRANSPORTED TO AND FROM SCHOOL**

Regular	547.4	561.4	577.9	593.9	608.7
Desegregation	43.1	48.6	49.9	51.3	52.7
Disabled	22.4	23.6	24.6	25.6	26.5
Excess Transportation	<u>120.6</u>	<u>128.5</u>	<u>133.9</u>	<u>139.3</u>	<u>144.5</u>
Total Pupils Transported	733.5	762.1	786.3	810.1	832.4
Total Gross Enrollment (Public and Nonpublic)	919.6	935.7	954.2	971.9	987.4
Percentage of Pupils Transported	79.8%	81.4%	82.4%	83.4%	84.3%

**TABLE 2-2
TRANSPORTATION EXPENDITURE SUMMARY BY OBJECT**

I. Nonfuel Operating	217,219.0	224,883.9	240,579.3	255,662.0	270,898.8
II. Fuel					
A. Number of Gallons (Gallons in 000s)	17,809.6	17,985.6	18,303.4	18,604.1	18,885.3
B. Pump Price per Gallon	1.127	1.173	1.227	1.256	1.287
C. Less Federal Tax	(0.140)	(0.196)	(0.02)	(0.221)	(0.221)
D. Less Average Quantity Discount	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
E. Average Cost per Gallon	0.967	0.957	0.986	1.015	1.046
F. Total Fuel Expenditures	17,221.9	17,212.2	18,041.8	18,888.4	19,717.7
III. Bus Depreciation					
A. Regular School Buses	13,605.5	14,685.1	15,224.6	16,615.2	18,112.5
B. Mobile Units	1.2	1.2	1.2	1.2	1.2
C. Type 3 Vehicles	1,356.9	1,538.2	1,631.6	1,869.4	2,098.9
D. Reconditioned Buses	1.6	0	0	0	0
E. Total Bus Depreciation	14,965.2	16,224.5	16,857.4	18,485.7	20,212.7
IV. Total Expenditures	249,406.1	258,320.6	275,478.5	293,036.1	310,829.1

1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
 AGENCY: Education Aids
 0201 TRANSPORTATION PROGRAM
 (Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
TABLE 2-3					
TRANSPORTATION EXPENDITURE SUMMARY					
BY CATEGORY					
I. Regular and Excess Transportation (includes excess walker cost)	154,402.8	158,506.8	168,204.8	178,187.9	188,265.1
II. Nonregular Transportation					
A. Desegregation	15,319.4	17,198.2	19,397.3	20,498.1	21,661.5
B. Disabled	44,619.9	46,034.9	49,589.0	53,332.3	57,056.1
C. Noon Kindergarten	8,873.2	9,311.1	9,879.8	10,467.7	11,062.4
D. Summer School	144.5	245.7	255.1	264.6	273.7
E. Mobility Zone	0.0	0.0	0.0	0.0	0.0
F. Other Nonregular	7,411.7	7,264.0	7,542.4	7,821.5	8,090.5
Total Nonregular Transportation	76,368.7	80,053.9	86,663.5	92,384.2	98,144.1
III. Bus Depreciation	14,965.2	16,224.7	16,875.4	18,485.7	20,212.7
IV. Total Expenditures	245,736.7	254,785.4	271,743.7	289,057.8	306,621.9

TABLE 2-4					
FORMULA FUNDING OF AUTHORIZED TRANSPORTATION					
I. Regular Transportation Funding					
A. Base Year	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
B. Formula Allowance	434	447	463	477	491
C. Inflation Factor	1.0200	1.0235	1.03425	1.0170	1.0000
D. Average Funding Per Pupil Transported	256.83	260.01	266.06	265.23	266.40
E. Number of Pupils Transported	612,874	633,586	652,400	670,801	687,900
F. Regular Funding (000s)	145,031.3	149,849.2	157,987.0	161,916.4	166,691.9
G. Regular Desegregation Funding	7,134.7	9,283.5	9,637.1	9,841.4	10,145.0
H. Regular Disabled Funding	5,235.9	5,604.0	5,951.5	6,161.0	6,420.0
I. Total Regular Transportation Funding	157,401.9	164,736.7	173,575.6	177,918.8	183,256.9

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
TABLE 2-4					
FORMULA FUNDING OF AUTHORIZED TRANSPORTATION - continued					
II. Nonregular Transportation Funding					
a. Gross Nonregular Funding	71,831.1	76,858.8	85,843.9	90,993.9	96,668.9
b. Less Regular Desegregation Funding	7,934.7	9,283.5	9,637.1	9,841.4	10,145.0
c. Less Regular Disabled Funding	5,235.9	5,604.0	5,951.5	6,161.0	6,420.0
d. Net Nonregular Funding	58,660.5	61,971.3	70,255.3	74,991.5	80,103.9
III. Nonregular Excess Funding	727.5	incl. above	incl. above	incl. above	incl. above
IV. Excess Transportation Funding	22,466.3	24,093.1	26,312.6	27,992.3	29,490.4
V. Additional Desegregation Aid	1,000.0				
VI. Staples Motley	--	77.0	0.0	0.0	0.0
VII. Language Immersion	--	0.0	46.0	46.0	46.0
VIII. Isolated Schools	--	23.0	23.0	23.0	23.0
IX. Total Gross Transportation Funding	240,256.2	250,901.1	270,212.6	280,971.5	292,920.2
X. Levy Subtractions					
A. Basic Transportation Levy					
1. Tax Rate - % of Tax Capacity	1.94	2.13	2.26	2.19	2.19
2. Amount	64,359.4	67,959.6	68,091.1	67,943.9	68,000.0
B. Contract Transportation Levy Authority	7,673.5	8,254.5	8,618.8	8,806.4	9,090.8
C. Nonregular Transportation Levy Authority	28,141.0	27,678.7	28,063.6	29,551.6	31,876.7
D. Excess Transportation Levy Authority	22,463.1	24,093.1	26,312.6	27,992.3	29,490.4
E. Levy Reduction for Districts Off Formula					
1. Number of Districts	10	11	11	11	11
2. Amount	(2,253.2)	(2,121.8)	(1,121.2)	(909.9)	(809.8)
F. Total Levy Reduction	120,383.8	125,864.1	129,964.9	133,384.2	137,648.1

1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0201 TRANSPORTATION PROGRAM
(Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
TABLE 2-4					
FORMULA FUNDING OF AUTHORIZED TRANSPORTATION - continued					
VIII. State Aid Entitlement					
A. Gross State Aid Entitlement	119,872.4	125,037.0	140,247.7	147,587.3	155,272.0
B. Gross Aid as Percent of Funding	50.0%	49.8%	51.9%	52.5%	53.3%
C. Proration per ADM	0.00	0.00	0.00	36.38	28.61
D. Prorated State Aid Entitlement	119,872.4	125,037.0	140,247.7	119,052.0	132,240.0

IX. Reconciliation of Expenditures and Funding					
A. Total Prorated Transportation Funding	240,652.2	250,901.1	270,212.6	280,971.5	292,920.2
B. Total Authorized Expenditures	245,736.7	254,785.4	271,743.7	289,057.8	306,621.9
C. Prorated Funding as Percent of Expenditures	97.8%	98.5%	99.4%	97.2%	95.5%

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula REVENUE:</u>	\$ 240,256	\$ 250,901	\$ 270,213	\$ 280,971	\$ 292,920
Revenue Reduction Due To Insufficient Appropriation	(0)	(0)	(0)	(30,114)	(24,071)
Current Law Revenue	240,256	250,901	270,213	250,857	268,849
B. <u>Statutory Formula LEVY:</u>	120,384	125,864	129,965	133,384	137,648
Levy Change Due To Insufficient Appropriation	0	0	0	(1,579)	(1,039)
Current Law Levy (Line 8 on Fiscal Page)	120,384	125,974	129,965	131,805	136,609
C. <u>Statutory Formula AID:</u>	119,872	125,037	140,248	147,587	155,272
Aid Reduction Due To					

Insufficient Appropriation	(0)	(0)	(0)	(28,535)	(23,032)
Current Law Aid Entitlement	119,872	125,037	140,248	119,052	132,240
Proration per ADM	1.000	1.000	1.000	0.807	0.852

D. Aid Entitlement Reconciliation:

Appropriation-Implied Entitlement (Line 1 on Fiscal Page)	128,973	145,954	145,954*	145,954*
Entitlement Changes Per Law:				
■ <u>Revenue Increases/(Decreases):</u>				
Regular Pupils Transported Allowance/Regular Pupils	(681)	(898)	(4,081)	(8,699)
Nonregular Transportation Funding	(418)	(2,791)	(3,428)	(2,706)
	(3,535)	(1,040)	3,699	8,809
■ <u>Levy Decreases/(Increases):</u>				
Basic Levy	44	(91)	56	0
Contract Levy	(284)	(129)	(317)	(601)
Nonregular Levy	789	(739)	(2,228)	(4,553)
Off-formula Amount	150	(18)	(230)	(330)
Statutory Formula Aid (Unprorated)	125,037	140,248	147,587	155,272

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- Federally mandated licensing and drug testing requirements, state mandated school bus driver training requirements, low wages, and low unemployment all have contributed to the shortage of school bus drivers. The long-range outlook does not see this shortage disappearing. The unavailability of school bus drivers may force school districts to cut basic service.
- Enrollments are projected to grow, increasing the demand for transportation services.
- A metropolitan-wide desegregation plan has been proposed to be implemented beginning in F.Y. 1996. This plan will require additional buses and drivers. Although school districts participating in this plan may experience some decrease in transportation services within their district, this decrease will not be significant enough to offset the increase in services needed for the metropolitan desegregation plan.
- As more districts consolidate, the distances buses must travel to transport pupils to and from school or activities will increase. School buses may have to be replaced earlier because of this increased mileage.
- The proliferation of program choices has contributed to the complexity and cost of pupil transportation.
- School districts are encountering increasing difficulty in providing transportation for pupils with disabilities because of federal laws mandating related services, including transportation.

B. STRATEGIES:

- In order for school districts to provide the same level of service, they may have to stagger starting times at a greater level than they are now, cooperate more on low incidence transportation services, contract with parents, or utilize city transit systems where available.
- If the unavailability of drivers continues, school districts may have to receive authority to charge a fee for pupils using the service no matter how far they live from school, in order to increase the pay for drivers. Alternatively, the two-mile distance set for mandated transportation service may have to be increased.

1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0201 TRANSPORTATION PROGRAM
(Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$146,891 for F.Y. 1996 and \$159,434 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$145,896 in F.Y. 1996 (\$21,038 for F.Y. 1995 and \$124,858 for F.Y. 1996), and \$157,552 in F.Y. 1997 (\$22,033 for F.Y. 1996 and \$135,519 for F.Y. 1997).

The Governor recommends the following modifications in the pupil transportation program:

1. Set the regular transportation formula allowance at \$477 for F.Y. 1996 and \$491 for F.Y. 1997.
2. Set the inflation factors used in computing regular and nonregular transportation revenue at 0% for F.Y. 1996 and F.Y. 1997.
3. For F.Y. 1996, set the threshold used in computing the nonregular transportation levy at \$65 per pupil.
4. Beginning in F.Y. 1997, change the subtraction used in computing the nonregular transportation levy from 50% of nonregular revenue exceeding \$65 per ADM to 40% of all nonregular revenue for disabled student transportation.
5. Beginning in F.Y. 1996, change the coefficient for the density index used in computing regular transportation revenue from .35 to .50.
6. Beginning in F.Y. 1996, provide nonregular transportation funding for interdistrict desegregation transportation.
7. Beginning in F.Y. 1996, pay transportation aid directly to charter schools for transportation within the district, based on the rates computed for the school district in which the charter school is located.
8. Beginning in F.Y. 1997, repeal the excess transportation levy for secondary one to two mile transportation and extraordinary traffic hazards transportation. The levy for adult crossing guards and other related services necessary because of extraordinary traffic, drug, or crime hazards would be continued. In addition, school districts would be authorized to levy an amount equal to the amount of excess transportation fees waived for students eligible for free or reduced price lunches.
9. Beginning in F.Y. 1997, set the target for the basic transportation levy at 4.88% of the statewide uniform education levy (see Program 0101, General Education Program).
10. Beginning in F.Y. 1997, accelerate the off-formula adjustment by computing an estimated adjustment with the current levy.
11. Beginning in F.Y. 1996, repeal the requirement that the parent of a student attending another district under open enrollment request approval from the resident district for the nonresident district to transport the student within the boundaries of the resident district.
12. Beginning in F.Y. 1996, clarify that transportation of disabled students to and from any board and lodging facility is eligible for nonregular transportation funding.
13. Beginning in F.Y. 1996, repeal the requirement for Commissioner of Education approval for the purchase of type 3 vehicles.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0201: TRANSPORTATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 128,973	\$ 145,954	\$ 145,954	\$ 145,954
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<26,902>	<13,714>
3. Other Adjustments				
Excess Funds Transfer Out	<3,936>	<4,851>		
4. CURRENT LAW AID FUNDING LEVEL	125,037	141,104	119,052	132,240
5. Statutory Formula Aid (Detail in Narrative)	125,037	140,248		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		855 ^a		
8. CURRENT LAW LEVY	125,864	129,965	131,805	136,609
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	250,901	271,069	250,857	268,849
GOVERNOR'S RECOMMENDATIONS : AID				
1. Levy Decrease in FY 96; Levy Increase in FY 97			<1,762>	22,824
2. Change Regular Funding			<759>	1,846
3. Reduce Non-Regular Funding			<235>	<80>
4. Fund Interdistrict Desegregation Transportation			400	630
5. Fund Charter School Transportation			18	21
6. Eliminate Revenue Reduction			30,114	24,071
7. Change in Excess Revenue			63	<22,118>
Current Law Aid Funding Level (Line 4)			119,052	132,240
RECOMMENDED AID ENTITLEMENT			146,891 ^b	159,434 ^b
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Levy Increase in FY 1996; Levy Decrease in FY 1997			1,762	<22,824>
Current Law Levy (Line 8)			131,805	136,609
RECOMMENDED LEVY			133,567	113,785 ^b
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			280,458	273,219

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

^bIncludes policy changes recommended as part of the Governor's supplemental budget in the following amounts:

	FY 1996	FY 1997	FY 1996-97
Aid Entitlement	\$5,985	\$9,742	\$15,729
Levy	1,211	(1,052)	159
TOTAL	\$7,196	\$8,690	\$15,886

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

PAGE: 2

0201: TRANSPORTATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	18,327	19,345	21,038	22,033
Current Year 85 Percent	109,628	124,061	124,858	135,519
Transfers Per M.S. 124.14, Subd. 7	<3,936>	<4,851>		
Total-State General Funds	124,019	138,555	145,896	157,552

1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0202 MISCELLANEOUS TRANSPORTATION LEVIES

CITATION: M.S. 124.226, Subds. 2 and 6
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide school districts with funds for the purchase of pupil transportation vehicles and equipment, and for added transportation costs resulting from leasing a school building in another school district, late activity transportation, and postsecondary agreements.

Most education aid programs contribute to more than one education goal. The Miscellaneous Transportation Levies program contributes to four of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 140, 141, and 170.

DESCRIPTION:

Bus Purchase Levy

A school district may levy the amount necessary to eliminate any projected deficit in the reserved fund balance account for bus purchases as of June 30 of the school year beginning in the calendar year following the calendar year the levy is certified. Levy amounts are based on school district estimates.

Leased Facility Levy

When the transportation patterns of a district change as a result of leasing a school building in another district, the district may, upon approval of the Commissioner of Education, levy for any increase in transportation cost above the cost that would occur without the leasing of the school. The amount provided by this levy is deducted from the district's cost data used in computing transportation aid.

Late Activity Transportation

School districts may levy for late transportation home from school, between schools within a district or between schools in different cooperating districts. In addition, districts that levy for this service must provide late transportation to students participating in any academic-related activity provided by the district if transportation is provided for students participating in athletic activities.

PostSecondary Agreements

School districts may levy for the transportation of secondary pupils enrolled in courses provided under an agreement between a school board and a postsecondary institution.

Authorized expenditures for pupil transportation include fuel and nonfuel operating expenditures and bus depreciation. Table 2-1 shows the number of pupils transported to and from school in each transportation category. Table 2-2 provides a summary of pupil transportation expenditures by object. Expenditures by category of transportation services are shown in Table 2-3. Table 2-4 reviews the formula financing of authorized transportation.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
1. Bus Purchase Levy					
Amount	\$ 7,958.1	\$ 5,808.1	\$ 6,477.2	\$ 6,668.3	\$ 6,868.3
Number of Districts	168	143	146	145	150
2. Leased Facility Levy					
Amount	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Number of Districts	0	0	0	0	0
3. Late Activity Levy					
Amount	\$ 0.0	\$ 1,953.0	\$ 1,985.3	\$ 3,069.0	\$ 3,200.0
Number of Districts	0	215	223	220	220
4. Postsecondary Levy					
Amount	\$ 173.5	\$ 163.6	\$ 182.1	\$ 124.5	\$ 182.1
Number of Districts	28	27	31	12	31

BUDGET ISSUES:

A. CHALLENGES:

- Increases in demand for transportation services and increased vehicle prices will induce districts to continue to use the bus purchase levy.

1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0202 MISCELLANEOUS TRANSPORTATION LEVIES
(Continuation)

B. STRATEGIES:

- Minnesota school districts will generate revenue to the extent needed for certain transportation obligations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing the late activity and leased facility levies and continuing the bus purchase and postsecondary levies. School districts would be authorized to levy an amount equal to the amount of leased activity transportation fees waived for students eligible for free or reduced price lunches.

1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0203 POSTSECONDARY ENROLLMENT OPTIONS TRANSPORTATION

CITATION: M.S. 123.3514
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide state aid to school districts which reimburse eligible students for transportation expenses incurred while enrolled in the Postsecondary Enrollment Options (PSEO) program. More specifically, the reimbursement is for expenses incurred in travel between the secondary school and the postsecondary institution attended, and eligibility is based on financial need as established under State Board of Education guidelines.

Most education aid programs contribute to more than one education goal. By assuring that students from low income families have an opportunity to obtain higher education courses or begin a higher education program, no matter how far they live from a postsecondary institution, and ensuring that this additional transportation need will not cause any additional financial hardships for the families involved, this program contributes to four of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 142.

DESCRIPTION:

Upon application to the resident school district, eligible students, their parents or guardians are reimbursed for the expense incurred in travel between the secondary school and the postsecondary institution attended under PSEO.

Eligibility is based on financial need and reimbursement rates established under Minnesota Statute 123.3514, subdivision 8. For F.Y. 1993 and beyond, reimbursement may not exceed the actual cost of transportation or 15 cents per mile traveled, whichever is less. Reimbursement also may not exceed an amount equal to 250 miles of travel per week (5 round trips) unless the nearest postsecondary institution is more than 25 miles from the student's resident secondary school. In the latter case, the weekly reimbursement may not exceed an amount equal to the rate of reimbursement multiplied by the actual distance between the secondary school and the closest postsecondary institution multiplied by 10 (i.e., 5 round trips).

Any excess appropriations are available for transfer to School District Enrollment Options Transportation (see Program Budget 0204), however MDE anticipates the base appropriations for the 1995-96 biennium will be inadequate to meet current funding requirements.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Districts Submitting Claims	39	39	41	43	45
Reimbursement Rate Per Mile (cents)	\$.15	\$.15	\$.15	\$.15	\$.15
Students Receiving Reimbursement	55	63	68	73	76
Average Claim Per Student	\$ 856	\$ 948	\$ 956	\$ 988	\$ 1,046

PROGRAM FUNDING

A. Statutory Formula AID	\$ 47	\$ 60	\$ 65	\$ 72	\$ 80
Aid Reduction Due To					
Insufficient Appropriation	(2)	(5)	(3)	(25)	(27)
Current Law Aid Entitlement	45	55	62	47	53
Proration Factor	0.957	0.917	0.954	0.653	0.663
B. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement		\$ 52	\$ 58	\$ 58*	\$ 58*
Entitlement Changes Per Law:					
■ Increase in Student Participation		\$ 8	\$ 7	\$ 14	\$ 22
Statutory Formula Aid (Unprorated)		\$ 60	\$ 65	\$ 72	\$ 80

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0203 POSTSECONDARY ENROLLMENT OPTIONS TRANSPORTATION
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- In F.Y. 1991, F.Y. 1993, and F.Y. 1994, the claims from low income pupils have exceeded the appropriation, making participation in the program difficult for some low income pupils.
- Pupils with disabilities participating in this program must provide their own transportation. However, if a pupil's disability prevented him/her from participating in this program, school districts, under Federal Law Sec. 504, must provide this transportation. School districts would not receive any additional federal or state dollars to help pay for the potentially high cost of this service.

B. STRATEGIES:

- Continue permitted transfer of monies between the enrollment options transportation program and the postsecondary enrollment option transportation program. This will not, however, guarantee sufficient funding in both programs.
- The number of pupils with disabilities that would require transportation services may be minimal. School districts are likely to be able to pay for this transportation service with the current level of funding.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$72 for F.Y. 1996 and \$80 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$72 in F.Y. 1996 and \$80 in F.Y. 1997.

The Governor recommends continuation of the transfer authority between this program and the School District Enrollment Options Transportation program (Program Budget 0204) to better ensure the availability of funding for these two activities.

The Governor also recommends that travel between the students' home and the postsecondary institution be authorized for reimbursement.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0203: POST SECONDARY ENROLLMENT OPTIONS (PSEO) TRANSPORTATION

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 52	\$ 58	\$ 58	\$ 58
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<11>	<5>
3. Other Adjustments				
Transfer from District Enr. Options Program		2		
Excess Funds Transfer In	3	2		
4. CURRENT LAW AID FUNDING LEVEL	55	62	47	53
5. Statutory Formula Aid (Detail in Narrative)	60	65		
6. Funding Excess/Deficiency before Adjustments				
7. Funding Excess/Deficiency after Adjustments	<5>	<3>		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	55	62	47	53
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds From Other Education Programs			25	27
Current Law Aid Funding Level (Line 4)			47	53
RECOMMENDED AID ENTITLEMENT			72	80
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			72	80
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	52	60	72	80
Transfers Per M.S. 124.14, Subd. 7	3	2		
Total-State General Funds	55	62	72	80

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EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0204: SCHOOL DISTRICT ENROLLMENT OPTIONS TRANSPORTATION PROGRAM

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 15	\$ 19	\$ 19	\$ 19
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<4>	<2>
3. Other Adjustments				
Transfer to PSEO Transportation Program		<2>		
4. CURRENT LAW AID FUNDING LEVEL	15	17	15	17
5. Statutory Formula Aid (Detail in Narrative)	15	17		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	15	17	15	17
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds From Other Education Programs			5	5
Current Law Aid Funding Level (Line 4)			15	17
RECOMMENDED AID ENTITLEMENT			20	22
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			20	22
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	15	17	20	22
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	15	17	20	22

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1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0205 TRANSPORTATION SAFETY - PUPIL TRANSPORTATION

CITATION: M.S. 124.225, Subds. 7f and 8m
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide state aid to school districts for the maintenance and improvement of school bus safety.

Most education aid programs contribute to more than one education goal. The Transportation Safety program contributes to four of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 140, 141 and 170.

DESCRIPTION:

School districts are given an additional 1% of their regular and nonregular pupil transportation revenue to provide student transportation safety programs. These funds are placed in a reserved revenue account. They can be expended only: 1) to provide paid adult bus monitors, including training and salary costs; 2) to provide a volunteer bus monitor program, including training costs and the cost of a program coordinator; 3) to purchase or lease optional external public address systems or video recording cameras for use on buses; or 4) to purchase or implement other activities or equipment that have been reviewed by the state school bus safety advisory committee and

approved by the commissioner of public safety. As of January, 1995, the safety advisory committee and the Commissioner of Public Safety have approved the following additional activities or equipment: 1) expenditures directly related to school bus safety training for students; 2) expenditures directly related to the cost of reporting incidents of student misconduct; 3) expenditures directly related to the annual cost of training and evaluating school bus drivers; and 4) the purchase of crossing gates/arms.

PROGRAM STATUS:

Instruction in school bus safety and demonstration of competencies is required for all students who are transported by school bus. Since districts do not know, at the beginning of the school year, whether any particular student will ride a school bus for a field trip or activity trip sometime during the school year, most districts are providing the training and testing the competencies for all students enrolled in the district. MDE is currently collecting data on district participation, number of students completing training, and student competency.

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
PROGRAM FUNDING					
A. <u>Statutory Formula Aid</u>	--	--	\$ 2,453	\$ 2,543	\$ 2,647
Aid Reduction Due To					
Insufficient Appropriation	--	--	(0)	(0)	(0)
Current Law Aid Entitlement	--	--	\$ 2,453	\$ 2,543	\$ 2,647
Proration Factor	--	--	1.000	1.000	1.000
B. <u>Aid Entitlement Reconciliation</u>					
Appropriation-Implied Entitlement		--	\$ 3,512	\$ 3,512*	\$ 3,512*
Entitlement Changes Per Law:					
Lower Estimated Regular and					
Nonregular Transportation Funding	--	--	(1,059)	(969)	(865)
Statutory Formula Aid (Unprorated)	--	--	\$ 2,453	\$ 2,543	\$ 2,647
C. <u>Aid Funding Level Reconciliation</u>					
Current Law Aid Entitlement		--	\$ 2,453	\$ 2,543	\$ 2,647
Adjustments Per Law:					
Excess Funds (Not Allocated)		--	\$ 900	\$ 322	\$ 535
Portion of 15% Final Not Requested			159		
Current Aid Funding Level		--	\$ 3,512	\$ 2,865	\$ 3,182

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 02 Pupil Transportation Program
AGENCY: Education Aids

0205 TRANSPORTATION SAFETY - PUPIL TRANSPORTATION
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- The number of approved types of expenditures is expected to increase as the state school bus safety advisory committee reviews requests from members, school districts and school bus contractors.
- Federally mandated licensing and drug testing requirements, state mandated school bus driver training requirements, low wages, and low unemployment all have contributed to a shortage of school bus drivers. The unavailability of school bus drivers may force school districts to cut basic service.
- Beginning with the 1994-95 school year, school districts were required to adopt additional school bus safety regulations in their district. These regulations mandate school bus driver training, pupil safety training, policy development, school bus discipline policies, etc.
- The National School Bus Standards Conference is scheduled to meet in 1995 and adopt new national standards. Because Minnesota has adopted the national standards as the basis for their school bus construction standards, these new standards will impact the design, cost, etc. of buses purchased for use in Minnesota.

B. STRATEGIES:

- In order for school districts to provide the same level of service, they may have to stagger starting times at a greater level than they are now, cooperate more on low incidence transportation services, contract with parents, or utilize city transit systems where available.
- If the unavailability of drivers continues, school districts may have to be given authority to charge a fee for pupils using the service no matter how far they live from school, in order to increase the pay for drivers. Alternatively, the two-mile distance set for mandated transportation service may have to be increased.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$2,534 for F.Y. 1996 and \$2,650 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$2,522 in F.Y. 1996 (\$368 for F.Y. 1995 and \$2,154 for F.Y. 1996), and \$2,633 in F.Y. 1997 (\$380 for F.Y. 1996 and \$2,253 for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0205: TRANSPORTATION SAFETY

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 3,512	\$ 3,512	\$ 3,512
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<647>	<330>
3. Other Adjustments				
Excess Funds Transfer Out		<900>		
4. CURRENT LAW AID FUNDING LEVEL		2,612	2,865	3,182
5. Statutory Formula Aid (Detail in Narrative)		2,453		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		159 ^a		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)		2,612	2,865	3,182
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Education Programs			<331>	<532>
Current Law Aid Funding Level (Line 4)			2,865	3,182
RECOMMENDED AID ENTITLEMENT			2,534	2,650
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			2,534 ^b	2,650
APPROPRIATIONS BASIS:				
Prior Year 15 Percent		0	368	380
Current Year 85 Percent		2,985	2,154	2,253
Transfers Per M.S. 124.14, Subd. 7		<900>		
Total-State General Funds		2,085	2,522	2,633

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

^bIncludes policy changes recommended as part of the Governor's supplemental budget in the amount of \$62 for FY 1996 and \$69 for FY 1997.

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
 AGENCY: Education Aids
 0301 SPECIAL EDUCATION - REGULAR
 (Continuation)

The costs of providing special education services to individuals with disabilities vary depending on the type and severity of the disability, the amount of time specialized services are required within the school day and the number of specialized services needed.

Beginning in F.Y. 1991, the Legislature authorized an alternative method for special education funding that is not based on salaries, contracts, supplies and equipment expenditures. A district may apply to receive 103 % of the state aid earned in the prior year for special education regular, summer and residential programs. The alternative funding method also provides districts with more program discretion based on the approved application.

State Special Education Aid:

All program and financial data used for program approval and calculation of special education aid is collected through an electronic on-line telecommunications system. The system provides immediate editing of data for the school districts, allows each district and or/special education cooperative to manage its own data, allows the reporting of budget and program changes as they occur, and significantly reduces paperwork.

State special education aids pay for a portion of the additional costs districts incur providing special education services. Special education aids support three broad categories of service to learners with disabilities:

1. Aid for Salaries of Essential Personnel (M.S. 124.32, Subd. 1): Minnesota provides a state payment for the salaries of essential special education personnel. Essential personnel are defined as special education teachers, related services and support services personnel such as social workers, psychologists, pupil and program support assistants, interpreters and braillists. Minnesota Department of Education (MDE) approval of programs, personnel, and budgets is required (M.S. 124.32, Subd. 7).

F.Y. 1993 -- 55.2% of salary expenditures of regular school district employees, not to exceed \$15,320 in aid. Full-time employees with salaries in excess of \$27,753 are subject to the \$15,320 aid limitation. Part-time salaries and aid are prorated accordingly.

F.Y. 1994 -- 55.2% of salary expenditures of regular school district employees, not to exceed \$15,320 in aid. Full-time employees with salaries in excess of \$27,753 are subject to the \$15,320 aid limitation. Part-time salaries and aid are prorated accordingly.

F.Y. 1995 -- 55.2% of salary expenditures of regular school district employees, not to

exceed \$15,320 in aid. Full-time employees with salaries in excess of \$27,753 are subject to the \$15,320 aid limitation. Part-time salaries and aid are prorated accordingly.

Districts are authorized to levy an amount equal to the difference between 68% of salaries paid to essential personnel and the state aid paid for salaries of these personnel. For special education cooperatives and intermediate districts, the levy is made by member districts in an amount equal to their allocated portion of this difference. If the appropriation is insufficient to fully fund the aid formula, districts may levy for the difference in the second year following the deficiency.

2. Aid for Supplies and Equipment (M.S. 124.32, Subd. 2): State aid is provided for the costs of special instructional supplies and equipment necessary to provide special education services to individuals with disabilities. The supplies and equipment are limited to those items which are in addition or supplementary to those items normally provided to pupils in the regular education program. The formula for determining the amount of aid is \$47 allocated per student with a disability served.
3. Aid for Contracted Services (M.S. 124.32, Subd. 1d): School districts are authorized to purchase services for individuals with disabilities from public and private agencies. When districts choose this option, state aid is paid on the basis of 52% of the difference between the contracted cost and the General Education revenue for the pupil.

The following indicators show Minnesota's progress in achieving stated goals:

- From December 1, 1988 to December 1, 1993, the number of individuals with disabilities identified as having a disability and in need of special education services remained at approximately 10% of the school-aged population. The total child count has increased from approximately 82,000 to 90,000 with the majority of the growth in the areas of early childhood special education programs for individuals from birth through five years of age and in the area of Emotional Behavioral Disorders for all ages.
- Less than 1 % of individuals with disabilities receive the majority of their education program in separate classes.
- Only 11 % of individuals with disabilities receive the majority of their education program in separate classes.
- More than 80 % of students with disabilities receive their education programs within the regular classroom with their non-disabled peers.
- Greater numbers of individuals with disabilities are learning employment skills and are working in mainstream businesses, are attending postsecondary education programs and are living independently as adults.
- There is an increase in cooperation and collaboration among local, county and state agencies in addressing the mental health needs of individuals with disabilities and their families and in the provision of early childhood special education programs and in transition planning and services from school to work.
- There is an increase in requests from local school districts to the State Board of Education for experimental programs and waivers from Board Rules resulting in more creative programming.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
 AGENCY: Education Aids
 0301 SPECIAL EDUCATION - REGULAR
 (Continuation)

PROGRAM STATUS:

The following child count statistics show the changing configuration of special education services being provided by the Minnesota public schools:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Date of Count	12/1/91	12/1/92	12/1/93	12/1/94	12/1/95
<u>Disability</u>					
Speech/Language Impaired	16,219	16,436	16,904	16,940	17,000
Mild-Moderate					
Mentally Disabled	7,087	7,208	7,271	7,271	7,280
Moderate-Severe					
Mentally Disabled	2,923	2,741	2,613	2,613	2,630
Physically Impaired	1,341	1,281	1,358	1,358	1,358
Hearing Impaired	1,440	1,510	1,606	1,606	1,606
Visually Impaired	341	339	351	351	351
Specific Learning					
Disabilities	31,889	32,789	34,186	34,186	34,386
Emotional Behavior					
Disorder	12,961	13,938	15,259	15,959	16,300
Autistic	251	331	434	434	434
Deaf and Blind	17	18	22	22	24
Other Health Impaired	840	1,293	1,964	2,214	2,270
Brain Injured	--	48	86	106	200
Early Childhood	7,322	7,993	8,491	8,940	9,161
Special Education					
Totals	82,638	85,930	90,551	92,000	93,000

Additional program statistics are shown in Tables 3-1 through 3-6.

(\$ in 000s) F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula</u>				
<u>REVENUE:</u>	\$ 291,642	\$ 315,118	\$ 339,772	\$ 366,063
Revenue Reduction Due To				
Insufficient Appropriation	(426)	(0)	(2,186)	(3,449)
Current Law Revenue	291,216	315,118	337,586	362,614
B. <u>Statutory Formula LEVY^(*)</u>	95,599	106,052	116,444	126,579
Levy Change Due To				
Insufficient Appropriation	11,681	0	44,980	65,517
Current Law Levy	107,280	106,052	161,424	192,096
C. <u>Statutory Formula AID</u>	196,043	209,066	223,328	239,484
Aid Reduction Due To				
Insufficient Appropriation	(12,107)	(0)	(47,166)	(68,966)
Current Law Aid Entitlement				
(Line 4 on Fiscal Page)	183,936	209,066	176,162	170,518
Proration Factor	0.938	1.000	0.789	0.712
D. <u>Aid Entitlement Reconciliation:</u>				
Appropriation-Implied Entitlement	177,847	188,202	188,202	188,202
(Line 1 on Fiscal Page)				
Entitlement Changes Per Law:				
■ Appropriation Shortfall	12,532	13,425	13,425	13,425
■ <u>Revenue Increases (Decreases):</u>				
Change in Number of Staff	5,159	5,144	23,618	43,839
Average Salary per Staff FTE	986	5,154	8,015	11,214
Contracted Services Aid	2,260	2,426	3,326	4,326
Supplies and Equipment Aid	(52)	242	804	1,445
Alternative Program Revenue	4,154	6,078	7,934	9,164
■ <u>Levy (Increases):</u>				
Change in Number of Staff	(1,709)	(1,711)	(7,859)	(14,587)
Average Salary per Staff FTE	(1,528)	(4,219)	(7,147)	(10,479)
Alternative Program Levy	(3,606)	(5,675)	(6,990)	(7,066)
Statutory Formula Aid (Unprorated)	\$ 196,043	\$ 209,066	\$ 223,328	\$ 239,483

^(*) Levy authority *before* reduction for Special Education Equalization Aid.

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0301 SPECIAL EDUCATION - REGULAR
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Special education services continue to evolve at the local school district level. Districts are discovering, with the emphasis on inclusive programs, that all students can benefit from individuals with disabilities included and educated within the mainstream classroom. Districts continue to learn how special education services and programs can be delivered most effectively within the inclusive school. The numbers of students with disabilities continue to grow and are expected to grow, particularly in ages birth through five years of age and in the area of emotional and behavior disorders for all ages.
- The range and scope of disabilities experienced by individuals are greater than in the past. Medical science has made dramatic advances. Children who previously did not survive the birth process or infancy are now surviving well into their school years and beyond. Many such children are medically fragile and require expensive special education services. Students who are born with fetal alcohol syndrome or who were born drug addicted are demonstrating significant needs for specially designed instruction. New disabilities such as Attention Deficit Disorder (ADD) are being identified and many students with these disabilities require special education. These changes and others are forcing schools to address learning problems never before faced.
- Because of successful special education programs, there is an increasing proportion of students with disabilities who graduate and fewer number of students who drop out. Increased regular class participation, reduced special education enrollments and improved post-secondary outcomes (i.e., employment and postsecondary education participation) are occurring.
- Assure an inclusive education system that considers the needs of students with disabilities in all major educational reform efforts in Minnesota.
- The number of students with emotional/behavioral disabilities are increasing and are exhibiting many needs that schools have not had to address in the past. The population in the school reflect the similar problems observed in the general population at large.

B. STRATEGIES:

- 85% of students with disabilities will receive their special instruction and services in Federal Settings I & II (more than 60% of their time spent in the regular classroom) during F.Y. 1996-97.
- More than 1,500 para-professional staff will receive training to learn and promote learning with the classroom teachers to better meet the instructional needs of individuals with disabilities in inclusive programs.
- Regular education and special education teachers will receive training in developing and building

collaborative classrooms to more effectively meet the academic, social and cultural needs of students with disabilities.

- Reduce the number of students with disabilities who drop out of school from 1,060 in 1992-1993 to under 800 in F.Y. 1997.
- Address training needs of regular and special education staff through the development and implementation of a statewide comprehensive system of personnel development which includes preservice and in-service opportunities. This will improve skills for working in regular and special education settings with individuals with disabilities with more complex needs. Specific training will include:
 - Multilingual issues in special education, due process rights and procedures;
 - Special education requirements for school board members;
 - Training bus drivers on requirements for transporting students with disabilities;
 - Assure teachers of students who are deaf have American Sign Language skills;
 - Work with new directors of special education on administrative issues and procedures;
 - Work with teams of regular and special educators in collaborating to meet the needs of students with disabilities and particularly those with emotional behavioral disorders.
- Assure that all learning environments for students with disabilities afford these learners and their families efficient access to programs and services from state agencies and their local counterparts.
- Increase collaboration with other agencies to reduce and/or eliminate the potential for duplication of services and to assure the agency best equipped to provide the needed service and support the child and the family is involved.
- The Governor will request the President and the Minnesota congressional delegation to amend federal law so that states like Minnesota which are providing excellent programs and services for learners with disabilities can obtain waivers from burdensome mandates which prevent efficient service delivery.
- The MDE has identified instructional systems which districts could utilize which provide greater flexibility. Some districts have not taken advantage of this opportunity. The MDE will actively encourage all districts not availing themselves of such options to do so.
- Prevention of problems is a cost effective approach. Districts will be encouraged to consider the "St. Paul model" which provides grant flexibility in terms of how special education state revenue is to be used.
- Because some students have needs which require significantly higher expenditures the fiscal safety net for excess cost aid should be increased.
- The state must continue to provide aid to address the needs of learners with disabilities in a manner which is fair and equitable. Certain districts have higher special education costs because families with children having complex special education needs frequently move to these districts to gain access to those programs and services. Aid formulas need to be adjusted to improve equity in funding.
- The state recognizes that the special education needs of children must be addressed effectively and efficiently. The state also recognizes that it must provide revenue to assure appropriate services. In a time when available revenue is increasing at a slower rate than in previous years, mechanisms need to be put into place which also control the growth of spending for programs. Such a strategy does not mean that services to students are negatively impacted. It does mean that ways must be found for districts to address students' needs differently.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0301 SPECIAL EDUCATION - REGULAR
(Continuation)

allocated to 5 special education programs in F.Y. 1995 based on estimated deficiencies as of the February 1995 forecast. Of the \$17,500, \$4,571 is not needed to fully fund the deficiencies in F.Y. 1995, the Governor recommends that the excess be used to reduce the deficiencies in special education programs in F.Y. 1994.

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GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$192,691 for F.Y. 1996 and \$195,866 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$192,018 in F.Y. 1996 (\$28,230 for F.Y. 1995 and \$163,788 for F.Y. 1996), and \$195,390 in F.Y. 1997 (\$28,903 for F.Y. 1996 and \$166,487 for F.Y. 1997).

The Governor recommends the following modifications in the special education - regular program, beginning in F.Y. 1996:

1. Increase special education aid and levy revenue from the F.Y. 1995 level of \$315,118 to \$321,151 for F.Y. 1996 and \$326,443 for F.Y. 1997.
2. Replace the current special education formula with a statewide revenue target based on F.Y. 1995 revenue plus an adjustment for growth in average daily membership. The statewide revenue targets would be \$321,151 for F.Y. 1996 and \$326,443 for F.Y. 1997.
3. Allocate special education revenue among school districts based on F.Y. 1995 special education revenue, adjusted for growth in average daily membership.
4. Beginning in F.Y. 1998, expenditure data from the second prior year would be used in computing special education revenue.
5. Compute special education aid equal to 60% of the district's special education revenue, and the special education levy equalization revenue equal to 40% of the district's special education revenue.
6. Modify the formula for alternative delivery revenue so that it is consistent with the new special education formula. Continue to authorize the program flexibility included in the alternative delivery model.
7. Increase special education excess cost aid from the F.Y. 1995 level of \$5,065 to \$12,765 in F.Y. 1996 and \$23,849 in F.Y. 1997 to provide an enhanced safety net for school districts with rapid increases in special education costs between F.Y. 1995 and F.Y. 1997 (see program 0305).

The \$17,500 special education deficiency appropriation provided in Laws 1994, Chapter 587 is

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

(Continuation) 0301 SPECIAL EDUCATION, REGULAR

TABLE 3-1
UNDUPLICATED CHILD COUNT
STUDENTS WITH DISABILITIES BY AGE AND DISABILITY

DISABILITY	AGE	ACTUAL F.Y. 1987	ACTUAL F.Y. 1988	ACTUAL F.Y. 1989	ACTUAL F.Y. 1990	ACTUAL F.Y. 1991	ACTUAL F.Y. 1992	ACTUAL F.Y. 1993	ACTUAL F.Y. 1994	ACTUAL F.Y. 1995	ESTIMATED F.Y. 1996	ESTIMATED F.Y. 1997
Child Count Date		12/85	12/86	12/87	12/88	12/89	12/90	12/91	12/92	12/93	12/94	12/95
1. Speech Language Impaired	0-2	106	188	79	150	156	140	183	187	167	197	207
	3-5	5,259	5,658	3,916	3,235	2,942	2,785	2,894	3,032	3,246	3,252	3,277
	6-11	11,861	12,038	12,204	12,234	12,018	11,425	11,581	11,579	11,792	11,792	11,817
	12-+21	<u>1,637</u>	<u>1,481</u>	<u>1,557</u>	<u>1,495</u>	<u>1,490</u>	<u>1,400</u>	<u>1,561</u>	<u>1,638</u>	<u>1,699</u>	<u>1,699</u>	<u>1,699</u>
Total		18,863	19,365	17,756	17,114	16,606	15,750	16,219	16,436	16,904	16,940	17,000
2. Mild-Moderate Mentally Impaired	0-2	76	192	55	31	1	0	2	6	2	2	2
	3-5	690	849	256	144	104	78	90	84	104	104	108
	6-11	3,040	3,178	3,021	3,015	3,103	3,038	3,157	3,209	3,206	3,206	3,211
	12-+21	<u>4,859</u>	<u>4,614</u>	<u>4,460</u>	<u>4,235</u>	<u>4,010</u>	<u>3,794</u>	<u>3,839</u>	<u>3,909</u>	<u>3,959</u>	<u>3,959</u>	<u>3,959</u>
Total		8,665	8,833	7,792	7,425	7,218	6,910	7,088	7,208	7,271	7,271	7,280
3. Moderate-Severe Mentally Impaired	0-2	46	62	22	11	16	10	6	2	1	1	3
	3-5	353	397	180	159	108	101	99	74	59	59	66
	6-11	1,141	1,124	1,110	1,062	1,035	997	1,025	961	903	903	911
	12-+21	<u>2,240</u>	<u>2,248</u>	<u>2,092</u>	<u>1,973</u>	<u>1,961</u>	<u>1,868</u>	<u>1,795</u>	<u>1,704</u>	<u>1,650</u>	<u>1,650</u>	<u>1,650</u>
Total		3,780	3,831	3,404	3,205	3,120	2,976	2,925	2,741	2,613	2,613	2,630
4. Physically Impaired	0-2	107	130	46	41	42	46	18	10	20	20	20
	3-5	272	324	197	155	104	111	98	83	94	94	94
	6-11	624	647	666	700	665	706	702	697	714	714	714
	12-+21	<u>475</u>	<u>455</u>	<u>416</u>	<u>459</u>	<u>520</u>	<u>470</u>	<u>523</u>	<u>491</u>	<u>530</u>	<u>530</u>	<u>530</u>
Total		1,478	1,556	1,325	1,355	1,331	1,333	1,341	1,281	1,358	1,358	1,358
5. Hearing Impaired	0-2	45	54	58	57	60	40	42	40	33	33	33
	3-5	200	195	153	149	177	158	167	175	170	170	170
	6-11	624	572	603	666	691	675	678	696	783	783	783
	12-+21	<u>527</u>	<u>521</u>	<u>506</u>	<u>510</u>	<u>518</u>	<u>544</u>	<u>553</u>	<u>599</u>	<u>620</u>	<u>620</u>	<u>620</u>
Total		1,396	1,342	1,320	1,382	1,446	1,417	1,440	1,510	1,606	1,606	1,606

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

(Continuation) 0301 SPECIAL EDUCATION, REGULAR

TABLE 3-1 (continued)
UNDULICATED CHILD COUNT
STUDENTS WITH DISABILITIES BY AGE AND DISABILITY

DISABILITY	AGE	ACTUAL F.Y. 1987	ACTUAL F.Y. 1988	ACTUAL F.Y. 1989	ACTUAL F.Y. 1990	ACTUAL F.Y. 1991	ACTUAL F.Y. 1992	ACTUAL F.Y. 1993	ACTUAL F.Y. 1994	ACTUAL F.Y. 1995	ESTIMATED F.Y. 1996	ESTIMATED F.Y. 1997
Child Count Date		12/85	12/86	12/87	12/88	12/89	12/90	12/91	12/92	12/93	12/94	12/95
6. Visually Impaired	0-2	42	38	17	13	15	23	16	16	17	17	17
	3-5	74	60	45	40	34	26	29	31	36	36	36
	6-11	148	148	141	152	161	166	164	150	142	142	142
	12-+21	154	157	137	161	127	128	132	142	156	156	156
Total		418	403	340	366	337	343	344	339	351	351	351
7. Specific Learning Disabilities	0-2	49	30	5	2	4	4	6	3	3	3	3
	3-5	34	35	15	3	2	74	86	75	59	59	59
	6-11	16,496	16,702	16,403	16,042	14,854(1)	14,314	14,342	14,614	15,414	15,414	15,414
	12-+21	19,409	19,445	19,271	18,671	18,037	17,510	17,457	18,097	18,710	18,710	18,810
Total		35,988	36,212	35,694	34,718	32,897	31,902	31,891	32,789	34,186	34,186	34,386
8. Emotional Behavior Disorder	0-2	3	1	1	2	1	3	2	1	3	10	11
	3-5	264	263	116	88	70	73	67	83	99	109	149
	6-11	2,257	2,492	2,837	3,151	3,585	3,985	4,369	4,725	5,102	5,442	5,592
	12-+21	6,333	6,816	7,200	7,442	7,660	8,185	8,525	9,129	10,055	10,398	10,548
Total		8,857	9,572	10,154	10,683	11,316	12,246	12,963	13,938	15,259	15,959	16,300
9. Autistic	0-2	1	3	1	3	0	5	0	1	4	4	4
	3-5	28	34	27	20	20	15	20	34	29	29	29
	6-11	72	75	70	82	82	82	133	193	262	262	262
	12-+21	51	61	65	67	74	87	98	103	139	139	139
Total		152	173	163	172	176	189	251	331	434	434	434
10. Deaf and Blind	0-2	4	5	4	1	1	0	0	1	1	1	2
	3-5	4	6	2	7	5	5	2	3	0	0	1
	6-11	3	6	10	12	9	5	11	10	12	12	12
	12-+21	10	5	7	9	6	4	4	4	9	9	9
Total		21	22	23	29	21	14	17	18	22	22	24

(1) First year for state criteria

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

(Continuation) 0301 SPECIAL EDUCATION, REGULAR

TABLE 3-1 (continued)
UNDULICATED CHILD COUNT
STUDENTS WITH DISABILITIES BY AGE AND DISABILITY

DISABILITY	AGE	ACTUAL F.Y. 1987	ACTUAL F.Y. 1988	ACTUAL F.Y. 1989	ACTUAL F.Y. 1990	ACTUAL F.Y. 1991	ACTUAL F.Y. 1992	ACTUAL F.Y. 1993	ACTUAL F.Y. 1994	ACTUAL F.Y. 1995	ESTIMATED F.Y. 1996	ESTIMATED F.Y. 1997
Child Count Date		12/85	12/86	12/87	12/88	12/89	12/90	12/91	12/92	12/93	12/94	12/95
11. Other Health Impaired	0-2	35	54	17	18	10	8	2	5	5	10	13
	3-5	173	193	58	36	32	25	42	47	65	85	88
	6-11	325	254	215	207	270	357	463	690	1,028	1,153	1,178
	12-22	319	196	185	171	195	251	333	551	866	966	991
Total		852	697	475	432	507	641	840	1,293	1,964	2,214	2,270
12. Brain Injured (2)	0-2								0(2)	0	2	6
	3-5								0	10	18	28
	6-11								21	27	32	72
	12-21								27	49	54	94
Total									48	86	106	200
13. Early Childhood	0-2			539	1,195	1,465	1,603	1,922	2,081	2,180	2,327	2,437
Special Education*	3-5			3,684	4,289	4,800	5,186	5,400	5,912	2,313	6,613	6,724
	6-11			368	195	119	(3)					
	12-+21											
Total				4,591	5,679	6,384	6,789	7,322	7,993	8,493	8,940	9,161

* F.Y. 1988 was the first year for this category.

Totals of All	0-2	514	757	844	1,524	1,771	1,882	2,199	2,353	2,436	2,627	2,758
	3-5	8,146	8,731	8,934	8,443	8,495	8,637	8,994	9,633	10,284	10,628	10,829
	6-11	36,591	37,236	37,648	37,509	36,595	35,750	36,625	37,545	39,385	39,855	40,208
	12-+21	36,014	35,999	35,898	35,171	34,595	34,241	34,820	36,399	38,446	38,890	39,205
Total		81,265	82,723	83,324	82,647	81,456	80,510	82,638	85,930	90,551	92,000	93,000

(2) F.Y. 1994 was the first year that data was collected for this disability classification.

(3) Beginning in F.Y. 1992, students age 6 and over must be classified as a specific disability.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

(Continuation) 0301 SPECIAL EDUCATION, REGULAR

TABLE 3-2
UNDUPLICATED CHILD COUNT BY AGE AND DISABILITY
DECEMBER 1, 1993

AGE AS OF SEPT 1	SPEECH/ LANG IMPAIRED	MILD MODER HDCPD	MODER SEVERE MEN HDCPD	PHYS- ICALLY HDCPD	HEARING IMPAIRED	VISUALLY IMPAIRED	SPECIFIC LEARN DISABIL	EMOTION BEHAVIOR DISORDER	DEAF BLIND	OTHER HEALTH IMPAIRED	AUTISTIC	BRAIN INJURED	EARLY CHILD SPEC ED	TOTAL
0	5	2	0	4	1	3	1	2	0	2	0	0	289	309
1	12	0	0	6	8	8	1	0	0	1	0	0	681	717
2	150	0	1	10	24	6	1	1	1	2	4	0	1,210	1,410
3	499	0	3	11	42	6	1	1	0	10	0	2	1,734	2,309
4	1,071	7	10	18	52	11	1	12	0	12	10	4	2,572	3,780
5	1,676	97	46	65	76	19	57	86	0	43	19	4	2,007	4,195
6	2,379	352	112	99	108	23	763	309	1	128	49	0	0	4,323
7	2,179	504	142	129	136	20	1,667	602	3	178	43	9	0	5,612
8	2,234	605	168	123	132	21	2,681	868	4	188	48	4	0	7,076
9	2,205	594	158	115	144	25	3,223	968	2	177	45	5	0	7,661
10	1,735	571	155	121	133	27	3,437	1,122	1	170	43	6	0	7,521
11	1,060	580	168	127	130	26	3,643	1,233	1	187	34	3	0	7,192
12	616	612	156	97	114	29	3,440	1,442	3	156	20	8	0	6,693
13	404	576	183	100	99	30	3,351	1,627	2	161	21	6	0	6,560
14	275	532	181	100	90	31	3,131	1,774	1	141	20	8	0	6,284
15	164	530	191	76	114	20	3,000	1,871	1	139	21	8	0	6,135
16	118	518	205	54	69	20	2,513	1,586	0	135	15	5	0	5,238
17	78	475	183	42	65	20	2,053	1,119	0	75	14	2	0	4,126
18	34	399	183	30	43	3	1,036	480	2	38	10	7	0	2,265
19	6	183	202	22	15	2	148	114	0	13	13	4	0	722
20	3	128	158	8	7	0	32	38	0	7	5	1	0	387
21	1	6	8	1	4	1	6	4	0	1	0	0	0	32
+21	0	2	1	1	0	0	0	0	0	0	0	0	0	4
Totals														
0-2	167	2	1	20	33	17	3	3	1	5	4	0	2,180	2,436
3-5	3,246	104	59	94	170	36	59	99	0	65	29	10	6,313	10,284
6-11	11,792	3,206	903	714	783	142	15,414	5,102	12	1,028	262	27	0	39,385
12-17	1,655	3,243	1,099	469	551	150	17,488	9,419	7	807	111	37	0	35,036
18-21	44	716	551	61	69	6	1,222	636	2	59	28	12	0	3,406
0-21	16,904	7,271	2,613	1,358	1,606	351	34,186	15,259	22	1,964	434	86	8,493	90,547
+21	0	2	1	1	0	0	0	0	0	0	0	0	0	4

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0301: SPECIAL EDUCATION AID - REGULAR

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 177,847	\$ 188,202	\$ 188,202	\$ 188,202
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<12,040>	<17,684>
3. Other Adjustments				
Deficiency Appropriation from '94 Tax Bill		11,595		
Transfer out to Special Pupil Aid Program		<87>		
Excess Funds Transfer In	6,089	9,356		
4. CURRENT LAW AID FUNDING LEVEL	183,936	209,066	176,162	170,518
5. Statutory Formula Aid (Detail in Narrative)	196,043	209,066		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<12,107>			
8. CURRENT LAW LEVY	*	*	*	*
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	183,936	209,066	176,162	170,518
GOVERNOR'S RECOMMENDATIONS : AID				
1. Formula Change			16,529	25,348
Current Law Aid Funding Level (Line 4)			176,162	170,518
RECOMMENDED AID ENTITLEMENT			192,691	195,866
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)			*	*
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			192,691	195,866
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	25,087	26,677	28,230	28,903
Current Year 85 Percent	151,170	171,480	163,788	166,487
Transfers Per M.S. 124.14, Subd. 7	18,806	13,054		
Total-State General Funds	195,063	211,211	192,018	195,390

* See Special Education Levy Summary and Equalization Aid (Program 0308)

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1996-97 Biennial Budget

PROGRAM: 03 Special Education - Special Pupil
AGENCY: Education Aids
 0302 SPECIAL EDUCATION - SPECIAL PUPIL

CITATION: M.S. 124.32, Subd. 6
MDE ADMIN: 1203 Special Education
FEDERAL: None

PURPOSE:

To assure all individuals with disabilities, who are placed in residential facilities, a free and appropriate education regardless of economic and/or family status. Special pupils are those for whom no school district of residence can be determined because parental rights have been terminated by court order, parents cannot be located, and/or no other district of residence can be established.

The specific program objectives are the same as stated for Special Education-Regular (Program Budget 0301). Special education programs and services are designed to prepare individuals with disabilities whose educational needs range from self care skills, to independent living skills, to preparation for sheltered employment or employment in the community, to the full array of postsecondary education programs available.

Most education aid programs contribute to more than one education goal. By providing education programs that are appropriate to the unique education needs of individuals with disabilities and by preparing individuals to be independent and responsible adults, the Special Education - Special Pupil program contributes to many of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program also contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- **Graduation Standards**
- **Lifework Development and Technology Competence**
- **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 53, 68, 70, 72, 75, 151 and 215.

DESCRIPTION:

Special Pupil Aid ensures school districts will recover the full education costs for individuals with disabilities residing in a public or private residential facility within the district's boundaries. This aid covers the remaining costs of educating these individuals after all other state aids have been deducted, including the general education basic revenue, special education aid, and any other aid earned on behalf of the pupil. The aid is paid as a reimbursement in the year following the year services are provided.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Program Year	1991-92	1992-93	1993-94	1994-95	1995-96
Pupils Served (weighted average daily membership)	116.0	123.0	108.0	115.0	120.0
District Expenditures	\$ 597	\$ 632	\$ 728	\$ 775	\$ 809
Less State Aid Deductions	279	314	264	362	378
Special Pupil Aid	\$ 317	\$ 318	\$ 465	\$ 413	\$ 431

PROGRAM FUNDING

A. Statutory Formula AID:	\$ 318	\$ 277	\$ 465	\$ 470	\$ 479
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(195)	(174)
Current Law Aid Entitlement	318	277	465	275	305
Proration Factor	1.000	1.000	1.000	0.585	0.637

1996-97 Biennial Budget

PROGRAM: 03 Special Education - Special Pupil
AGENCY: Education Aids

 0302 SPECIAL EDUCATION - SPECIAL PUPIL
 (Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
B. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement (Line 1 on Fiscal Page)		318	337	337*	337*
Entitlement Changes Per Law:					
■ Participation/Expenditure Change		(71)	58	80	103
■ State Aid Deduct		<u>30</u>	<u>70</u>	<u>53</u>	<u>39</u>
Statutory Formula Aid (Unprorated)		227	465	470	479
C. Aid Funding Level Reconciliation:					
Current Law Aid Entitlement		277	465	275	305
Adjustments Per Law:					
■ Excess Funds		—	—	—	—
Current Aid Funding Level (Line 4 on Fiscal Page)		\$ 277	\$ 465	\$ 275	\$ 305

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- The number of learners with unstable homes is on the increase. The number of learners for whom parents cannot be located and no district of residence can be established is increasing. Many of these learners are users of drugs and alcohol and are potential candidates for residential care and treatment facilities, placing a strain on school district resources.

B. STRATEGIES:

- Assure that all learning environments for students with disabilities afford these learners and their families efficient access to programs and services from state agencies and their local counterparts.
- Increase collaboration with other agencies to reduce and/or eliminate the potential for duplication of services and to assure the agency best equipped to provide needed services and support for the learner and family is involved.
- Increase the "safety net" for schools so that increased funding will be provided for students needing high cost programs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$470 for F.Y. 1996 and \$479 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$470 in F.Y. 1996, and \$479 in F.Y. 1997.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0302: SPECIAL EDUCATION - SPECIAL PUPIL AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 318	\$ 337	\$ 337	\$ 337
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<62>	<32>
3. Other Adjustments				
Balance Forward	<41>	41		
Transfer In from Special Educ.- Regular		87		
4. CURRENT LAW AID FUNDING LEVEL	277	465	275	305
5. Statutory Formula Aid (Detail in Narrative)	277	465		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	277	465	275	305
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds from Other Education Programs			195	174
Current Law Aid Funding Level (Line 4)			275	305
RECOMMENDED AID ENTITLEMENT			470	479
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			470	479
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	277	465	470	479
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	277	465	470	479

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0303 SPECIAL EDUCATION SUMMER SCHOOL
(Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
State Totals					
District Summer					
Expenditures	9,654.4	9,589.6	9,282.3	9,883.3	10,541.0
Gross Summer State Aid	4,569.6	4,611.7	4,485.0	4,743.1	5,024.0
Gross Alternative Aid	411.0	413.3	435.3	372.8	374.0
Grand Total Gross					
State Aid	4,980.6	5,025.0	4,920.3	5,115.9	5,398.0
Resources	4,981.0	4,472.0	4,809.0	4,240.0	4,104.0
Proration Factor	1.0000	0.8899	0.9774	0.8279	0.7602
Prorated Summer State Aid	4,569.6	4,104.2	4,383.5	3,931.0	3,819.7
Summer Levy Authority	1,724.6	2,268.2	1,815.2	2,620.5	3,149.2
Summer Total Revenue	6,294.2	6,372.4	6,198.7	6,551.6	6,968.8
Prorated Alternative Aid	411.0	367.8	425.5	308.9	284.3
Alternative Levy					
Authority	162.3	243.4	268.3	289.0	289.7
Alternative Total Revenue	573.2	611.2	693.8	598.0	574.0
Grand Total Prorated Aid	4,980.6	4,472.0	4,809.0	4,240.0	4,104.0
Grand Total Levy					
Authority	1,886.9	2,511.6	2,083.5	2,909.6	3,438.8
Grand Total Revenue	6,867.5	6,983.6	6,892.5	7,149.6	7,542.8
Prorated Salary Aid	4,281.2	3,787.9	4,046.5	3,638.5	3,543.2
Salary Levy	1,724.6	2,268.2	1,815.2	2,620.5	3,149.1
Salary Revenue	6,005.8	6,056.1	5,863.7	6,259.0	6,692.4

PROGRAM FUNDING

A. Statutory Formula REVENUE:	\$ 7,026	\$ 6,904	\$ 7,212	\$ 7,658
Revenue Reduction Due To				
Insufficient Appropriation	(10)	(0)	(44)	(65)
Current Law Revenue	\$ 7,007	6,904	7,168	7,593
B. Statutory Formula LEVY:^(a)	\$ 1,999	1,974	2,088	2,251
Levy Change Due To				
Insufficient Appropriation	350	0	840	1,238
Current Law Levy	2,349	1,974	2,928	3,489
C. Statutory Formula AID:	\$ 5,027	\$ 4,930	\$ 5,124	\$ 5,407
Aid Reduction Due To				
Insufficient Appropriation	(369)	(0)	(884)	(1,303)
Current Law Aid Entitlement	\$ 4,658	\$ 4,930	\$ 4,240	\$ 4,104
Proration Factor	0.927	1.000	0.827	0.759
D. Aid Entitlement Reconciliation:				
Appropriation-Implied Entitlement	\$ 4,472	\$ 4,530	\$ 4,530*	\$ 4,530*
Entitlement Changes Per Law:				
■ <u>Appropriation Shortfall</u>	0	0	0	0
■ <u>Revenue Increases (Decreases):</u>				
Change in Number of Staff	672	529	860	1,220
Average Salary per Staff FTE	164	(1)	63	136
Contracted Services Aid	59	73	84	96
Alternative Program Revenue	21	82	(16)	(15)
■ <u>Levy (Increases):</u>				
Change in Number of Staff	(189)	(151)	(246)	(349)
Average Salary per Staff FTE	(143)	(47)	(99)	(159)
Alternative Program Levy	(30)	(85)	(51)	(51)
Statutory Formula Aid (Unprorated)	\$ 5,027	\$ 4,930	\$ 5,124	\$ 5,407
E. Aid Funding Level Reconciliation:				
Current Law Aid Entitlement	\$ 4,658	\$ 4,903	\$ 4,240	\$ 4,104
■ Prior Year Payments (M.S. 124.14, Subd. 2)		1		
Current Aid Funding Level				
(Line 4 on Fiscal Page)	\$ 4,658	\$ 4,931	\$ 4,240	\$ 4,104

^(a) Levy authority *before* reduction for Special Education Equalization Aid.

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0303 SPECIAL EDUCATION SUMMER SCHOOL
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Extended year programs must be provided to learners with disabilities when it is determined by the child study team that significant regression will occur over a period when no instruction is offered such as during the summer.
- Because it is more difficult to provide an inclusive program during an extended year program, many districts like to provide alternative experiences such as camping for some students, coupled with academic programs, but are finding this more difficult with limited resources.
- Districts often find it more difficult to find appropriate special education staff willing to accept assignments during the summer months.

B. STRATEGIES:

- Continue funding summer school programs for individuals with disabilities.
- Encourage districts to provide alternative experiences for individuals with disabilities by allowing 100% non-regular transportation aid reimbursement for board and lodging for those students who can benefit from broader growth experiences. This can be done through wilderness and/or camping experiences coupled with special education instruction. This can be more cost effective for some districts than employing staff on a higher salary schedule to work in the summer time.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$4,222 for F.Y. 1996 and \$4,291 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$4,222 in F.Y. 1996, and \$4,291 in F.Y. 1997.

The Governor recommends the following modifications in the special education summer school program, beginning in F.Y. 1996:

1. Increase special education summer school aid and levy revenue from the F.Y. 1995 level of \$6,904 to \$7,036 for F.Y. 1996 and \$7,152 for F.Y. 1997.
2. Replace the current special education summer school formula with a statewide revenue target based on F.Y. 1995 revenue plus an adjustment for growth in actual pupil units. The statewide revenue targets would be \$7,036 for F.Y. 1996 and \$7,152 for F.Y. 1997.

3. Allocate special education summer school revenue among school districts based on F.Y. 1995 special education summer school revenue, adjusted for growth in average daily membership.
4. Beginning in F.Y. 1998, expenditure data from the second prior year would be used in computing special education summer school revenue.
5. Compute special education summer school aid equal to 60 percent of the district's special education summer school revenue, and special education levy equalization revenue equal to 40 percent of the district's special education summer school revenue.
6. Modify the formula for alternative delivery revenue so that it is consistent with the new special education formula. Continue to authorize the program flexibility included in the alternative delivery model.
7. Increase special education excess cost revenue from the F.Y. 1995 level of \$5,065 to \$12,765 in F.Y. 1996 and \$23,849 in F.Y. 1997 to provide an enhanced safety net for school districts with rapid increases in special education costs between F.Y. 1995 and F.Y. 1997 (see Program 0305).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0303: SPECIAL EDUCATION - SUMMER SCHOOL AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 4,472	\$ 4,530	\$ 4,530	\$ 4,530
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<290>	<426>
3. Other Adjustments				
Excess Funds Transfer In	186	179		
Deficiency Appropriation from 1994 Tax Bill		222		
4. CURRENT LAW AID FUNDING LEVEL	4,658	4,931	4,240	4,104
5. Statutory Formula Aid (Detail in Narrative)	5,027	4,930		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<369>	1 ^a		
8. CURRENT LAW LEVY	*	*	*	*
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	4,658	4,931	4,240	4,104
GOVERNOR'S RECOMMENDATIONS : AID				
1. Formula Change			<18>	187
Current Law Aid Funding Level (Line 4)			4,240	4,104
RECOMMENDED AID ENTITLEMENT			4,222	4,291
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)			*	*
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			4,222	4,291
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	4,472	4,752	4,222	4,291
Transfers Per M.S. 124.14, Subd. 7	186	179		
Total-State General Funds	4,658	4,931	4,222	4,291

* See Special Education Levy Summary and Equalization Aid (Program 0308)

^aThis amount is for prior year payments per M.S. 124.14, subdivision 2.

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
 AGENCY: Education Aids

0304 SPECIAL EDUCATION - HOME-BASED TRAVEL

CITATION: M.S. 124.32, Subd. 2b
 MDE ADMIN: 1203 Special Education
 FEDERAL: 0319 Individuals with Disabilities (EHA, P.L. 101-476)
 0320 Preschool Incentive (Sec. 619)
 0421 Infants and Toddlers (Part H)

PURPOSE:

To assure that all individuals with disabilities, from birth through 4 years of age, have access to early childhood special education intervention services. Early childhood staff travel aid assures:

- early childhood special education programs include the child and the family;
- early childhood special education services are provided in the home and/or at center-based sites, whichever is appropriate, when the nature of a program serving young children requires staff travel to the child and family; and
- early intervention special education services are provided to assist individuals with disabilities and their parents in learning to understand the disability, to teach skills to compensate for the disability, to help discover and focus on the individual's abilities and to support the child and the family so the child can become as independent as possible.

Most education aid programs contribute to more than one education goal. By providing education programs that are appropriate to the unique education needs of individuals with disabilities and by preparing individuals to be independent and responsible adults, the Special Education - Home-Based Travel program contributes to many of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.

- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program also contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- **Graduation Standards**
- **Lifework Development and Technology Competence**
- **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 59, 79, 108 and 151.

DESCRIPTION:

Because Special Education services to individuals with disabilities are mandated by M.S. 120.17 to begin at birth, the unique special instructional needs of preschool learners with disabilities require that services be available in a variety of settings, including the home and center-based sites. Home-Based Services Travel assures that direct special education service and/or parent training and consultation can take place in the home if that is the setting most appropriate for meeting the child's needs. The state aid provides school districts with 1/2 of actual expenditures for necessary travel of essential personnel providing home-based services to children under age 5 and their families.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Number of districts	411	395	376	366	355
Unduplicated child count (age 0-5)	11,193	11,986	12,720	13,255	13,587
Full-time equivalent staff providing services (state and federal)	1,186	1,263	1,485	1,462	1,735
District expenditures		\$ 194.9	\$ 145.0	\$ 153.0	\$ 161.0
Aid earned at 50%		\$ 97.4	\$ 72.5	\$ 76.5	\$ 80.5

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0304 SPECIAL EDUCATION - HOME-BASED TRAVEL
 (Continuation)

B. STRATEGIES:

- Continue to provide aid to districts which will permit the professional-parent partnership in the child's natural setting. This partnership will provide parent training and support as well as direct services to the child.
- Utilize federal funds for travel when needed.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$77 for F.Y. 1996 and \$81 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$77 in F.Y. 1996 (\$11 for F.Y. 1995 and \$66 for F.Y. 1996), and \$80 in F.Y. 1997 (\$11 for F.Y. 1996 and \$69 for F.Y. 1997).

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
<u>PROGRAM FUNDING</u>					
A. <u>Statutory Formula AID:</u>	\$ 87	\$ 98	\$ 73	\$ 77	\$ 81
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(0)	(0)
Current Law Aid Entitlement	87	98	73	77	81
Proration Factor	1.000	1.000	1.000	1.000	1.000
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement (Line 1 on Fiscal Page)		133	164	164*	164*
Entitlement Changes Per Law:					
■ Participation/Expenditure Change		(35)	(91)	(87)	(83)
Statutory Formula Aid (Unprorated)		98	73	77	81
C. <u>Aid Funding Level Reconciliation:</u>					
Current Law Aid Entitlement		98	73	77	81
Adjustments Per Law:					
■ Excess Funds (Not Allocated)		-0-	-0-	57	68
■ Portion of 15% Final Not Requested		—	13	—	—
Current Aid Funding Level (Line 4 on Fiscal Page)		\$ 98	\$ 86	\$ 134	\$ 149

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- Continue to provide appropriate special education and related services in the students' home environment by providing licensed special education staff to work with the parents and the child in that setting.

REVISED 2-28-95

PAGE A-98

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0304: SPECIAL EDUCATION - HOME-BASED TRAVEL

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 133	\$ 164	\$ 164	\$ 164
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<30>	<15>
3. Other Adjustments				
Excess Funds Transfer Out	<35>	<78>		
4. CURRENT LAW AID FUNDING LEVEL	98	86	134	149
5. Statutory Formula Aid (Detail in Narrative)	98	73		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		13 ^a		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	98	86	134	149
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Education Programs			<57>	<68>
Current Law Aid Funding Level (Line 4)			134	149
RECOMMENDED AID ENTITLEMENT			77	81
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			77	81
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	10	19	11	11
Current Year 85 Percent	114	140	66	69
Transfers Per M.S. 124.14, Subd. 7	<35>	<78>		
Total-State General Funds	89	81	77	80

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0305 SPECIAL EDUCATION - EXCESS COST

CITATION: M.S. 124.323
MDE ADMIN: 1203 Special Education
FEDERAL: None

PURPOSE:

To provide supplemental special education funding to ensure that school districts with high unreimbursed special education costs are not required to subsidize special education costs excessively from general operating funds.

In small school districts, the unreimbursed costs of serving a few high cost students can have a severe impact on the district's general fund budget. High concentrations of special education students can create similar problems in larger school districts. The special education excess cost aid provides a safety net to mitigate the impact of unreimbursed special education costs on school district general fund budgets.

Most education aids programs contribute to more than one education goal. Special Education - Excess Cost contributes to many of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives

toward quality improvement.

This program also contributes to the *current priorities* of the Minnesota Department of Education (MDE) with a special emphasis on the following priorities:

- **Graduation Standards**
- **Lifework Development and Technology Competence**
- **Collaboration and Service Co-Location**

Most goals, priorities, outcomes and effectiveness indicators help meet more than one education goal. For additional information on the goals and priorities of the Department of Education, refer to the Annual Agency Performance Report, September 1994, pages 53, 68, 70, 72, 75, 77, 108, 151 and 215.

DESCRIPTION:

The Excess Cost aid replaces the residential aid as more and more students with disabilities are attending public school settings. Excess Cost aid assists school districts to bear the cost of students who have multiple needs for special education and related services. These funds are available to pay for the excess special education costs for students with disabilities who are in and out of the district. A district's excess costs allowance equals 70% of the difference between the district's unreimbursed special education cost per actual pupil unit and 6% of the district's general revenue per actual pupil unit. The excess cost aid equals the excess cost allowance multiplied by the actual pupil units of the district.

PROGRAM STATUS:

(\$ in 000s)

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Current Law					

PROGRAM FUNDING

<u>A. Statutory Formula AID:</u>	--	--	\$ 5,065	\$ 8,064	\$ 11,862
Aid Reduction Due To					
Insufficient Appropriation	--	--	(0)	(2,733)	(5,941)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	--	--	5,065	5,331	5,921
Proration Factor	--	--	1.000	0.661	0.499
<u>B. Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		--	6,535	6,535*	6,535*
Entitlement Changes Per Law:					
■ Increase in District					
Expenditure Estimates		--	(1,470)	1,529	5,327
Statutory Formula Aid (Unprorated)		--	5,065	8,064	11,862

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0305 SPECIAL EDUCATION - EXCESS COST
(Continuation)

- Increase special education excess cost revenue from the F.Y. 1995 level of \$5,065 to \$12,765 for F.Y. 1986 and \$23,849 for F.Y. 1997.
- Beginning in F.Y. 1996, compute special education excess cost aid equal to 60% of special education excess lost revenue, and special education levy equalization revenue equal to 40% of the district's special education excess cost revenue.

BUDGET ISSUES:

A. CHALLENGES:

- The number of students with disabilities who attend residential facilities are decreasing and those students are now being served by their own school districts. The districts are experiencing additional costs for special education services because of these students' participation in district operated programs.
- The number of services for each student with disabilities is ever increasing as more and more children with severe and profound needs enter the public school. The costs for providing special education services have increased for these students.
- Students with severe emotional and behavioral needs are being placed in local day treatment programs which have an education component operated by the school district. These additional costs for educating students with disabilities puts more pressure on the limited resources of the districts.

B. STRATEGIES:

- Continue to encourage local districts to provide appropriate special education services in the district to children with severe and profound needs by providing aid for the excess costs for students with disabilities.
- Continue to provide aids to maintain the students with special education needs as close to his/her home school as possible and to participate with peers and family in the community.
- Increase excess cost funding to ensure that limitations on regular special education revenue and the transition to base year funding do not severely impact general fund budgets in school districts with rapidly growing special education costs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing special education excess cost aid entitlements from the F.Y. 1995 level of \$5,065 to \$7,659 for F.Y. 1996 and \$14,309 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$7,271 in F.Y. 1996 (\$760 for F.Y. 1995 and \$6,511 for F.Y. 1996), and \$13,311 in F.Y. 1997 (\$1,148 for F.Y. 1996 and \$12,163 for F.Y. 1997).

The Governor recommends the following modifications in the special education excess cost program, beginning in F.Y. 1996:

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0305: SPECIAL EDUCATION - EXCESS COST

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 6,535	\$ 6,535	\$ 6,535
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<1,204>	<614>
3. Other Adjustments				
Excess Funds Transfer Out		<1,250>		
4. CURRENT LAW AID FUNDING LEVEL		5,285	5,331	5,921
5. Statutory Formula Aid (Detail in Narrative)		5,065		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		220 ^a		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)		5,285	5,331	5,921
GOVERNOR'S RECOMMENDATIONS : AID				
1. Formula Change			2,328	8,388
Current Law Aid Funding Level (Line 4)			5,331	5,921
RECOMMENDED AID ENTITLEMENT			7,659 ^b	14,309 ^b
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)			*	*
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			7,659	14,309
APPROPRIATIONS BASIS:				
Prior Year 15 Percent		0	760	1,148
Current Year 85 Percent		5,555	6,511	12,163
Transfers Per M.S. 124.14, Subd. 7		<1,250>		
Total-State General Funds		4,305	7,271	13,311

* See Special Education Levy Summary and Equalization Aid (Program 0308)

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

^bIncludes policy changes recommended as part of the Governor's supplemental budget in the amount of \$(2,164) for F.Y. 1996 and (\$325) for F.Y. 1997. The Governor's supplemental budget also increases the levy for Special Education Excess Cost by \$5,106 for F.Y. 1996 and \$9,539 for F.Y. 1997 (See Program 0308).

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

 0306 LIMITED ENGLISH PROFICIENCY

CITATION: M.S. 124.273; 126.261-.269; 275.125, Subd. 8
MDE ADMIN: 1202 State & Federal Programs (Targeted Populations)
FEDERAL: None

PURPOSE:

The Limited English Proficiency Education Program provides funding support, technical assistance, and in-service training to school districts serving Limited English Proficient (LEP) students. LEP students remain in the program, learning to speak, read, write in English, until they are able to participate successfully in the mainstream curriculum. The length of time a student spends in the program depends on the student's age, the level of reading and writing proficiency in the native language, and the amount of education the student had in the native language.

Most education aid programs contribute to more than one education goal. By providing students the English language skills needed for school readiness, increasing achievement test scores and by increasing student graduation rates thereby enabling them to pursue advanced education and training, the Limited English Proficiency program contributes to many of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program also contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- Graduation Standards
- Lifework Development and Technology Competence
- Collaboration and Service Co-Location

For additional information on the goals, priorities and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 55.

DESCRIPTION:

The following program delivery designs are used to serve LEP students in Minnesota:

1. **English as a Second Language (ESL)** is a program that instructs students of limited English proficiency in the four language skill areas of listening, speaking, reading, and writing. Districts using this model must also address the need to provide access to content area instruction.
2. **Bilingual** is a program of instruction that includes an **ESL** component and provides instruction through a student's native language in content areas such as math, science, and social studies.

For F.Y. 1993, the greatest number of districts serviced LEP students (92% elementary; 50% secondary) using an ESL teacher in a pull-out model. At the elementary level the following models were also used (many districts use a combination of models): Team Teaching 19%; In-class w/ESL teacher 35%; Bilingual Classes 3%; Self-contained ESL classes 21%; peer tutoring 28%. At the Secondary level the following models were also used (many district use a combination of models): Team Teaching 11%; In-class 2/ESL teacher 18%; ESL Courses 75%; Bilingual Courses 2%; peer tutoring 48%.

A district's state aid equals the lesser of 55.2% of salary or \$15,320 for each eligible full-time equivalent (FTE) teacher. A district is eligible to receive funding for 1 FTE teacher for each 40 LEP pupils or a pro-rata portion of an FTE teacher for fewer than 40 pupils. Districts with 20 or few LEP pupils are eligible to receive funding for 1/2 FTE teacher. A district may levy an amount equal to the difference between 68% of salaries paid to eligible personnel and the state aid paid for salaries of these personnel.

Districts also receive partial reimbursement for instructional supplies and equipment used for the instruction of LEP students. The reimbursement is for 47% of the amount spent or forty-seven dollars per student, whichever is less.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
LEP Students Served (ADM)	15,761	17,300	18,920	20,760	22,800
# of Districts	147	150	152	154	156
ESL Students	15,561	17,100	18,720	20,560	22,600
Bilingual Students	350	400	500	540	600

Current Law

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0306 LIMITED ENGLISH PROFICIENCY
(Continuation)

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
LEP Enrollment	15,025.0	16,458.0	18,019.0	19,728.0	21,595.0
Total LEP Staff FTE	354.68	527.22	577.33	632.12	692.16
Total LEP Salary	\$ 12,437.4	\$ 16,146.7	\$ 17,954.3	\$ 19,983.9	\$ 22,279.3
FTE Used in Aid Calculation					
Above Cap	254.79	282.26	297.42	317.73	470.74
Below Cap	<u>55.19</u>	<u>128.89</u>	<u>151.29</u>	<u>171.95</u>	<u>64.02</u>
Total	309.98	411.15	448.71	489.68	534.76
Salary Used in Aid Calculation					
Above Cap	\$ 9,814.4	\$ 10,897.9	\$ 11,686.3	\$ 12,633.2	\$ 17,337.9
Below Cap	<u>1,347.4</u>	<u>2,908.1</u>	<u>3,620.4</u>	<u>4,333.1</u>	<u>1,485.8</u>
Total	11,161.8	13,806.0	15,306.7	16,966.4	18,823.6
Salaries Per FTE	36.0	33.6	34.1	34.6	35.2
Gross Salary Aid Amount					
Above Cap	3,903.4	4,324.2	4,556.5	4,867.6	7,211.7
Below Cap	<u>743.8</u>	<u>1,605.3</u>	<u>1,998.5</u>	<u>2,391.9</u>	<u>820.1</u>
Total	4,647.2	5,929.5	6,554.9	7,259.5	8,031.9
Supplies and Equipment					
Expenditures	N/A	570.9	625.1	684.5	749.5
Gross Aid	N/A	268.3	293.8	321.7	352.3
Total Gross Aid	N/A	6,197.8	6,848.7	7,581.2	8,384.1
Resources	4,647.2	5,799.0	6,693.0	5,901.0	5,712.0
Proration Factor	1.0000	0.9356	0.9773	0.7784	0.6813
Net Aid Amount					
Above Cap	3,903.4	4,046.0	4,452.9	3,788.8	4,913.3
Below Cap	<u>743.8</u>	<u>1,502.0</u>	<u>1,953.0</u>	<u>1,861.8</u>	<u>558.7</u>
Total	4,647.2	5,548.0	6,405.9	5,650.6	5,472.0

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
Net Supplies and Equipment Aid	N/A	251.0	287.1	250.4	240.0
Total Net Aid	N/A	5,799.0	6,693.0	5,901.0	5,712.0
Levy Amount					
Above Cap	2,083.4	3,364.6	3,493.8	4,801.8	6,876.5
Below Cap	<u>78.2</u>	<u>475.5</u>	<u>508.9</u>	<u>1,084.7</u>	<u>451.6</u>
Total	2,161.5	3,840.1	4,002.7	5,886.6	7,328.0
Total Salary Revenue					
Above Cap	5,986.8	7,410.6	7,946.7	8,590.6	11,789.8
Below Cap	<u>821.9</u>	<u>1,977.5</u>	<u>2,461.9</u>	<u>2,946.5</u>	<u>1,010.3</u>
Total	6,808.7	9,388.0	10,408.6	11,537.1	12,800.0
Grand Total Revenue	N/A	9,639.1	10,695.7	11,787.6	13,040.0
Number of Districts	118	144			

PROGRAM FUNDING

A. <u>Statutory Formula</u>				
<u>REVENUE:</u>	\$ 9,959	\$ 11,036	\$ 12,227	\$13,564
Revenue Reduction Due To				
Insufficient Appropriation	(19)	(0)	(96)	(147)
Current Law Revenue	9,940	11,036	12,131	13,417
B. <u>Statutory Formula LEVY:</u> ^(a)	3,577	3,984	4,420	4,925
Levy Change Due To				
Insufficient Appropriation	<u>369</u>	<u>0</u>	<u>1,810</u>	<u>2,780</u>
Current Law Levy	3,946	3,984	6,230	7,705
C. <u>Statutory Formula AID:</u>	6,382	7,052	7,807	8,639
Aid Reduction Due To				
Insufficient Appropriation	(388)	0	(1,906)	(2,927)
Current Law Aid Entitlement	5,994	7,052	5,901	5,712
Proration Factor	0.939	1.000	0.756	0.661

^(a) Levy authority *before* reduction for Special Education Equalization Aid.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0306 LIMITED ENGLISH PROFICIENCY
(Continuation)

- In order to provide districts with greater flexibility, this program will be included as a part of a block grant to districts to address the needs of students which will result in closing the learning gap. The state and federal resources included in this Block Grant are: Compensatory Aid, Assurance of Mastery (AOM), Limited English Proficiency (LEP), and Chapter/Title I (federal). Districts will be afforded maximum flexibility in terms of how the resources are to be used in exchange for increased accountability for learner results.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$7,265 for F.Y. 1996 and \$0 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$7,121 in F.Y. 1996 (\$945 for F.Y. 1995 and \$6,176 for F.Y. 1996), and \$1,089 in F.Y. 1997 (\$1,089 for F.Y. 1996 and \$0 for F.Y. 1997).

The Governor recommends the following modifications in the limited English proficiency program, beginning in F.Y. 1996:

1. Increase aid and levy revenue from the F.Y. 1995 level of \$11,036 to \$12,109 for F.Y. 1996.
2. For F.Y. 1996, compute LEP revenue equal to the district's F.Y. 1995 LEP revenue, times the ratio of the district's LEP enrollment in F.Y. 1996 to the district's LEP enrollment in F.Y. 1995. For districts enrolling at least one, but fewer than 20 LEP students, use 20 students in this computation. Compute aid equal to 60% of the district's revenue, and special education levy equalization revenue equal to 40% of the district's revenue.
3. Beginning in F.Y. 1997, combine limited English proficiency funds with compensatory and assurance of mastery funds, (together with federal Chapter/Title I funds), to form a new learning gap block grant (see Activity 0101). A portion of the new learning gap block grant would be allocated based on LEP enrollment.

0306.L

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
	Current Law				
D. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement (Line 1 on Fiscal Page)		5,799	6,303	6,304*	6,304*
Entitlement Changes Per Law:					
■ Appropriation Shortfall			1		
■ Revenue Increases (Decreases):					
Change in Number of Staff		1,352	1,405	2,411	3,518
Average Salary for Staff FTE		(462)	(240)	(83)	116
Supplies and Equipment Aid		145	171	199	229
■ Levy Decreases (Increases):					
Change in Number of Staff		(480)	(498)	(855)	(1,248)
Average Salary for Staff FTE		<u>30</u>	<u>(90)</u>	<u>(169)</u>	<u>(281)</u>
Statutory Formula Aid (Unprorated)		6,382	7,052	7,807	8,639

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- To include LEP students in all aspects of educational reform
- To provide LEP students the opportunity to learn content standards
- To assess all LEP students' achievement in a fair and appropriate manner
- To develop systems of accountability that fully include LEP students
- To acknowledge the importance of abilities in non-English languages

B. STRATEGIES:

- Provide information concerning the unique needs of LEP students
- Develop tests and testing procedure that include LEP students and are fair to them
- Provide assistance to districts in creating quality programs
- Increase opportunities for teachers and future teachers to develop expertise in the education of LEP students
- Collect and use data on the education of LEP students (including achievement data)

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0306: LIMITED ENGLISH PROFICIENCY

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 5,799	\$ 6,303	\$ 6,304	\$ 6,304
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<403>	<592>
3. Other Adjustments				
Excess Funds Transfer In	195	334		
Deficiency Appropriation from 1994 Tax Bill		415		
4. CURRENT LAW AID FUNDING LEVEL	5,994	7,052	5,901	5,712
5. Statutory Formula Aid (Detail in Narrative)	6,382	7,052		
6. Funding Excess/Deficiency	<388>			
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY	*	*	*	*
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	5,994	7,052	5,901	5,712
GOVERNOR'S RECOMMENDATIONS : AID				
1. Formula Change			1,364	<5,712>
Current Law Aid Funding Level (Line 4)			5,901	5,712
RECOMMENDED AID ENTITLEMENT			7,265	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)			*	*
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			7,265	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	600	870	945	1,089
Current Year 85 Percent	4,929	5,773	6,176	0
Transfers Per M.S. 124.14, Subd. 7	195	334		
Total-State General Funds	5,724	6,977	7,121	1,089

* See Special Education Levy Summary and Equalization Aid (Program 0308)

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids
 0307 SECONDARY VOCATIONAL - STUDENTS WITH DISABILITIES

CITATION: M.S. 124.574; 275.125, Subd. 8c
MDE ADMIN: 1203 State & Federal Programs (Targeted Populations)
FEDERAL: 0327 Secondary Vocational

PURPOSE:

Provide Vocational Education programs and services to assist and support students with disabilities through the career decision-making process while developing skills, attitudes, and knowledge necessary for a successful transition into the workplace. The specific objectives are to:

- apply basic computational, comprehension, communication, scientific and problem-solving skills in relevant, realistic environments as prescribed in each student's individual education plan (IEP) goals and objectives;
- utilize results-oriented curriculum which may need to be modified to meet the needs of the student and which is relevant to the occupational choice of the student;
- gain experience in the use of technological equipment appropriate for the occupational area chosen;
- acquire entry-level and employability skills prescribed by the IEP to make a successful transition into a chosen occupation; and
- explore potential careers in different occupational areas in order to better prepare students with disabilities for a smooth transition for their postsecondary education endeavors.

The intent of Secondary Vocational Education for students with disabilities is to provide support and resources for students with disabilities to explore careers, have opportunities to gain specific job skills, and to prepare them for postsecondary education choices.

Most education aid programs contribute to more than one education goal. The Secondary Vocational - Students with Disabilities program contributes to many of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.

- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program also contributes to the *current priorities* of the Minnesota Department of Education (MDE):

- **Graduation Standards**
- **Lifework Development and Technology Competence**
- **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 68, 70, 72 and 151.

DESCRIPTION:

Vocational programs and services for students with disabilities are offered by school districts, cooperative centers, intermediate school districts, special education cooperatives, and Educational Cooperative Service Units (ECSUs). These programs and services are established to support student involvement in vocational education based on goals and objectives in student individualized education plans.

State Board of Education rules define the criteria that must be met in order to qualify for this vocational categorical aid. The criteria include appropriate teacher licensure and specific program and service curriculum requirements.

The state aid formula for funding these vocational education programs and services for F.Y. 1995 is as follows:

- **Instructor salary** - An amount not to exceed the lesser of 55.2% of the salary or \$15,320. A district may levy an amount equal to the difference between 68% of salaries paid to essential personnel and the state aid paid for salaries of these personnel.
- **Equipment** - 47% of the costs of necessary equipment.
- **Supplies** - 47% of the costs of necessary supplies not to exceed an average of \$47 per student.
- **Travel** - 47% of the costs of necessary travel between instructional sites.
- **Contracted Services for Evaluation** - 52% of necessary contracted services.
- **Contracted Services** - 52% of the difference between the amount of the contract and the basic revenue of the district for that pupil for the amount of time one pupil receives services under the contract.

These state categorical aids for vocational programs and services are used to support the assurances and initiative provisions of the federal vocational Carl D. Perkins Act.

PROGRAM STATUS:

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
 AGENCY: Education Aids
 0307 SECONDARY VOCATIONAL - STUDENTS WITH DISABILITIES
 (Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
<u>District Expenditures and Formula Funding:</u>					
Personnel					
FTE:					
Above Cap	191.32	196.98	201.28	205.93	209.39
Below Cap	<u>112.57</u>	<u>117.59</u>	<u>113.29</u>	<u>108.64</u>	<u>105.18</u>
Total Teachers	303.89	314.57	314.57	314.57	314.57
Salaries:					
Above Cap	\$ 8,087.8	\$ 8,289.2	\$ 8,659.6	\$ 9,050.2	\$ 9,419.2
Below Cap	<u>1,854.4</u>	<u>1,897.7</u>	<u>1,832.9</u>	<u>1,757.0</u>	<u>1,712.3</u>
Total Teachers' Salary	9,942.2	10,186.9	10,492.5	10,807.3	11,131.5
Salary Per Teacher	32.7	32.4	33.4	34.4	35.4
Gross Aid:					
Above Cap	2,931.0	3,017.7	3,083.6	3,154.8	3,207.9
Below Cap	<u>1,023.6</u>	<u>1,047.5</u>	<u>1,011.8</u>	<u>969.9</u>	<u>945.2</u>
Total Gross Aid	3,954.6	4,065.3	4,095.4	4,124.8	4,153.0
Contracted:					
Expenditure	\$ 129.2	\$ 113.2	\$ 132.9	\$ 137.0	\$ 141.0
WADM	26.23	12.18	26.19	26.19	26.19
Basic Revenue Deduct	<u>104.0</u>	<u>48.3</u>	<u>107.3</u>	<u>107.3</u>	<u>107.3</u>
Gross Aid	\$ 34.10	\$ 108.5	\$ 119.7	\$ 123.8	\$ 128.0
Equipment:					
Expenditure	\$ 28.0	\$ 25.8	\$ 23.9	\$ 22.1	\$ 20.5
Gross Aid	13.10	12.1	11.2	10.4	9.6

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Travel:					
Expenditure	148.4	175.5	184.3	208.9	236.6
Gross Aid	69.7	82.5	86.6	98.2	112.2
Supplies:					
Expenditure	138.8	222.7	167.5	186.3	207.2
Gross Aid	65.2	104.7	78.7	87.6	97.4
State Totals:					
District Expenditures	10,386.5	10,724.1	11,001.1	11,361.5	11,737.0
Gross State Aid	4,136.9	4,373.0	4,391.7	4,444.6	4,499.2
Resources	4,650.0	3,919.0	4,255.0	3,683.0	3,565.0
Proration Factor	1.0000	0.8961	0.9688	0.8286	0.7923
Prorated State Aid	\$ 4,136.9	\$ 3,919.0	\$ 4,255.0	\$ 3,683.0	\$ 3,565.0
Levy Authority	2,607.2	3,283.9	3,167.0	3,931.0	4,278.7
Total Revenue	\$ 6,744.1	\$ 7,202.9	\$ 7,422.0	\$ 7,614.0	\$ 7,843.7

PROGRAM FUNDING

A. <u>Statutory Formula</u>					
<u>REVENUE:</u>	\$ 6,744	\$ 7,159	7,339	7,573	7,818
Revenue Reduction Due To					
Insufficient Appropriation	<u>(0)</u>	<u>(13)</u>	<u>(0)</u>	<u>(34)</u>	<u>(44)</u>
Current Law Revenue	6,744	7,146	7,339	7,539	7,774
B. <u>Statutory Formula LEVY:</u> ^(a)	2,607	2,845	3,022	3,205	3,397
Levy Change Due To					
Insufficient Appropriation	<u>0</u>	<u>250</u>	<u>0</u>	<u>651</u>	<u>812</u>
Current Law Levy	2,607	3,095	3,022	3,856	4,209
C. <u>Statutory Formula AID:</u>	4,137	4,314	4,317	4,368	4,421
Aid Reduction Due To					
Insufficient Appropriation	<u>(0)</u>	<u>(263)</u>	<u>0</u>	<u>(685)</u>	<u>(856)</u>
Current Law Aid Entitlement	4,137	4,051	4,317	3,683	3,565
Proration Factor	1.000	0.939	1.000	0.843	0.806

^(a) Levy authority before reduction for Special Education Equalization Aid.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0307 SECONDARY VOCATIONAL - STUDENTS WITH DISABILITIES
 (Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
D. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement		3,919	3,935	3,935	3,935
Entitlement Changes Per Law:					
■ <u>Appropriation</u>		0	0	0	0
■ <u>Revenue Increases (Decreases):</u>					
Change in Number of Staff		765	784	783	783
Average Salary for Staff FTE		(56)	32	245	465
Contracted Services Aid		(65)	(72)	(70)	(68)
Equipment Aid		(40)	(42)	(43)	(43)
Travel Aid		36	40	51	64
Supplies Aid		45	17	26	36
■ <u>Levy Decreases (Increases):</u>					
Change in Number of Staff		(315)	(329)	(329)	(329)
Average Salary for Staff FTE		<u>25</u>	<u>(48)</u>	<u>(232)</u>	<u>(424)</u>
Statutory Formula Aid (Unprorated)		4,314	4,317	4,366	4,419
E. Aid Funding Level Reconciliation:					
Current Law Aid Entitlement		4,051	4,317	3,683	3,565
Adjustments Per Law:					
■ Prior Year Payments (M.S. 124.14, Subd. 2)		<u>23</u>	<u>23</u>	<u>23</u>	<u>23</u>
Current Aid Funding Level (Line 4 on Fiscal Page)		4,051	4,340	3,683	3,565

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- School districts are receiving more requests to enroll students with disabilities in vocational work experience programs. There is an increased awareness of parents and special education staff of the need for vocational training required to provide students with disabilities with an opportunity for future employment.
- More support services are needed due to serving students with more severe disabilities.

- There is an imbalance between supply and demand for teachers licensed in the area of expertise. The lack of teachers is evidenced by the number of waivers issued for staff in meeting the licensure requirements and the number of schools that can not find appropriately licensed teachers to fill positions.
- All eligible students are not being served. As educational funds have decreased, lists of eligible students waiting to enroll in these programs has increased.
- Traditional school day does not correspond with the business day and transportation for students with disabilities is an additional cost item to the school district.

B. STRATEGIES:

- School districts are encouraged to provide technical tutors, job coaches, and paraprofessionals for support in serving the students.
- School districts are encouraged to collaborate with special education in meeting the students' needs in using all resources available.
- Vocational licensure standards need to be revised to provide more flexibility for a vocational special needs license. This will aid in the staff shortage.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$4,487 for F.Y. 1996 and \$4,561 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$4,404 in F.Y. 1996 (\$590 for F.Y. 1995 and \$3,814 for F.Y. 1996), and \$4,550 in F.Y. 1997 (\$673 for F.Y. 1996 and \$3,877 for F.Y. 1997).

The Governor recommends the following modifications in the secondary vocational students with disabilities program, beginning in F.Y. 1996:

1. Increase secondary vocational students with disabilities aid and levy revenue from the F.Y. 1995 level of \$7,338 to \$7,479 for F.Y. 1996 and \$7,602 for F.Y. 1997.
2. Replace the current secondary vocational students with disabilities formula with a statewide revenue target based on F.Y. 1995 revenue plus an adjustment for growth in average daily membership. The statewide revenue targets would be \$7,479 for F.Y. 1996 and \$7,602 for F.Y. 1997.
3. Allocate secondary vocational students with disabilities revenue among school districts based on F.Y. 1995 secondary vocational students with disabilities revenue, adjusted for growth in average daily membership.
4. Beginning in F.Y. 1998, expenditure data from the second prior year would be used in computing secondary vocational students with disabilities revenue.
5. Compute secondary vocational students with disabilities aid equal to 60 percent of the district's secondary vocational students with disabilities revenue, and special education levy equalization revenue equal to 40 percent of the district's secondary vocational students with disabilities revenue.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0307: SECONDARY VOCATIONAL - STUDENTS WITH DISABILITIES

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 3,919	\$ 3,935	\$ 3,935	\$ 3,935
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<252>	<370>
3. Other Adjustments				
Excess Funds Transfer In	132	181		
Deficiency Appropriation from 1994 Tax Bill		224		
4. CURRENT LAW AID FUNDING LEVEL	4,051	4,340	3,683	3,565
5. Statutory Formula Aid (Detail in Narrative)	4,314	4,317		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<263>	<23> ^a		
8. CURRENT LAW LEVY	*	*	*	*
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	4,051	4,340	3,683	3,565
GOVERNOR'S RECOMMENDATIONS : AID				
1. Formula Change			804	996
Current Law Aid Funding Level (Line 4)			3,683	3,565
RECOMMENDED AID ENTITLEMENT			4,487	4,561
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)			*	*
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			4,487	4,561
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	684	588	590	673
Current Year 85 Percent	3,331	3,569	3,814	3,877
Transfers Per M.S. 124.14, Subd. 7	<95>	181		
Total-State General Funds	3,920	4,338	4,404	4,550

* See Special Education Levy Summary and Equalization Aid (Program 0308)

^aThis amount is for prior year payments per M.S. 124.14, subdivision 2.

REVISED 2-28-95
PAGE A-111

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0308 SPECIAL EDUCATION LEVY SUMMARY AND
 EQUALIZATION AID

CITATION: M.S. 124.321
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide levy revenue to school districts to supplement categorical aids for special education, secondary vocational students with disabilities, and limited English proficiency programs, to assure that free appropriate educational services are provided to all eligible handicapped and limited English proficient students. The difference between state aid and the formula is provided through an equalized levy and aid.

Most education aid programs contribute to more than one education goal. By reducing the high school dropout rate through education programs that are appropriate to the unique education needs of individuals with disabilities, and by preparing individuals to be independent and responsible adults, this program contributes to many of the Department of Education's *goals*:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

This program also contributes to the *current priorities* of the Minnesota Department of Education (MDE):

- **Graduation Standards**
- **Lifework Development and Technology Competence**
- **Collaboration and Service Co-Location**

For additional information on the goals, priorities and performance indicators of the Department of Education, refer to the Annual Agency Performance Report, September 1994, pages 68, 70, 72 and 151.

DESCRIPTION:

Special Education Equalization Revenue

A district's special education equalization revenue for a school district, excluding an intermediate school district, equals the sum of the following:

1. The difference between 68% of salaries paid to essential special education personnel and the amount of special education aid paid to the district for salaries of these personnel under Program Budgets 0301 and 0303 for that fiscal year; plus
2. The difference between 68% of salaries paid to essential limited English proficiency program personnel and the amount of limited English proficiency aid paid to the district for salaries of these personnel under Program Budget 0306 for that fiscal year; plus
3. The difference between 68% of the salaries paid to essential secondary vocational disabilities program personnel and the amount of secondary vocational disabilities aid paid to the district for salaries of these personnel under Program Budget 0307 for that fiscal year; plus
4. The alternative delivery levy revenue determined according to M.S. 124.324, Subd. 4; plus
5. The amount allocated to the district by special education cooperatives or intermediate districts in which it participates according to M.S. 124.321, Subd. 2.

The levy authority for staff employed by intermediate districts and cooperatives is allocated among the participating school districts and added to the school district's levy authority. School district estimates are used to compute the initial levy for each district. The levy is adjusted in the following year using revised estimates and 3 years later based on actual data.

Special Education Levy

To receive special education levy revenue, a district may levy an amount equal to the district's special education equalization revenue as defined above multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, by \$ 3,540.

Special Education Levy Equalization Aid

A district's special education levy equalization aid is the difference between its special education levy

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

**0308 SPECIAL EDUCATION LEVY SUMMARY AND
EQUALIZATION AID**

(Continuation)

equalization revenue and its special education levy. If a district does not levy the entire amount permitted, special education levy equalization aid must be reduced in proportion to the actual amount levied.

In the event that the special education levy equalization aid for any year is prorated, a district having its aid prorated may levy an additional amount equal to the amount not paid by the state due to proration.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995*</u>	<u>F.Y. 1996*</u>	<u>F.Y. 1997*</u>
<u>Levy Authority by Fiscal Year</u>					
Special Education - Regular	\$80,649.8	\$107,280.3	\$106,051.5	\$161,424.5	\$192,096.2
Special Education - Summer	1,886.9	2,349.0	1,974.1	2,928.4	3,488.8
Limited English Proficiency	2,161.5	3,945.9	3,983.9	6,230.5	7,705.1
Secondary Voc. Disabled	<u>2,607.2</u>	<u>3,094.7</u>	<u>3,021.7</u>	<u>3,856.0</u>	<u>4,209.4</u>
Subtotal, Levy					
Equalization Revenue	87,305.4	116,670.0	115,031.2	174,439.3	207,499.5
Less Equalization Aid	<u>(12,648.0)</u>	<u>(15,913.3)</u>	<u>(19,628.1)</u>	<u>(16,129.0)</u>	<u>(15,612.0)</u>
Total Levy Authority	\$74,657.4	\$100,756.7	\$95,403.1	\$158,310.3	\$191,887.5

	<u>Payable 1992</u>	<u>Payable 1993</u>	<u>Payable 1994</u>	<u>Payable 1995</u>	<u>Payable 1996</u>
<u>Certified Levy by Calendar Year</u>					
Initial Levy Year	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Initial Levy Amount	\$69,210.6	\$77,439.0	\$84,972.0	\$133,952.9	\$172,698.7
Levy Adjustment Year	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994
Levy Adjustment Amount	6,329.5	16,509.2	9,285.6	(368.6)	15,345.0
Levy Adjustment Year	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996
Levy Adjustment Amount	<u>13,841.5</u>	<u>4,927.2</u>	<u>7,165.0</u>	<u>8,968.4</u>	<u>13,274.8</u>
Total Levy Certified	\$89,381.6	\$98,875.4	\$101,422.6	\$142,552.7	\$201,318.6

(*) F.Y. 1995, F.Y. 1996, and F.Y. 1997 levies based on 3.0% annual inflation, and continuation of program growth trends.

(\$ in 000s)

Current Law
F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula</u>					
REVENUE:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Revenue Reduction Due To					
Insufficient Appropriation	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
Current Law Revenue	0	0	0	0	0
B. <u>Statutory Formula LEVY:</u>					
(12,648)	(18,179)	(19,628)	(21,453)	(22,273)	
Levy Change Due To					
Insufficient Appropriation	0	2,266	0	5,324	6,661
Current Law Levy	(12,648)	(15,913)	(19,628)	(16,129)	(15,612)
C. <u>Statutory Formula AID:</u>					
12,648	18,179	19,628	21,453	22,273	
Aid Reduction Due To					
Insufficient Appropriation	<u>(0)</u>	<u>(2,266)</u>	<u>(0)</u>	<u>(5,324)</u>	<u>(6,661)</u>
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	12,648	15,913	19,628	16,129	15,612
Proration Factor	1.000	0.875	1.000	0.752	0.701
D. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		14,805	17,230	17,231*	17,231*
Entitlement Changes Per Law:					
■ Appropriation Shortfall		1,460	1,574	1,573	1,573
■ Revenue Change		14,727	5,927	17,053	28,048
■ Levy Change		<u>(12,813)</u>	<u>(5,103)</u>	<u>(14,404)</u>	<u>(24,579)</u>
Statutory Formula Aid (Unprorated) ^(*)		\$ 18,179	\$ 19,628	\$ 21,453	\$ 22,273

^(*) Amounts shown for F.Y. 1996 and F.Y. 1997 were computed assuming no proration of regular special education aid or related aids for F.Y. 1996 and F.Y. 1997.

^(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$18,000 for F.Y. 1996 and \$18,000 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$17,884 in F.Y. 1996 (\$2,584 for F.Y. 1995 and \$15,300 for F.Y. 1996), and \$18,000 in F.Y. 1997 (\$2,700 for F.Y. 1996 and \$15,300 for F.Y. 1997).

The Governor recommends the following modifications in the special education levy equalization program:

REVISED 2-28-95
PAGE A-113

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0308 SPECIAL EDUCATION LEVY SUMMARY AND
EQUALIZATION AID

(Continuation)

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1. For F.Y. 1996, special education levy equalization revenue equals 40 percent of the sum of a district's special education regular, special education summer school, special education excess cost, limited English proficiency, and secondary vocational students with disabilities revenue.
 2. Beginning in F.Y. 1997, special education levy equalization revenue equals 40 percent of the sum of a district's special education regular, special education summer school, special education excess cost, and secondary vocational students with disabilities revenue. Funding for limited English proficiency programs will be included in the general education learning gap block grant (see Activity 0101).
 3. Beginning in F.Y. 1997, permit school districts serving nonresident disabled students to allocate a portion of their levy equalization revenue to the students' resident districts.

Of the \$17,500 special education deficiency appropriation provided in Laws 1994, Chapter 587, \$12,929 is allocated to 5 special education programs in F.Y. 1995 based on estimated deficiencies as of the February 1995 forecast. Of the \$17,500, \$4,571 is not needed to fully fund the deficiencies in F.Y. 1995, and the Governor recommends that the excess be used to reduce the deficiencies in special education programs in F.Y. 1994.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0308: SPECIAL EDUCATION LEVY SUMMARY AND EQUALIZATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 14,805	\$ 17,230	\$ 17,231	\$ 17,231
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<1,102>	<1,619>
3. Other Adjustments				
Excess Funds Transfer In	1,108	1,926		
Deficiency Appropriation from 1994 Tax Bill		472		
4. CURRENT LAW AID FUNDING LEVEL	15,913	19,628	16,129	15,612
5. Statutory Formula Aid (Detail in Narrative)	18,179	19,628		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<2,266>			
8. CURRENT LAW LEVY*	100,757	95,403	158,310	191,887
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	116,670	115,031	174,439	207,499
GOVERNOR'S RECOMMENDATIONS : AID				
Formula Change			1,871	2,388
Current Law Aid Funding Level (Line 4)			16,129	15,612
RECOMMENDED AID ENTITLEMENT			18,000 ^a	18,000 ^a
GOVERNOR'S RECOMMENDATIONS : LEVY				
Levy Change Associated with Aid Rec. 1			<32,094>	<63,869>
Current Law Levy (Line 8)			158,310	191,887
RECOMMENDED LEVY			126,216 ^a	128,018 ^a
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			144,216	146,018
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	1,626	2,221	2,584	2,700
Current Year 85 Percent	12,584	15,118	15,300	15,300
Transfers Per M.S. 124.14, Subd. 7	1,108	1,926		
Total-State General Funds	15,318	19,265	17,884	18,000

*Includes levy for Special Education Regular and Summer, Limited English Proficiency and Secondary Vocational-Disabled programs, less equalization aid.

^aIncludes policy changes recommended as part of the Governor's supplemental budget in the following amounts:

	FY 1996	FY 1997	FY 1996-97
Aid Entitlement	\$0	\$ 500	\$ 500
Levy	\$5,106	\$9,039	\$14,145
TOTAL	\$5,106	\$9,539	\$14,645

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
 AGENCY: Education Aids
 0309 SECONDARY VOCATIONAL
 CITATION: M.S. 124.573
 MDE ADMIN: 1202 State and Federal Programs (Targeted Populations)
 FEDERAL: None

PURPOSE:

To increase opportunities for all students in Grades 10-12 to:

- help students make wise career choices, while developing the skills, attitudes, and knowledge necessary to succeed in the marketplace;
- acquire entry-level and work readiness skills necessary for earning while continuing to learn;
- explore potential careers in different occupational areas in order to better prepare for continuing education or employment;
- apply basic computational, comprehension, communication, scientific, and problem-solving skills in relevant, realistic environments
- gain experience in the use of technological equipment which is utilized in occupational areas;
- learn and reinforce higher order thinking skills through application; and
- utilize curriculum which is results oriented and relevant to business and industry.

The intent of these programs is to improve curriculum opportunities in a realistic manner that is relevant to the business and industrial practices in which our students either are or will be participating.

Most education aid programs contribute to more than one education goal. This program contributes to many of the Department of Education's *goals*:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.

- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program also contributes to the *current priorities* of the Minnesota Department of Education (MDE):

- **Graduation Standards**
- **Lifework Development and Technology Competence**
- **Collaboration and Service Co-Location**

For additional information on the goals, priorities and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 14, 18 and 53.

DESCRIPTION:

Local Education Agencies (LEAs), including school districts, cooperative centers, intermediate districts, and education districts may access state categorical funding through an excess cost formula for providing occupational vocational programs. To qualify for the funding, the LEAs must provide evidence of meeting or exceeding criteria defined in State Board of Education rule. The rule requires the involvement of a program advisory committee to: 1) identify the need for program improvement in the areas of integration, and basic and higher order thinking skills; 2) articulate programs between secondary and postsecondary to assure a nonduplicative sequential transition between the two levels; and 3) modernize to upgrade curriculum and instructional support and materials within the program areas.

The state aid is used to provide equitable access and treatment for all students; to redirect curriculum priorities; to assure focus on technical skills, career development, work readiness, and preparation for family roles and technological competencies; and to conduct an evaluation process to insure the relevancy of the vocational programs as they relate to the various occupational areas. The major areas of instruction are: business occupations, health occupations, agricultural occupations, technical occupations, consumer and homemaking occupations, marketing occupations, and service occupations. Special populations are actively solicited for all of these programs.

The excess cost state aid formula provides funding to qualifying districts as follows: (a) \$80 times the district's average daily membership in grades 10 to 12; or (b) 25% of approved expenditures for: salaries for direct instructional services, contracted services, travel between instructional sites, travel for vocational student organizations, curriculum development, travel for professional development, and specialized vocational instructional supplies. A district's aid must not equal less than the lesser of 1) 95% of the district's aid in the prior year, or 2) 40% of approved expenditures in the current year.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids
 0309 SECONDARY VOCATIONAL
 (Continuation)

PROGRAM STATUS:

The percentage of students participating in vocational programs over the past few years has remained fairly stable at approximately 10—11% of the total population of students enrolled in Grades 10-12.

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
Aid Entitlement Calculations					
Staff FTE	1,124.65	1,173.60	N/A	N/A	N/A
Vocational salaries	\$44,060.1	\$46,200.8	\$47,568.1	\$48,684.7	\$49,775.6
Travel/other expenditures	\$4,062.5	\$4,017.5	\$4,136.4	\$4,233.5	\$4,328.3
Total expenditures	\$48,122.5	\$50,218.3	\$51,704.4	\$52,918.1	\$54,104.0
Secondary vocational ADM	15,596.3	16,275.8	N/A	N/A	N/A
General education revenue deduction:	\$32,390.4	\$34,188.6	N/A	N/A	N/A
Excess cost (salaries)	\$14,772.9	\$15,708.3	N/A	N/A	N/A
Salary aid percent	75%	75%	N/A	N/A	N/A
Salary aid	\$11,079.7	\$10,497.2	N/A	N/A	N/A
Other aid percent	40%	40%	N/A	N/A	N/A
Other aid	\$1,625.0	\$1,568.6	N/A	N/A	N/A
Total gross state aid entitlement	\$12,704.7	\$12,065.8	\$13,395.2	\$13,244.9	\$13,120.1
Estimated proration factor:	95.07%	100%	100%	100%	100%
Prorated state aid	\$12,078.0	\$12,065.8	\$13,395.2	\$13,244.9	\$13,120.1

(N/A) Not applicable due to initiation of new funding formula in F.Y. 1995

PROGRAM FUNDING

A. **Statutory Formula AID:** \$ 12,705 \$ 12,066 \$ 13,395 \$ 13,245 \$ 13,120

Aid Reduction Due To					
Insufficient Appropriation	(627)	(0)	(9)	(2,274)	(934)
Current Law Aid Entitlement	12,078	12,066	13,386	10,971	12,186
Proration Factor	0.951	1.000	0.999	0.828	0.929

B. Aid Entitlement Reconciliation:

Appropriation-Implied Entitlement (Line 1 on Fiscal Page)	12,079	13,450	13,450*	13,450*
Entitlement Changes Per Law:				
■ Decrease in Estimated Secondary Average Daily Membership	(13)	(257)	(504)	(638)
■ Decrease in District Program Expenditures		(55)	(205)	(330)
Statutory Formula Aid (Unprorated)	12,066	13,395	13,245	13,120

C. Aid Funding Level Reconciliation:

Current Law Aid Entitlement	12,066	13,385	10,971	12,186
Adjustments Per Law:				
■ Excess Funds (Not Allocated)		0		
■ Portion of 15% Final Not Requested		0		
■ Prior Year Payments (M.S. 124.14, Subd. 2)		71		
Current Aid Funding Level (Line 4 on Fiscal Page)	12,066	13,457	10,971	12,186

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing specific categorical funding for this activity beginning in F.Y. 1997. School districts may use revenues from the general education program (see Activity 0101) or the new learner improvement program (see Activity 0718) for secondary vocational purposes.

The Governor recommends an aid entitlement of \$11,006 for F.Y. 1996 and \$0 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$11,373 in F.Y. 1996 (\$2,017 for F.Y. 1995 and \$9,356 for F.Y. 1996), and \$1,650 in F.Y. 1997 (\$1,650 for F.Y. 1996 and \$0 for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0309: SECONDARY VOCATIONAL AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 12,079	\$ 13,450	\$ 13,450	\$ 13,450
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<2,479>	<1,264>
3. Other Adjustments				
Excess Funds Transfer In/(Out)	<13>	7		
4. CURRENT LAW AID FUNDING LEVEL	12,066	13,457	10,971	12,186
5. Statutory Formula Aid (Detail in Narrative)	12,066	13,395		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		62 ^a		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	12,066	13,457	10,971	12,186
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Education Programs			35	<12,186>
Current Law Aid Funding Level (Line 4)			10,971	12,186
RECOMMENDED AID ENTITLEMENT			11,006	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			11,006	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	1,811	1,811	2,017	1,650
Current Year 85 Percent	10,268	11,433	9,356	0
Transfers Per M.S. 124.14, Subd. 7	<13>	7		
Total-State General Funds	12,066	13,251	11,373	1,650

^aThis amount includes \$71.0 in excess prior year payments per M.S. 124.14, subdivision 2 and a deficiency of \$(9.0) in the current year account.

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0313 INDIAN SCHOLARSHIPS

CITATION: M.S. 124.48
MDE ADMIN: 1204 Indian Education
FEDERAL: No flow through funds. The State Scholarship Program cooperates with the Federal/Tribal scholarship programs to jointly meet the financial needs of American Indian students.

PURPOSE:

To provide need-based financial assistance to American Indian students who, without such assistance, may not be able to pursue postsecondary education and the opportunity to develop their potential. The Minnesota Indian Scholarship Program (MISP) promotes partnerships between state government, tribal governments, and private industry.

Most education aid programs contribute to more than one departmental goal. By providing scholarships to eligible applicants to pursue postsecondary education, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.

This program contributes to the *current priorities* of the Minnesota Department of Education (MDE) with a special emphasis on the following priorities:

- Lifework Development and Technology Competence
- Integration/Desegregation/Educational Diversity

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 14 and 87.

DESCRIPTION:

Grants are awarded on the basis of criteria established by the State Board of Education upon recommendation of the Minnesota Indian Scholarship Committee. Eligibility is restricted to American Indian students of 1/4 or more Indian ancestry, in residence in Minnesota, and enrolling in accredited Minnesota postsecondary institutions. Each student's needs and circumstances are reviewed and grants are based on financial need remaining after all other sources of available

financial assistance have been applied. Therefore, the state program represents the last resource available for Indian students wishing to attend postsecondary education. Payments are made to the postsecondary institution for the benefit of the individual student.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Number of students funded	1,180	1,100	1,000	900	800
Number of students denied (lack of funds)	724	751	800	850	950
Number of students on AFDC	295	319	300	325	350
Number of grads 4 & 2 yr. inst.	389	363	333	300	275
Number of MISP students w/GED's	585	590	625	650	675
Number of MISP students in teacher preparation programs	130	140	155	175	200
Number of students from other U.S. Indian tribes which MISP assists	50-60	50-60	50-60	50-60	50-60

- approximately 150-200 part-time students are assisted;
- Minnesota Indian Scholarship Program assists approximately 200 students living in Minnesota (resident) but enrolled in a tribe of another state;
- approximately 60% of the applications received are female, 40% are male;
- each year since 1990 the number of students pursuing teaching careers has been increasing;
- American Indian students continue to take out student loans in record numbers.

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula Aid</u>	\$ 1,554	\$ 1,538	\$ 1,662	\$ 1,600	\$ 1,600
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(295)	(150)
Current Law Aid Entitlement	1,554	1,538	1,662	1,305	1,450
Proration Factor	1.000	1.000	1.000	0.816	0.906
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 1,600	\$ 1,600	\$ 1,600*	\$ 1,600*
■ Balance forward:		\$ (62)	\$ 62		
Refund of F.Y. 1994 Scholarships					
Statutory Formula Aid (Unprorated)		\$ 1,538	\$ 1,662	\$ 1,600	\$ 1,600

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0313 INDIAN SCHOLARSHIPS
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- The long term effect of decreased funding will be a diminishing of the significant momentum the program has created among American Indians desiring to enter postsecondary education. Given the characteristics of the students, the leveling of funding will affect those who are most in need and who are most able to benefit by enrolling in and completing their postsecondary education program.

B. STRATEGIES:

- Efforts will be made to maintain existing levels of programs and services given available resources.
- In order to meet rising costs and the reduced ability to serve students in need, MDE has identified the following alternative for consideration given the annual base level of funding:

The Minnesota Indian Scholarship Committee will continue to seek private fund raising for the State Indian Scholarship Program. Funds raised would be awarded to students utilizing the same criteria as those for the state funded program.

- The Minnesota Indian Scholarship Program (MISP) has developed an exemplary model of collaboration among state government, tribal government and private industry. All grants awarded by MISP are packaged with Tribal scholarship programs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$1,378 for F.Y. 1996 and \$1,378 for F.Y. 1997.

Based on these entitlement, the Governor recommends an appropriation of \$1,378 in F.Y. 1996, and \$1,378 in F.Y. 1997.

The Governor recommends continuation of authority for carryover of any unexpended balance in the first year to the second year of the biennium.

The Governor's proposed budget for the Higher Education Coordinating Board provides for increases in need-based grants through the state's student grant program.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0313: INDIAN SCHOLARSHIPS

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<295>	<150>
3. Other Adjustments				
Balance Forward	<62>	62		
4. CURRENT LAW AID FUNDING LEVEL	1,538	1,662	1,305	1,450
5. Statutory Formula Aid (Detail in Narrative)	1,538	1,662		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	1,538	1,662	1,305	1,450
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds Between Years			73	<72>
Current Law Aid Funding Level (Line 4)			1,305	1,450
RECOMMENDED AID ENTITLEMENT			1,378	1,378
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			1,378	1,378
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	1,538	1,662	1,378	1,378
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	1,538	1,662	1,378	1,378

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0315 TRIBAL CONTRACT SCHOOLS

CITATION: M.S. 124.86
MDE ADMIN: 1204 Indian Education
FEDERAL: Bureau of Indian Affairs Funding
(Not a Federal flow-through program)

PURPOSE:

To promote equal education opportunity for students enrolled in Tribal contract schools (as compared to public schools), by providing state funds to schools based on the difference between the amount of aid provided by the federal government and the state per pupil aid amount.

Most education aid programs contribute to more than one education goal. By providing eligible tribal contract schools with general revenue, thereby contributing to the overall financial health and programs of the school, this program contributes to three of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

This program contributes to the *current priority* of the Minnesota Department of Education (MDE):

Integration/Desegregation/Educational Diversity

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 14, 87 and 89.

DESCRIPTION:

Each year, each American Indian-controlled contract school authorized by the United States Code, title 25, section 450f, that is located on a reservation within the state, is eligible to receive Tribal Contract School Aid subject to the following requirements:

- the school must plan, conduct and administer an education program that complies with the Minnesota Education Code, Chaps. 120, 121, 122, 123, 124, 124A, 125, 126, 129, 129A and

129B;

- the school must comply with all other state statutes governing independent school districts; and
- the state Tribal Contract School Aid must be used to supplement and not to replace, the money for American Indian education programs provided by the federal government.

The amount of the aid for a tribal contract school is derived by the following calculations:

1. Multiply the formula allowance under M.S. 124A.22, Subd. 2, times the actual pupil units counted in fall count week, but not including those students who receive reimbursement under nonpublic or alternative learning centers aid.
2. Subtract a) the federal funding received through the Indian School Equalization program of the Bureau of Indian Affairs (BIA), not including the money allotted for contingency funds, school board training, student training, interim maintenance and minor repair, interim administration cost, prekindergarten, and operation and maintenance, and b) the amount of state aid received for private alternative programs.
3. Divide the result in item (2) by the actual pupil units.
4. Multiply the actual pupil units by the lesser of \$1,500 or the result in item three.

The students who are not Tribal members do not qualify for BIA federal aid. This has two related effects. Each student who does not qualify for federal aid increases the state aid entitlement without an accompanying federal aid deduction. This increases the gross state aid entitlement statewide and if it exceeds the appropriation, the result is proration of the aid. The second effect is distributional. If the aid is prorated, the aid is redistributed from schools that do not serve students who do not qualify for federal aid, to schools that do serve students who do not qualify for federal aid.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Number of Schools	4	4	4	4	4
Number of Pupil Units					
Eligible for Aid	1,000	1,050	1,100	1,200	1,300

PROGRAM FUNDING

A. <u>Statutory Formula Aid</u>	\$ 161	\$ 14	\$ 129	\$ 257	\$ 380
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(0)	(0)
Current Law Aid Entitlement	\$ 161	\$ 14	\$ 129	\$ 257	\$ 380
Proration Factor	1.000	1.000	1.000	1.000	1.000
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 440	\$ 460	\$ 460*	\$ 460*
Change in Participation and change in Federal Base Reimbursement		(426)	(331)	(203)	(80)
Statutory Formula Aid (Unprorated)		\$ 14	\$ 129	\$ 257	\$ 380

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

REVISED 2-28-95

PAGE A-141

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0315 TRIBAL CONTRACT SCHOOLS
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- The decrease in funding will limit the ability to provide equity for students in Tribal schools.

B. STRATEGIES:

- Tribal schools will work with the Manager of Indian Education on reporting data on retention/dropout statistics.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$257 for F.Y. 1996 and \$380 for F.Y. 1997. This recommendation reallocates a portion of the current law entitlement between years, in order to provide districts with a more stable funding stream.

Based on these entitlements, the Governor recommends an appropriation of \$238 in F.Y. 1996 (\$19 for F.Y. 1995 and \$219 for F.Y. 1996), and \$361 in F.Y. 1997 (\$38 for F.Y. 1996 and \$323 for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0315: TRIBAL CONTRACT SCHOOLS

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 440	\$ 460	\$ 460	\$ 460
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<85>	<43>
3. Other Adjustments				
Excess Funds Transfer Out	<426>	<281>		
4. CURRENT LAW AID FUNDING LEVEL	14	179	375	417
5. Statutory Formula Aid (Detail in Narrative)	14	129		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		50 ^a		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	14	179	375	417
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Education Programs			<118>	<37>
Current Law Aid Funding Level (Line 4)			375	417
			257	380
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			257	380
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	0	66	19	38
Current Year 85 Percent	374	391	219	323
Transfers Per M.S. 124.14, Subd. 7	<360>	<347>		
Total-State General Funds	14	110	238	361

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

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1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

0317 ASSURANCE OF MASTERY

CITATION: M.S. 124.311
MDE ADMIN: 1202 State and Federal Programs (Targeted Populations)
FEDERAL: None

PURPOSE:

In 1989, M.S. 124.311 was enacted which provided funding on an optional basis to districts for their Assurance of Mastery (AOM) program in Grades K-8.

This program is to assure that all students in Grades K-8 have an opportunity to learn and succeed in the general educational program within the usual and customary classroom setting. Parents are involved in the planning of their student's educational program to increase the potential for success. Performance is based on district-established standards and instruction must vary to accommodate differing student needs. More specifically, the objectives of AOM under M.S. 124.311 are:

- to assure that students at risk of failure are identified and served within the regular classroom environment and that responsibility for their education is maintained by their regular classroom teacher. It is expected that this approach will reduce referrals for special education instruction and services;
- to focus the effort in one or more grade levels, Kindergarten through Grade 8, to assure early intervention and prevention of later failure and drop-out;
- to promote the development of instructional strategies consistent with an outcome based instructional system. Within such a system it is agreed that all students can learn and succeed. However, students learn in different ways and at different rates. Effective instructional delivery systems will assure that all students are taught in the most efficient way;
- to assure that districts not only identify and serve students at risk of failure, but also monitor program effectiveness and report program results to the community and state through the annual Planning, Evaluating, and Reporting (PER) process; and
- to assure district commitment to the program by requiring a local district contribution equal to the state matching amount in order to receive state funds. The local revenues must be expended in the same way as the state matching funds.

Most education aid programs contribute to more than one education goal. Assuring success of all learners will increase Minnesota's test scores as compared to the nation and will prepare students for lifelong learning. By providing funding to school districts to assure that students succeed in the expected learning in the regular school environment in the areas of mathematics and science, this program contributes to three of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.

- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.

This program contributes to the *current priorities* of the Minnesota Department of Education (MDE):

- **Lifework Development and Technology Competence**
- **Graduation Standards**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 14, 18 and 22.

DESCRIPTION:

In 1989, the Legislature enacted M.S. 124.311 to provide funding to participating districts under certain conditions. The state funding is based on a district's Weighted Average Daily Membership (WADM) in Grades K-8 times \$22.50. If a district expends \$22.50 times their Grade K-8 WADM to employ staff to provide direct instructional services to eligible Grade K-8 pupils within the usual and customary classroom, the state then will match the district effort. If the district effort is less than that amount, the state will match the lesser amount.

Total Assurance of Mastery funding would be \$22.50 state funding and \$22.50 local funding for a total of \$45.00 per WADM.

In order to qualify for the program, districts inform the Minnesota Department of Education (MDE) of their intention to participate and sign a statement of assurance that they will comply with the requirements of the statute.

Given the diversity of students in Minnesota schools, it does not seem reasonable to establish rules on how a district designs its local program. MDE has taken the position that these programs should be more than basic skills drill and practice instruction. The statute requires that instruction be different, but within the same content as the student was unable to master in the first classroom instruction. Therefore, MDE is asking school districts to design programs that help students learn how to learn, and to assist students in acquiring the necessary conceptual framework to facilitate future learning.

The curriculum may be modified by time, methods, and/or materials.

MDE efforts focus on the provision of technical assistance to districts in the identification and provision of services to these students. The technical assistance needs of districts include training in teaming with other adults in a classroom, recognizing learning style differences, and planning alternative instructional strategies.

Those districts not accessing all of the state matching funds are either unable to generate the local match or, due to their small class sizes, they do not believe that the additional revenue is necessary to meet their students' needs.

1996-97 Biennial Budget

PROGRAM: 03 Special Programs
AGENCY: Education Aids

 0317 ASSURANCE OF MASTERY
 (Continuation)

Outcome data are collected at the local level and reported to the community in the "Annual Report on Curriculum and Student Achievement" (The PER Report). The legislature determined that the primary accountability for program effectiveness should be at the community level. The MDE receives copies of the reports by October 15 each year. Due to the varying criteria used for eligibility and to assess student benefit, it is virtually impossible to aggregate the data at the state level. Local reports are uniformly positive and indicate that students are served and returned to the general educational program and that special education referrals will be reduced over time, resulting in a positive fiscal return.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
School Districts Participating	367	347	357	362	355
Students (WADMs)*	574,300	580,086	596,868	597,130	601,428

* This is the number of students (WADMs) in Grades K-8 that is used for the calculation of aid entitlements and is not the number of students served by this program. The actual number of students served is not available.

PROGRAM FUNDING

A. Statutory Formula AID:	\$ 11,511	\$ 13,243	\$ 13,394	\$ 13,594	\$ 13,778
Aid Reduction Due To					
Insufficient Appropriation	(0)	(166)	(117)	(2,832)	(1,824)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	\$ 15,511	\$ 13,077	\$ 13,277	\$ 10,762	\$ 11,954
Proration Factor	1.000	0.987	0.991	0.792	0.868
B. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 12,993	\$ 13,194	\$ 13,194*	\$ 13,194*
Entitlement Changes Per Law:					
■ Change in Participating Weighted					
Average Daily Membership (K-8)		(250)	(200)	\$ 400	\$ 584
Statutory Formula Aid (Unprorated)		\$ 13,243	\$ 13,394	\$ 13,594	\$ 13,778

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
C. Aid Funding Level Reconciliation:					
Current Law Aid Entitlement		\$ 13,077	\$ 13,277	\$ 10,762	\$ 11,954
Adjustments Per Law:					
■ Excess Funds		\$ -0-	\$ -0-	\$ -0-	\$ -0-
■ Prior Year Payments (MS 124.14, Subd. 2)		\$ -0-	\$ 9	\$ -0-	\$ -0-
■ Portion of 15% Final					
Not Requested					
Current Aid Funding Level					
(Line 4 on Fiscal Page)		\$ 13,077	\$ 13,286	\$ 10,762	\$ 11,954

BUDGET ISSUES:

A. CHALLENGES:

- In F.Y. 1995 school districts representing about 93% of the eligible K-8 WADMs are participating in this program. By and large, those not participating are small districts with a small amount of eligibility for matching money and small class sizes. Because of these factors, learners in these districts do not gain access to this program.

B. STRATEGIES:

- In order to provide districts with greater flexibility, this program will be included as part of a block grant to districts to address the needs of students which will result in closing the learning gap. The state and federal resources included in this Block Grant are: Compensatory Aid, Assurance of Mastery (AOM), Limited English Proficiency (LEP), and Chapter/Title I (federal). Districts will be afforded maximum flexibility in terms of how the resources are to be used in exchange for increased accountability for learner results.
- The AOM program aid should be transferred to the Learning Gap Block Grant program. In order to afford districts greater flexibility, the required 50% local match should be eliminated.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$10,640 for F.Y. 1996 and \$0 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$10,959 in F.Y. 1996 (\$1,915 for F.Y. 1995 and \$9,044 for F.Y. 1996), and \$1,596 in F.Y. 1997 (\$1,596 for F.Y. 1996 and \$0 for F.Y. 1997).

The Governor recommends that assurance of mastery funds be combined with compensatory and limited English proficiency funds beginning in F.Y. 1997 to form a new learning gap block grant program (see Activity 0101).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0317: ASSURANCE OF MASTERY

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 12,993	\$ 13,194	\$ 13,194	\$ 13,194
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<2,432>	<1,240>
3. Other Adjustments				
Excess Funds Transfer In	84	92		
4. CURRENT LAW AID FUNDING LEVEL	13,077	13,286	10,762	11,954
5. Statutory Formula Aid (Detail in Narrative)	13,243	13,394		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<166>	<108> ^a		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	13,077	13,286	10,762	11,954
GOVERNOR'S RECOMMENDATIONS : AID				
1. Roll Activity into General Education Formula				<11,954>
2. Change in Entitlement Due to Apps. Limits Reduction			<122>	
Current Law Aid Funding Level (Line 4)			10,762	11,954
RECOMMENDED AID ENTITLEMENT			10,640	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			10,640	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	1,904	1,948	1,979	1,596
Current Year 85 Percent	11,045	11,215	9,044	0
Transfers Per M.S. 124.14, Subd. 7	<449>	92		
Total-State General Funds	12,500	13,255	11,023	1,596

^aThis amount includes \$117.0 in excess prior year payments per M.S. 124.14, subdivision 2, and a deficiency of \$(9.0) in the current year account.

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1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0401 COMMUNITY EDUCATION (Includes Youth Service Chap. 146)

CITATION: M.S. 121.85 - 121.88; 124.2713
MDE ADMIN: 1206 Community Collaboration
FEDERAL: None

PURPOSE:

The purpose of community education as defined in statute is "to make maximum use of the public schools of Minnesota by the community and to expand utilization by the school of the human resources of the community" (M.S. 121.85). The Community Education program in Minnesota is "an education-based partnership between the community and the formal education system whereby the resources of both are used as available for the continuing growth and betterment of both" (State Board Rule 3530.5500).

Community education enables lifelong learning for Minnesotans of all ages through a process of citizen involvement in identifying community learning needs and learning resources, and connecting the two. "Community education, as defined for school districts, includes services rendered by a school district beyond the regular K to 12 program, as recommended by the community education advisory council and approved by the local school board" (State Board Rule 3530.5600).

Community education strives to serve all who reside within the school district, providing opportunities for ongoing community involvement, learning, and personal development for all ages. The following processes and activities are among those operating through community education at the local level (as specified in M.S. 124.2713, Subd. 8):

- nonvocational, recreational, and leisure time activities and programs;
- adults with disabilities programs, if the programs and budgets are approved by the Commissioner of Education;
- adult basic education programs;
- summer programs for elementary and secondary pupils;
- implementation of a youth development plan;
- implementation of a youth service program;
- early childhood family education programs; and
- extended day programs.

There is separate, additional categorical funding for 5 of the 8 programs on this list: adults with disabilities, adult basic education, youth development, youth service, and early childhood family education. These categorical revenues are often supplemented by general community education revenue based on a local decision-making process involving the community education advisory council.

Youth development, an optional component of community education, provides an incentive to school

districts to plan for and meet the special needs of youth in the community. Youth service, a component of youth development, provides an incentive to develop community service learning opportunities for youth. Both of these programs are funded through an extension of the general community education funding formula.

Most education aid programs contribute to more than one education goal. This program contributes to three of the Department of Education's *goals*:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- Lifework Development and Technology Competence
- Collaboration and Service Co-Location

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 30, 33, 94, 102, 106 and 108.

DESCRIPTION:

Revenue for general Community Education and for Youth Service (inclusive of Youth Development) is derived from an equalized aid/levy formula and from fees collected from participants. With the basic program revenue, school district community education advisory councils and local school boards provide the executive leadership necessary to develop and maintain local community education programs. Local community education programs include a wide variety of activities beyond the regular school offerings, including cultural enrichment, athletics, recreation and other community events and services. Processes are employed to strengthen the community and the skills of people who live there.

In addition, local community education programs provide the administrative expertise necessary to support programs for Adults with Disabilities, Adult Basic Education, Early Childhood Family Education (ECFE), Learning Readiness and School Age Child Care (SACC). Another program that receives Community Education support in a significant number of locations is the testing and certification of the General Education Development (GED) high school equivalency for adults.

Information on program revenue is shown below. In addition to the revenue sources shown, districts

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids
 0401 COMMUNITY EDUCATION (Includes Youth Service Chap. 146)
 (Continuation)

may charge participation fees at their discretion for general community education activities. All fees collected must be used for community education.

Program funding is provided in the form of equalized revenue based on the district's population.

A district's total community education revenue is the sum of the district's general community education revenue and youth service program revenue. In F.Y. 1995, the general community education revenue for a district equals \$5.95 times the district's population, but not less than \$7,943. Youth service revenue is available to a district with a youth development plan that includes youth service. The local plan must be approved by the local school board to qualify the district for revenue of 1 dollar times the district's population, but not less than \$1,335. Youth service monies can only be used for youth service or youth development.

To receive the maximum community education revenue, a district must levy an amount equal to the lesser of the maximum revenue or 1.13% of the district's adjusted net tax capacity. A district's maximum community education aid equals the maximum community education revenue minus the maximum community education levy. If a district levies less than the maximum amount, state aid is reduced proportionately.

PROGRAM STATUS:

Over 98% of Minnesota residents live in school districts that choose to provide community education. More than 67,000 activities were conducted by districts through community education during F.Y. 1994. Over 2.7 million participants of many ages were engaged in educational/cultural, athletic/recreational, and community events offered through general community education. Participation numbers increase annually. Minnesota is clearly recognized nationally as a leader in community education.

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
A. Participation					
1. General community education					
Districts	423	408	382	382	382
Participants (in millions) (duplicated)	2.6	2.7	2.8	2.9	3.0

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
2. Youth Service					
Districts	323	319	308	311	314
Participants	43,000	46,000	90,000	120,000	150,000
3. GED Testing/certification					
Persons tested	10,400	10,920	10,450	11,470	11,470
Certificates issued	6,450	6,750	7,000	7,350	7,350
B. Program Funding					
1. Funding Formulas					
General community education revenue					
Allowance per capita	5.95	5.95	5.95	5.95	5.95
Minimum per district	\$7,943.25	\$7,943.25	\$7,943.25	\$7,943.25	7,943.25
Youth service revenue					
Allowance per capita	.85	.85	1.00	1.00	1.00
Minimum per district	\$1,134.75	\$1,134.75	\$1,335.00	\$1,335.00	\$1,335.00
Levy*					
Property valuation measure	ANTC	ANTC	ANTC	ANTC	ANTC
Tax rate	0.01095	0.0109	0.0113	0.0113	0.0113
2. Total revenue					
General					
Amount	\$ 25,703.7	\$ 26,144.0	\$ 26,340.9	\$ 26,558.7	\$ 26,841.6
Number of districts	423	408	382	382	382
Youth Service/Development					
Amount	\$ 3,510.4	\$ 3,595.8	\$ 4,210.9	\$ 4,281.6	\$ 4,328.4
Number of districts	323	319	308	311	314
Total					
Amount	\$ 29,214.1	\$ 29,739.8	\$ 30,551.8	\$ 30,840.3	\$ 31,170.0
Number of districts	423	408	382	382	382
Levy					
Maximum Levy					
Authority	\$ 26,268.9	\$ 27,073.0	\$ 27,660.8	\$ 28,368.3	\$ 28,861.9
Amount of Authority					
Certified**	\$ 25,919.0	\$ 26,690.8	\$ 27,225.6	\$ 28,101.3	\$ 28,573.3
Number of districts	423	408	382	382	382
Aid					
Gross	\$ 3,295.1	\$ 3,049.0	\$ 3,326.2	\$ 2,739.0	\$ 2,596.7
Proration factor***	1.000	1.000	1.000	0.9968	1.000
Prorated aid	\$ 3,295.1	\$ 3,049.0	\$ 3,326.2	\$ 2,730.1	\$ 2,596.7
Number of districts	257	229	230	217	201

* Excludes levy equity adjustment

** Adjusted for districts under-levying

*** F.Y. 1996 and F.Y. 1997 prorated per Laws '93, Chap. 224, Art. 15, Sec. 3

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0401 COMMUNITY EDUCATION (Includes Youth Service Chap. 146)
 (Continuation)

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
PROGRAM FUNDING - COMMUNITY EDUCATION					
A. Statutory Formula					
REVENUE	\$ 29,564	\$ 29,740	\$ 30,552	\$ 30,840	\$ 31,170
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(9)	(0)
Current Law Revenue	\$ 29,564	\$ 29,740	\$ 30,552	\$ 30,831	\$ 31,170
B. Statutory Formula LEVY	\$ 26,269	\$ 26,691	\$ 27,226	\$ 28,101	\$ 28,573
Levy Change Due To					
Insufficient Appropriation	0	0	0	0	0
Current Law Levy	\$ 26,269	\$ 26,691	\$ 27,226	\$ 28,101	\$ 28,573
(Line 8 on Fiscal Page)					
C. Statutory Formula AID	\$ 3,295	\$ 3,049	\$ 3,326	\$ 2,739	\$ 2,597
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(9)	(0)
Current Law Aid Entitlement	3,295	3,049	3,326	2,730	2,597
Proration Factor	1.000	1.000	1.000	0.997	1.000
D. Aid Entitlement Reconciliation					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)	\$ 3,160	\$ 3,347	\$ 3,347*	\$ 3,347*	
Entitlement Changes Per Law:					
■ REVENUE Change					
Change in Estimated Population					
and District Participation	(239)	(320)	250	598	
■ LEVY Decreases/(Increases)					
Change in Tax Capacity (ANTC)					
and Districts Off-the-Formula	128	299			
Increase in ANTC			(860)	(1,348)	
Increase in certified levies			2		
Statutory Formula Aid (Unprorated)	\$ 3,049	\$ 3,326	\$ 2,737	\$ 2,597	

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

(\$ in 000s)

E. Aid Funding Level Reconciliation

	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
Current Law Aid Entitlement		\$ 3,049	\$ 3,326	\$ 2,730	\$ 2,597
Adjustments Per Law:					
■ Excess Funds (Not Allocated)		111	18		436
■ Portion of 15 % Final Not Requested			3		
Current Aid Funding Level		\$ 3,049	\$ 3,329	\$ 2,730	\$ 3,033
(Line 4 on Fiscal Page)					

PROGRAM FUNDING - YOUTH SERVICE

A. Statutory Formula AID^(a)	--	--	\$ 0	\$ 0	\$ 0
Aid Reduction Due To					
Insufficient Appropriation	--	--	(0)	(0)	(0)
Current Law Aid Entitlement	--	--	\$ 0	\$ 0	\$ 0
Proration Factor	--	--	--	--	--

^(a) See explanation immediately below regarding change in entitlement

B. Aid Entitlement Reconciliation:

Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)	--	\$ 625	\$ 905*	\$ 905*	
Entitlement Changes Per Law:					
■ Funding for the 15% Increase					
in Youth Service Revenue					
is Included in the Community					
Education Program Budget	--	(625)	(905)	(905)	
Statutory Formula Aid (Unprorated)	--	\$ 0	\$ 0	\$ 0	

C. Aid Funding Level Reconciliation

Current Law Aid Entitlement	--	\$ 0	\$ 0	\$ 0	
Adjustments Per Law:					
■ Excess Funds (Not Allocated)			532	863	905
■ Portion of 15 % Final Not Requested			93		
Current Aid Funding Level					
(Line 4 on Fiscal Page)	--	\$ 625	\$ 863	\$ 905	

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0401 COMMUNITY EDUCATION (Includes Youth Service Chap. 146)
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Since the community education program already exists in nearly all school districts, future growth is not expected in terms of increased numbers of districts. Growth will come in the variety of opportunities available locally and in the numbers of districts offering well-rounded programming in community education. Minnesota residents rely on community education processes and programs to meet learning needs in their communities, and this is expected to continue.
- As our population ages and diversifies in the years ahead, new types of programs in community education will develop to meet changing demands. The costs per capita for programs and services are expected to increase due to inflation and the costs associated with meeting more diverse needs. Meanwhile, the ability of some participants to pay fees will diminish.
- Several exciting and emerging education initiatives operate through community education leadership in Minnesota. Extended day (school age child care), parental involvement in the schools, and family literacy programs continue to grow dramatically, placing pressure on community education to help meet these needs. To operate programs on a strictly fee-for-services basis would deny program and services to many of those who can most benefit from them.

B. STRATEGIES:

- Increase use of sliding scale fees to cover program costs.
- Seek private support for local programming activities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$2,737 for F.Y. 1996 and \$1,459 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$2,826 in F.Y. 1996 (\$499 for F.Y. 1995 and \$2,327 for F.Y. 1996), and \$1,651 in F.Y. 1997 (\$410 for F.Y. 1996 and \$1,241 for F.Y. 1997).

The Governor recommends the following modifications in the community education funding formula:

1. Beginning in F.Y. 1997, change the general community education revenue allowance to \$4.95.
2. Beginning in F.Y. 1997, discontinue youth service revenue.

3. Beginning in F.Y. 1997, change the tax rate for the community education levy to 0.87% of adjusted net tax capacity.

In addition, the Governor recommends no separate appropriations in F.Y. 1996 and F.Y. 1997 for the additional 15% formula aid for the Youth Service component.

While the goals of these programs are worthwhile, fiscal constraints require that some resources be re-directed toward other priorities.

The Governor also recommends that this activity be included in the Family and Community Services function in the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0401-A: COMMUNITY EDUCATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 3,160	\$ 3,347	\$ 3,347	\$ 3,347
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<617>	<314>
3. Other Adjustments				
Excess Funds Transfer Out	<111>	<18>		
4. CURRENT LAW AID FUNDING LEVEL	3,049	3,329	2,730	3,033
5. Statutory Formula Aid (Detail in Narrative)	3,049	3,326		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	0	3 ^a		
8. CURRENT LAW LEVY	26,691	27,226	28,101 ^b	28,573 ^b
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	29,740	30,555	30,831	31,606
GOVERNOR'S RECOMMENDATIONS : AID				
1. Eliminate Reduction Due to Insufficient Appropriation			7	
2. Reallocate Funds to Other Education Programs				<1,574>
Current Law Aid Funding Level (Line 4)			2,730	3,033
RECOMMENDED AID ENTITLEMENT			2,737	1,459
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Reduction in Formula Allowance;				<7,705>
Repeal of Youth Service Revenue				
Current Law Levy (Line 8)			28,101	28,573
RECOMMENDED LEVY			28,101	20,868
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			30,838	22,327
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	496	474	499	410
Current Year 85 Percent	2,686	2,845	2,327	1,241
Transfers Per M.S. 124.14, Subd. 7	<192>	<18>		
Total-State General Funds	2,990	3,301	2,826	1,651

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

^bExcludes levy equity adjustment for community education.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0401-B: YOUTH SERVICE (Laws 1993, Chapter 146)

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 625	\$ 905	\$ 905
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3				
3. Other Adjustments				
Adjustment for 85/15 Funding Level			<42>	
Excess Funds Transfer Out		<532>		
4. CURRENT LAW AID FUNDING LEVEL		93	863	905
5. Statutory Formula Aid (Detail in Narrative)		0		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		93*		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)		93	863	905
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Programs			<863>	<905>
Current Law Aid Funding Level (Line 4)			863	905
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			0	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent				
Current Year 85 Percent		532		
Transfers Per M.S. 124.14, Subd. 7		<532>		
Total-State General Funds		0	0	0

*This amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0402 EXTENDED DAY

CITATION: M.S. 124.2716
MDE ADMIN: 1206 Community Collaboration
FEDERAL: None

PURPOSE:

To provide school districts offering extended day programs revenue to fund the additional costs of providing services to children with disabilities or children experiencing family or related problems of a temporary nature.

Most education aid programs contribute to more than one education goal. This program contributes to three of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program contributes to the following *current priority* of the Minnesota Department of Education (MDE):

- **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 102.

DESCRIPTION:

The extended day revenue for an eligible district equals the approved additional cost of providing services to children with disabilities or children experiencing family or related problems of a temporary nature. The extended day levy authority equals the extended day revenue times the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity by the actual pupil units, to \$3,700. State aid equals the difference between the extended day revenue and the extended day levy.

PROGRAM STATUS:

The number of districts participating and the amount of extended day revenue has increased each year. As more districts establish extended day programs it is expected that more services will be provided to children with disabilities and children experiencing family or related problems.

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Number of Districts	--	79	104	118	118

PROGRAM FUNDING

A. Statutory Formula REVENUE	--	\$ 1,902 ^(a)	\$ 2,664	\$ 2,691	\$ 2,817
Revenue Reduction Due To					
Insufficient Appropriation	--	(0)	(0)	(53)	(12)
Current Law Revenue	--	\$ 1,902	\$ 2,664	\$ 2,638	\$ 2,805
B. Statutory Formula LEVY	--	\$ 1,902	\$ 2,278	\$ 2,312	\$ 2,443
Levy Change Due To					
Insufficient Appropriation	--	0	0	0	0
Current Law Levy	--	\$ 1,902	\$ 2,278	\$ 2,312	2,443
(Line 8 on Fiscal Page)	--				
C. Statutory Formula AID	--	\$ 0	\$ 386	\$ 379	\$ 374
Aid Reduction Due To					
Insufficient Appropriation	--	(0)	(0)	(53)	(12)
Current Law Aid Entitlement	--	\$ 0	\$ 386	\$ 326	\$ 362
Proration Factor	--	--	1.000	0.860	0.968
D. Aid Entitlement Reconciliation					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 0	\$ 400	\$ 400*	\$ 400*
Entitlement Changes Per Law:					
■ Change in District Participation and Estimated Costs			(14)		
■ Change in Certified Levies				(20)	(20)
■ Increase in Net Tax Capacity for Participating Districts				(1)	(6)
Statutory Formula Aid (Unprorated)		\$ 0	\$ 386	\$ 379	\$ 374
E. Aid Funding Level Reconciliation					
Current Law Aid Entitlement		\$ 0	\$ 386	\$ 326	\$ 362
Adjustments Per Law:					
■ Excess Funds (Not Allocated)					
■ Portion of 15 % Final Not Requested			2		
Current Aid Funding Level					
(Line 4 on Fiscal Page)		\$ 0	\$ 388	\$ 326	\$ 362

^(a) For F.Y. 1994, revenue consists entirely of non-equalized levy.

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0402 EXTENDED DAY
(Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this aid and levy activity.

While the goals of this program are worthwhile, fiscal constraints require that resources be directed toward MDE highest priorities. This recommendation, along with increased flexibility with general education funds, will increase school district discretion in managing resources most effectively toward improving student performance.

The Governor recommends an aid entitlement of \$0 for F.Y. 1996 and \$0 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$58 in F.Y. 1996 (\$58 for F.Y. 1995 and \$0 for F.Y. 1996), and \$0 in F.Y. 1997 (\$0 for F.Y. 1996 and \$0 for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0402: EXTENDED DAY EQUALIZATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 400	\$ 400	\$ 400
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<74>	<38>
3. Other Adjustments				
Excess Funds Transfer Out		<12>		
4. CURRENT LAW AID FUNDING LEVEL		388	326	362
5. Statutory Formula Aid (Detail in Narrative)		386		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		2 ^a		
8. CURRENT LAW LEVY	1,902	2,278	2,312	2,443
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	1,902	2,666	2,638	2,805
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Educ. Programs			<326>	<362>
Current Law Aid Funding Level (Line 4)			326	362
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Discontinue Activity, Effective Pay 96 Levy				<2,443>
Current Law Levy (Line 8)			2,312	2,443
RECOMMENDED LEVY			2,312	0
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			2,312	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent			58	0
Current Year 85 Percent		340	0	0
Transfers Per M.S. 124.14, Subd. 7		<12>		
Total-State General Funds		328	58	0

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

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1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0404 ADULT BASIC EDUCATION
 (Continuation)

3. plan, coordinate and develop cooperative agreements for support services;
4. collaborate with business, industry, labor unions, and family and occupational education providers;
5. provide sensitive, well-trained adult education personnel who participate in in-service education;
6. participate in program reviews and evaluations; and
7. submit accurate and timely performance and fiscal reports.

PROGRAM STATUS:

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>Current Law</u>	
				<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Projects	53	54	53	53	53
Private Nonprofit Contracts	6	6	5	5	5
Districts & agencies involved	943	876	862	862	862
Learning Sites	620	610	595	580	570
Full-Time Sites	80	80	80	80	80

Regular Programs:

Aid Based on					
Formula Restriction	13,553.7	13,701.5	13,900.5	13,900.5	13,900.5
Hold Harmless Entitlement	5,892.5	5,892.5	8,426.8	8,426.8	8,426.8
Proration Factor	0.963	0.963	0.971	0.971	0.971
Entitlement Amount Above					
Hold Harmless	7,661.2	7,809.0	5,473.7	5,473.7	5,473.7
Proration Factor	0.000	0.000	0.000	0.000	0.000
Prorated Hold Harmless Entitlement	5,674.5	5,673.9	8,174.9	8,174.9	8,174.9

(\$ in 000s)

**Contracts with Private,
Nonprofit Organizations**

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Contract Amounts	198.5	199.1	199.1	199.1	199.1
Proration Factor	1.000	1.000	1.000	1.000	1.000

**Total Entitlement
(Regular and Contract)**

	5,873.0	5,873.0	8,374.0	8,374.0	8,374.0
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Other Revenues

Federal Basic Grant	2,659.3	2,438.4	2,438.4	2,438.4	2,438.4
State Aid plus Federal Grant	8,532.3	8,311.4	10,812.4	10,812.4	10,812.4
Certified Local Levy	5,978.2	5,899.5	3,348.7	3,397.9	3,568.9
Other Local Revenue	<u>8,789.3</u>	<u>4,913.7</u>	<u>5,529.8</u>	<u>5,952.4</u>	<u>6,393.5</u>
Total Local Revenue	14,767.5	10,813.2	8,878.5	9,350.3	9,962.4
Total Revenue	23,299.8	19,124.6	19,690.9	20,162.7	20,774.8
State + Federal Portion of Revenue (Cannot Exceed 100%)	36.6%	43.5%	54.9%	53.6%	52.0%

Participation in adult education among individuals who attended at least 12 hours increased a total of 45% from 1988 to 1992. Over the same period the numbers of school districts and other agencies providing adult education and related support services nearly doubled. The percentage of participants who achieved their personal education plan goals increased 55% over that time span. In that time period, 5,500 ABE participants got off welfare; 40,900 got a job or a better job; 19,900 enrolled in higher education, and 23,700 earned a high school or GED diploma. The percentage who left before completing their goals decreased by more than 7% per year.

Since 1992, however, both state adult education aid and local levy authority have decreased. The result has been fewer classes, decreased enrollment, fewer hours available to each learner, and increased numbers of people on enrollment waiting lists. At the same time learners with more needs are coming to adult education and staying longer in the programs to achieve their goals.

Learner Outcomes: Programs are changing in response to learner needs. Outcomes identified in ABE participants' personal education plans have changed. Basic skills and competencies people need in order to participate fully and effectively in society as workers, consumers, family members and citizens, now include: Reading; Writing; Listening and Speaking; Creative Thinking and Problem-Solving; Personal Effectiveness; Group Effectiveness; Societal Effectiveness, and Knowing How To Learn.

These basics reinforce each other to become tools that people can use to address the changing conditions at work and in their families and communities. To improve learning and ease the transition to life outside the classroom, learners need to experience using these skills to accomplish meaningful problem-solving tasks. Adult education programs are striving to respond.

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0404 ADULT BASIC EDUCATION
 (Continuation)

Further indicators of program effectiveness are being developed by service providers through a continuing evaluation project.

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
PROGRAM FUNDING					
A. Regular ABE Programs:					
Statutory Formula AID	\$ 13,554	\$ 13,701	\$ 13,900	\$ 13,900	\$ 13,900
Aid Reduction Due To					
Insufficient Appropriation	(7.880)	(5.341)	K(3.201)	(7.231)	(6.493)
Subtotal Current Law Aid					
Entitlement	5,674	8,360	10,699	6,669	7,407
Proration Factor	0.419	0.610	0.770	0.480	0.533
B. Contracts:					
Statutory Formula AID	\$ 199	\$ 199	\$ 199	\$ 199	\$ 199
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(37)	(19)
Subtotal Current Law Aid					
Entitlement	199	199	199	162	180
Proration Factor	1.000	1.000	1.000	0.816	0.906
C. Total Current Law Aid Entitlement:					
(Line 4 on Fiscal Page)	\$ 5,873	\$ 8,559	\$ 10,898	\$ 6,831	\$ 7,587
D. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page) ^(a)		\$ 5,873	\$ 8,374	\$ 8,374*	\$ 8,374*
Entitlement Changes Per Law:					
■ Increased Number of Program					
Participants		\$ 8,027	\$ 5,725	\$ 5,725	\$ 5,725
Statutory Formula Aid (Unprorated)		\$ 13,900	\$ 14,099	\$ 14,099	\$ 14,099

^(a) Includes regular ABE programs plus \$199 each year for contracts with private nonprofit organizations.

^(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- The profile of learners coming to Adult Basic Education is changing in three specific ways. First,

an increasing number of learners who seek ABE services are on welfare and have children. Consequently, the need to provide basic education instruction to the family as a whole in order to reduce the impact of intergenerational illiteracy is increasing. Providing necessary support services or referrals for childcare, nutritional snacks, and transportation subsidies additionally stretches ABE budgets. Local ABE programs report hundreds of people on waiting lists to enroll in existing Family Literacy programs. The demand for services is eight times greater than current program capacity.

- The second dramatic change in the learners is the number of refugees and non-native speakers of English. Minnesota is currently home to more than 50,000 refugees, and an additional 2,500 refugees settle here each year. The immigrant and migrant population is also on the increase. At least 18,000 limited English proficient adults in Minnesota currently want and need ESL instruction, but are unable to find classroom openings. It takes an average of 1,300 hours of instruction to enable one non-native English speaker to become competent enough in English to be able to find, obtain, and retain adequate employment.
- Another shift is the number of those with disabilities who are seeking ABE classes and services. According to the 1990 Census, over 159,000 Minnesotans have a limiting disability. With the passage of the Americans with Disabilities Act, individuals with disabilities are empowered to seek services from all public (and private) agencies. Many adults are learning that their lack of success in school is due to "hidden" disabilities, such as learning disabilities. The challenge for Adult Basic Education programs is to serve the wide array of those seeking services, some of whom require nearly one-to-one services to succeed.

B. STRATEGIES:

In lieu of capacity to provide full or increased funding, several plans of action are possible, including:

- increased collaborative efforts among local providers, local regional and state governmental agencies and the private sector;
- a review of the "hold harmless" statute to more fairly distribute the available Adult Basic Education funds;
- development of, and coordination with new investors in Adult Basic Education; and
- continued exploration of means and methods to produce maximum results from limited resources.
- To deal more effectively with the changing needs of learners who are parents, increase collaboration with early childhood family education (ECFE) programs as well as public and private programs that can provide support services (day care, transportation, nutrition, etc.) in order to expand the Family Literacy program capacity statewide.
- To deal with the needs of ESL learners, identify exemplary collaborative models for Family Literacy and ESL programs, and develop dissemination strategies and training to enable local ABE programs to pursue similar, proven strategies for offering new or expanded programming in these areas.
- To better serve those with disabilities, enhance the training of Adult Basic Education instructors, and increase collaboration with other agencies who have skill and experience in assisting this population of learners.

GOVERNOR'S RECOMMENDATION: The Governor recommends an aid entitlement of \$8,374 for F.Y. 1996 and \$8,374 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$8,374 in F.Y. 1996 (\$1,256 for F.Y. 1995 and \$7,118 for F.Y. 1996), and \$8,374 in F.Y. 1997 (\$1,256 for F.Y. 1996 and \$7,118 for F.Y. 1997).

The Governor also recommends that this activity be included in the Family and Community Services function in the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

EDUCATION AIDS - GOVERNOR'S BUDGET

(Dollars in Thousands)

0404: ADULT BASIC EDUCATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement ^a	\$ 5,873	\$ 8,374	\$ 8,374	\$ 8,374
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<1,543>	<787>
3. Other Adjustments				
Excess Funds Transfer In	2,686	2,524		
4. CURRENT LAW AID FUNDING LEVEL	8,559	10,898	6,831	7,587
5. Statutory Formula Aid (Detail in Narrative)	13,900	14,099		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<5,341>	<3,201>		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	8,559	10,898	6,831	7,587
GOVERNOR'S RECOMMENDATIONS : AID				
1. Restore Reduction Due to Apps. Limits			1,543	787
Current Law Aid Funding Level (Line 4)			6,831	7,587
RECOMMENDED AID ENTITLEMENT			8,374	8,374
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			8,374	8,374
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	911	880	1,256	1,256
Current Year 85 Percent	4,993	7,118	7,118	7,118
Transfers Per M.S. 124.14, Subd. 7	2,686	2,524		
Total-State General Funds	8,590	10,522	8,374	8,374

^aIncludes regular ABE programs plus \$199 each year for contracts with private nonprofit organizations.

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1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0405 ADULTS WITH DISABILITIES

CITATION: M.S. 121.88, Subd. 6-7; 124.2715
MDE ADMIN: 1206 Community Collaboration
FEDERAL: None

PURPOSE:

Funding is provided to school districts with local community education programs to enable adults with physical and/or developmental disabilities to participate fully in the mainstream of community life. Over 296,000 Minnesotans between the ages of 16 and 65 have limiting disabilities and are not institutionalized. The purpose of this program is the integration of adults with disabilities with others in their community. People with disabilities, who in the past have been nearly invisible in our society, are eager, able and adamant about being part of the mainstream of life.

Specifically supported by this funding are the following:

- services enabling adults to participate fully in community activities including Community Education classes;
- outreach activities to identify adults needing services;
- classes specifically for adults with disabilities;
- activities to enhance the role of people with disabilities in the community;
- activities to increase public awareness of the roles of people with disabilities; and
- other direct and indirect services and activities benefitting adults with disabilities.

Both communities as a whole and individual persons with disabilities benefit from these programs. As adults with disabilities become integrated in community life and accepted as individuals, communities are strengthened and many individual lives become richer.

Most education aid programs contribute to more than one education goal. By providing services, classes, and outreach programs to integrate adults with disabilities into their communities, this program contributes to three of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional,

and academic growth of children.

This program contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- Lifework Development and Technology Competence
- Collaboration and Service Co-Location

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

To be eligible for specific categorical revenue to serve adults with disabilities, a Community Education program must receive approval from the Minnesota Department of Education (MDE). A request for approval must include all of the following:

- characteristics of the people to be served;
- description of the program services and activities;
- program budget and amount of aid requested;
- participation by adults with disabilities in developing the program;
- assessment of the needs of adults with disabilities; and
- cooperative efforts with community organizations.

For programs that are approved, the state aid formula provides the lesser of \$30,000 or 1/2 the actual expenditures. A district is required to match this aid amount from local sources. The district is permitted to levy the lesser of \$30,000 or the actual expenditures minus the amount of state aid for the program. If a program is offered by a group of districts, the levy amount is allocated among the districts in accordance with an agreement submitted to MDE. Other public or private funds may be expended for these programs at the discretion of the local districts.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Number of Programs Funded	34	34	34	34	34
Districts Involved	81	81	84	84	84
Other Organizations Involved	330	340	350	360	370
Number of Participants	18,000	35,000	35,000	40,000	40,500
Approved Expenditures	\$ 1,317.4	\$ 1,340.0	\$ 1,340.0	\$ 1,340.0	\$1,340.0
Gross Aid at 50%	\$ 658.7	\$ 670.0	\$ 659.9	\$ 670.0	\$ 670.0

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0405 ADULTS WITH DISABILITIES
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Over 296,000 adult Minnesotans living in the community have a limiting disability.
- With the recent passage of the Federal Americans with Disabilities Act guaranteeing accessibility for employment, transportation, and public accommodations for disabled individuals, interest in this program is expected to increase dramatically. Some minimal growth may be achieved through additional networking with other agencies and through learned efficiencies.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$577 for F.Y. 1996 and \$577 for F.Y. 1997. This recommendation reallocates a portion of the current law entitlement between years, in order to provide districts with a more stable funding stream.

Based on these entitlements, the Governor recommends an appropriation of \$577 in F.Y. 1996, and \$577 in F.Y. 1997.

The Governor recommends continuation of authority for carryover of any unexpended balance in the first year to the second year of the biennium.

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
<u>PROGRAM FUNDING</u>					
A. <u>Statutory Formula</u>					
<u>REVENUE</u>	\$ 1,318	\$ 1,340	\$ 1,340	\$ 1,340	\$ 1,340
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(0)	(12)	(246)	(126)
Current Law Revenue	\$ 1,318	\$ 1,340	\$ 1,328	\$ 1,094	\$ 1,214
B. <u>Statutory Formula LEVY</u>	\$ 614	\$ 631	\$ 648	\$ 657	\$ 657
Levy Change Due To Insufficient					
Appropriation	\$ 0	\$ 0	(6)	(123)	(63)
Current Law Levy	\$ 614	\$ 631	\$ 642	\$ 534	\$ 594
Other Public and Private					
Funds	\$ 45	\$ 39	\$ 22	\$ 13	\$ 13
Total Local Funds	\$ 659	\$ 670	\$ 664	\$ 547	\$ 607
C. <u>Statutory Formula AID</u>	\$ 659 ^(a)	\$ 670	\$ 670	\$ 670	\$ 670
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(6)	(123)	(63)
Current Law Aid Entitlement	\$ 659	\$ 670	\$ 664	\$ 547	\$ 607
Proration Factor	1.000	\$ 1.000	\$ 0.991	\$ 0.816	\$ 0.906
D. <u>Aid Entitlement Reconciliation</u>					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 670	\$ 670	\$ 670*	\$ 670*
Statutory Formula Aid (Unprorated)		\$ 670	\$ 670	\$ 670	\$ 670
E. <u>Aid Funding Level Reconciliation</u>					
Current Law Aid Entitlement		\$ 670	\$ 664	\$ 547	\$ 607
Adjustments Per Law:					
■ Prior Year Payments (M.S. 124.14, Subd. 2)	--		\$ 10		
Current Aid Funding Level		\$ 670	\$ 674	\$ 547	\$ 607
(Line 4 on Fiscal Page)					

^(a) \$649 plus \$10 paid in subsequent year.

^(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0405: ADULTS WITH DISABILITIES

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 670	\$ 670	\$ 670	\$ 670
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<123>	<63>
3. Other Adjustments				
Excess Funds Transfer In		4		
4. CURRENT LAW AID FUNDING LEVEL	670	674	547	607
5. Statutory Formula Aid (Detail in Narrative)	670	670		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		4 ^a		
8. CURRENT LAW LEVY	670	664 ^b	547	607
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	1,340	1,334	1,094	1,214
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds Between Years			30	<30>
Current Law Aid Funding Level (Line 4)			547	607
RECOMMENDED AID ENTITLEMENT			577	577
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Change Due to Cap Reduction			30	<30>
Current Law Levy (Line 8)			547	607
RECOMMENDED LEVY			577	577
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			1,154	1,154
APPROPRIATIONS BASIS:				
Prior Year 15 Percent				
Current Year 85 Percent	670	670	577	577
Transfers Per M.S. 124.14, Subd. 7		4		
Total-State General Funds	670	674	577	577

^aThis amount is the net of \$10.0 in excess prior year payments per M.S. 124.14, subdivision 2, and a deficiency of \$(6.0) in the current year account.

^bThis is the total local contribution including levy plus other public and private funds.

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1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0406 ADULT GRADUATION AID
 (Diploma Opportunities For Adults)

CITATION: M.S. 120.06, Subd. 3; M.S. 124.17, Subd. 2e;
 M.S. 124.261; M.S. 126.22, Subd. 2d and 3

MDE ADMIN: 1206 Community Collaboration
FEDERAL: None

PURPOSE:

To provide opportunities for adults age 21 and over, who have not finished school, to complete their high school education. Eligible individuals receive up to two years or the equivalent of free public education toward satisfying high school graduation requirements. Adult Graduation Aid is designed to help economically disadvantaged adults obtain a high school diploma that will enable them to find meaningful employment, thus reducing welfare, correctional, and other social costs.

More specifically, the program objectives are to a) attract and retain individuals in high school education programs, and b) provide individuals with more options and opportunities to earn their high school diplomas. These options include attending area learning centers, public alternative programs, postsecondary institutions, adult basic education programs, and traditional high schools.

Most education aid programs contribute to more than one education goal. By reducing the high school dropout rate, and by providing education programs that are appropriate to unique learning and education needs of individuals with hearing disabilities, this program contributes to three of the Department of Education's *goals*:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- Lifework Development and Technology Competence
- Collaboration and Service Co-Location

■ Graduation Standards

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 14.

DESCRIPTION:

Diploma Opportunities for Adults is designed for learners age 21 and older who have less than 14 years of public or nonpublic education and who qualify under one of the following criteria:

- eligible for unemployment benefits or have exhausted unemployment benefits;
- eligible for and receiving income maintenance or support services; or
- eligible under the displaced homemaker program, state wage subsidy program, or any program under the Jobs and Training Act.

Eligible adult learners may enroll in Area Learning Centers' postsecondary courses if eligible through Postsecondary Enrollment Options, Public Alternative Programs, or any public high school (provided that the local school board has adopted a resolution approving enrollment of individuals age 21 and over). Free admission is currently limited to two school years or the equivalent, or until the adult learner completes the course work required for graduation.

The state Adult Graduation aid follows each enrolled adult to the school district and/or postsecondary institution attended.

The aid amount for each eligible pupil equals 65 % of the General Education formula allowance times the Average Daily Membership (ADM) for the pupil. Adult Graduation Aid paid by the state is in addition to any other aid to the district. These pupils may not be counted by the district for any other purpose other than Adult Graduation Aid.

PROGRAM STATUS:

Participation in the Adult Graduation Aid program has steadily increased since its implementation. The number of learners enrolled in the program has grown from 422.78 in F.Y. 1991 to an estimated 1,151.00 in F.Y. 1995.

The percentage of appropriation expended has also increased. Prior to F.Y. 1989, less than the full appropriation was expended. Beginning in F.Y. 1992 demand exceeded supply and the aid to districts was necessarily prorated. The proration was 74 % in F.Y. 1994 and F.Y. 1995. At current funding levels, that proration is estimated to fall to 65 % in F.Y. 1996 and 58 % in F.Y. 1997.

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0406 ADULT GRADUATION AID
 (Diploma Opportunities For Adults)

(Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Participants	876.41	966*	1,111*	1,301*	1,451*
Average Daily Membership (ADM)					
Formula Allowance per ADM					
(65% of General Education					
Allowance x 1.30)	\$ 2,577.25	\$ 2,577.25	\$ 2,661.75	\$ 2,661.75	\$ 2,661.75
Aid Entitlement before PSEO	\$ 2,258.7	\$ 2,400.7	\$ 2,850.7	\$ 3,343.2	\$ 3,742.4
Aid Entitlement after PSEO	\$ 2,372.9	\$ 2,489.9	\$ 2,957.2	\$ 3,462.9	\$ 3,862.2

* Estimates

PROGRAM FUNDING

A. <u>Statutory Formula Aid:</u>	\$ 2,373	\$ 2,490	\$ 2,957	\$ 3,463	\$ 3,862
Aid Reduction Due To					
Insufficient Appropriation	(0)	(387)	(398)	(1,631)	(1,827)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	\$ 2,373	\$ 2,103	\$ 2,559	\$ 1,832	\$ 2,035
Proration Factor	1.000	0.845	0.865	0.529	0.527
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 1,909	\$ 2,245	\$ 2,246*	\$ 2,246*
Entitlement Changes Per Law:					
■ Increase in Number of Program					
Participants		581	712	1,217	1,616
Statutory Formula Aid (Unprorated)		\$ 2,490	\$ 2,957	\$ 3,463	\$ 3,862

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- As participation continues to increase, the prorationing of state aids is expected to become more severe.
- Because of the prorationing, many providers are considering dropping this diploma program.

B. STRATEGIES:

- Continue to provide technical assistance to Adult Diploma providers to help them offer both efficient and effective educational programming. This assistance might include the utilization of other funding programs such as Adult Basic Education, Area Learning Centers, and public and private alternative educational providers in meeting fiscal and learner needs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$1,799 for F.Y. 1996 and \$2,036 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$1,866 in F.Y. 1996 (\$336 for F.Y. 1995 and \$1,530 for F.Y. 1996), and \$2,000 in F.Y. 1997 (\$269 for F.Y. 1996 and \$1,731 for F.Y. 1997).

Beginning in F.Y. 1996, the Governor recommends changing the adult high school graduation aid formula from 65% to 28.5% of the general education formula allowance times 1.30.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0406: ADULT GRADUATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 1,909	\$ 2,245	\$ 2,246	\$ 2,246
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<414>	<211>
3. Other Adjustments				
Excess Funds Transfer In	194	314		
4. CURRENT LAW AID FUNDING LEVEL	2,103	2,559	1,832	2,035
5. Statutory Formula Aid (Detail in Narrative)	2,490	2,957		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<387>	<398>		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	2,103	2,559	1,832	2,035
GOVERNOR'S RECOMMENDATIONS : AID				
1. Eliminate Aid Proration Due to Insufficient Appropriation			2,174	2,471
2. Increase in General Education Formula Allowance			89	129
3. Change Formula to 28.5% of General Ed. Formula Allowance			<2,296>	<2,599>
Current Law Aid Funding Level (Line 4)			1,832	2,035
RECOMMENDED AID ENTITLEMENT			1,799	2,036
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			1,799	2,036
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	204	286	336	269
Current Year 85 Percent	1,623	1,909	1,530	1,731
Transfers Per M.S. 124.14, Subd. 7	194	314		
Total-State General Funds	2,021	2,509	1,866	2,000

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aid

0407 HEARING IMPAIRED ADULTS

CITATION: M.S. 121.1201
MDE ADMIN: 1203 Special Education
FEDERAL: None

PURPOSE:

To provide for interpreters or note-taker services for adults with hearing impairments to assure equal access to continuing education opportunities. More specifically, this program:

- is targeted for part time adult students with hearing impairments;
- provides access to vocational education programs promoting educational growth and development;
- enhances and encourages life-long learning; and
- has the same objectives as stated under 0301 Special Education Regular. Special education programs and services are designed to prepare individuals with disabilities whose educational needs range from self care skills, to independent living skills, to preparation for sheltered employment or employment in the community, to the full array of postsecondary education programs available.

Most education aid programs contribute to more than one education goal. By reducing the high school dropout rate, by providing education programs that are appropriate to the unique education needs of individuals with disabilities and by preparing individuals to be independent, productive and responsible adults, this program contributes to three of the Department of Education's *goals*:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.

This program contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- Lifework Development and Technology Competence
- Collaboration and Service Co-Location

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

Public and private agencies providing adult education classes enrolling adults with hearing

impairments may apply to the Minnesota Department of Education (MDE) for reimbursement of the costs of providing the support services. Typically, one interpreter is employed for up to five adults with hearing impairments. A note-taker normally provides service to a single student. To the extent funds are available, full reimbursement of the costs of providing the service is made upon approval of the application.

Aid has also been provided to include closed captioning on educational video tapes which benefit a greater number of individuals with hearing impairments. Aid is not provided to students enrolled in vocational rehabilitation supported programs where other sources of funds are available. Full time students are not eligible for this aid.

PROGRAM STATUS:

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
Application for Services (Public and Private Agencies)	210	240	280	300	320
Adults Served	640	675	700	725	750

PROGRAM FUNDING

A. <u>Statutory Formula Aid:</u>	\$ 70	\$ 70	\$ 70	\$ 70	\$ 70
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(13)	(7)
Current Law Aid Entitlement	\$ 70	\$ 70	\$ 70	\$ 57	\$ 63
Proration Factor	1.000	1.000	1.000	0.816	0.906
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 70	\$ 70	\$ 70*	\$ 70*
Statutory Formula Aid (Unprorated)		\$ 70	\$ 70	\$ 70	\$ 70

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- This program is anticipated to be in continuing demand.
- Funds are expected to be used more by Metro agencies and schools than rural agencies and schools.

B. STRATEGIES:

- Reimbursement of costs of providing services to hearing impaired adults will be on a first come basis.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$60 for F.Y. 1996 and \$60 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$60 in F.Y. 1996, and \$60 in F.Y. 1997.

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0408 EARLY CHILDHOOD FAMILY EDUCATION
 (Continuation)

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
1. Participants	245,419	260,000	264,000	268,000	272,000
2. Formula Revenue:					
Allowance per capita	\$ 101.25	\$ 101.25	\$ 101.25	\$ 101.25	\$ 101.25
Minimum per district					
(actual \$)	\$ 15,187.50	\$ 15,187.50	\$ 15,187.50	\$ 15,187.50	\$ 15,187.50
Total Revenue (000s)	\$ 30,266.6	\$ 31,264.6	\$ 32,273.2	\$ 32,462.2	\$ 32,662.7
Number of districts	383	382	369	369	369
3. Levy:					
Property value measure*	AGTC	ANTC	ANTC	ANTC	ANTC
Tax Rate	.00596	.00596	.00626	.00626	.00626
Maximum Levy Amount	\$ 18,022.4	\$ 17,729.7	\$ 17,819.3	\$ 18,378.1	\$ 19,103.1
Amount of Authority					
Certified***	\$ 17,553.4	\$ 17,552.4	\$ 17,641.1	\$ 18,194.3	\$ 18,912.1
Number of districts	383	382	369	369	369
4. State Aid:					
Gross aid amount (000s)	\$ 12,713.2	\$ 13,712.2	\$ 14,632.1	\$ 14,267.9	\$ 13,750.5
Proration factor****	0.9835	0.9935	0.9505	0.7950	0.9165
Prorated aid (000s)	\$ 12,503.0	\$ 13,623.0**	\$ 13,908.0**	\$ 11,344.3	\$ 12,602.1
Number of districts	350	350	351	345	341
ECFE Evaluation	--	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0
Total Funding	\$ 12,503.0	\$ 13,633.0	\$ 13,918.0	\$ 11,354.3	\$ 12,612.1

* Adjusted Gross Tax Capacity (AGTC); Adjusted Net Tax Capacity (ANTC).

** Does not include \$10.0 for evaluation

*** Adjusted for districts underlevying

**** F.Y. 1996 and F.Y. 1997 prorated per Laws '93, Ch. 224, Art. 15, Sec. 3

(a) Levy only

Information on Home Visit program has been transferred to Miscellaneous Community Service Levy (Program 0403).

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
A. Statutory Formula					
REVENUE:	\$ 30,266	\$ 31,264	\$ 32,273	\$ 32,462	\$ 32,663
Revenue Reduction Due To					
Insufficient Appropriation	(210)	(59)	(405)	(2,922)	(1,148)
Current Law Revenue	\$ 30,056	\$ 31,205	\$ 31,868	\$ 29,540	\$ 31,515
B. Statutory Formula LEVY:	\$ 17,553	\$ 17,552	\$ 17,641	\$ 18,194	\$ 18,912
Levy Change Due To					
Insufficient Appropriation	0	0	0	0	0
Current Law Levy					
(Line 8 on Fiscal Page)	\$ 17,553	\$ 17,552	\$ 17,641	\$ 18,194	\$ 18,912
C. Statutory Formula AID:	\$ 12,713	\$ 13,712	\$ 14,632	\$ 14,268	\$ 13,751
Aid Reduction Due To					
Insufficient Appropriation	(210)	(59)	(405)	(2,922)	(1,148)
Current Law Aid Entitlement	12,503	13,653	14,227	11,346	12,603
Proration Factor	0.984	0.996	0.972	0.795	0.916
ECFE Evaluation		10	10	8 ^(a)	9 ^(a)
Total Aid Entitlement					
(Line 4 on Fiscal Page)	\$ 12,503	\$ 13,633	\$ 14,237	\$ 11,354	\$ 12,612
D. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 13,633 ^(b)	\$ 13,918 ^(b)	\$ 13,920 ^{(b)*}	\$ 13,920 ^{(b)*}
Entitlement Changes Per Law:					
■ REVENUE Change					
Change in Age 0-4 Population					
and District Participation		122	1,029	911	1,112
■ LEVY (Increases)					
Change in Tax Capacity (ANTC) and					
Districts Off-the-Formula		(33)	(305)		
Increase in ANTC				(553)	(1,271)
ECFE Evaluation		(10)	(10)	(10)	(10)
Statutory Formula Aid (Unprorated)		\$ 13,712	\$ 14,632	\$ 14,268	\$ 13,751

^(a) \$ 10 less reduction for appropriation limit

^(b) Includes \$10 Evaluation

(*) This is the standing appropriation in M.S. 124.961.

REVISED 2-28-95

PAGE A-207

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0408 EARLY CHILDHOOD FAMILY EDUCATION
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Because Early Childhood Family Education is one of very few programs for young children and their families with universal eligibility, it is viewed as an appealing and major part of the foundation for the emerging comprehensive, integrated service delivery systems. Thus the expectations of the program increase continually.
- The declining social conditions impacting young children and their families have intensified and expanded their needs. The challenge for ECFE is to address these needs as effectively as possible with the resources available and help families to build a social network of support in the process. A long term goal is to create more caring communities in which children and their families can become more self-reliant and less dependent upon government services.

B. STRATEGIES:

- Maximize available resources by collaboration and cooperation.
- Continue to build collaboration relationships with families representative of entire community and with others who provide services for families.
- Serve as integral part of family resource centers, building upon ECFE's unique role as one of few programs with universal eligibility.
- Work toward integrated funding of ECFE, Way to Grow and Home Visiting to enhance the flexibility and overall capacity of these programs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$14,278 for F.Y. 1996 and \$13,760 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$14,224 in F.Y. 1996 (\$2,086 for F.Y. 1995 and \$12,138 for F.Y. 1996), and \$13,838 in F.Y. 1997 (\$2,140 for F.Y. 1996 and \$11,698 for F.Y. 1997).

The Governor also recommends that this activity be included in the Family and Community Services function in the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0408: EARLY CHILDHOOD & FAMILY EDUCATION

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 13,633 ^a	\$ 13,918 ^a	\$ 13,920 ^a	\$ 13,920 ^a
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<2,566>	<1,308>
3. Other Adjustments				
Excess Funds Transfer In	30	319		
4. CURRENT LAW AID FUNDING LEVEL	13,663	14,237	11,354	12,612
5. Statutory Formula Aid (Detail in Narrative)	13,722 ^a	14,642 ^a		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<59>	<405>		
8. CURRENT LAW LEVY	17,552	17,641	18,091	18,905
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	31,215	31,878	29,495 ^b	31,516 ^b
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds from Other Education Programs			2,924	1,148
Current Law Aid Funding Level (Line 4)			11,354	12,612
RECOMMENDED AID ENTITLEMENT			14,278	13,760
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)			18,091	18,905
RECOMMENDED LEVY			18,091	18,905
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			32,369	32,665
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	1,875	2,044	2,086	2,140
Current Year 85 Percent	11,589	11,832	12,138	11,698
Transfers Per M.S. 124.14, Subd. 7	30	319		
Total-State General Funds	13,494	14,195	14,224	13,838

^aIncludes \$10 evaluation.

^bIncludes \$8 evaluation in FY 1996 and \$9 in FY 1997.

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1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0409 EARLY CHILDHOOD SCREENING

CITATION: M.S. 123.701-7045
MDE ADMIN: 1206 Community Collaboration
FEDERAL: None

PURPOSE:

The purpose of Early Childhood Screening (ECS) is to 1) assist parents and communities to improve the educational readiness and health of all young children in Minnesota through early detection of health, developmental and family factors that may interfere with a child's learning, growing and developing, 2) assist schools and their communities in planning educational and health programs for all children and families, focusing on those at risk, and 3) link families to learning readiness initiatives in the school and community.

More specifically, the objectives are to:

- detect and seek solutions to conditions that may interfere with young children's growing, developing and learning by predicting and preventing problems, minimizing physical and educational barriers, and aiding in dealing with special needs of individual children, thereby reducing later costly care;
- enable parents to become more aware of the connections among physical health, development and readiness for learning and the connection between family circumstances and a child's development and learning;
- link children and families, through Learning Readiness initiatives, to a wide range of community services and programs to enhance their development and readiness for formal education. This includes collaboration with other early childhood programs (Early Childhood Family Education, Special Education and Head Start, for example);
- improve the access to and regular use of preventive health services by increasing awareness of the need for early and periodic health services, discussing financing of health care and linking families to public and private health care providers; and
- provide leadership in the development and implementation of effective programs.

Most education aid programs contribute to more than one education goal. By improving the educational readiness of children through the early detection of health and developmental barriers, assisting schools in planning educational and health programs for all children, and linking families to learning readiness programs and initiatives, this program contributes to four of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning,

and productive work.

- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

■ **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 53.

DESCRIPTION:

Through ECS, educators and health professionals focus on a child's health and development. All families are linked to school and community programs that promote health and enhance a child's well being. Using a series of standardized screening instruments and structured interview procedures, screeners identify the normal health and development of a child while sorting out conditions and situations that require further assessment. Children and families needing further assessment are referred to a variety of school and community services. ECS providers follow-up by contacting parents to ensure that referral sources are accessible and acceptable and that the identified needs have been met and/or the child and family are in an ongoing system of service and support.

Minnesota school districts are required to offer the screening for four-year-old children. Many districts include 3½ to 5 year olds in their programs. The number of children eligible for screening statewide fluctuates with the birth rate and mobility; there are approximately 65,000 eligible children per year.

Parents are required to have their children screened at the school district program or by a public or private health care provider that offers comparable services. Required components that children must receive include developmental review, sensory (vision and hearing) screening, immunization review, growth (height and weight), and a summary interview. Optional components include the health history (included by 60% of school districts), review of family factors that might affect development, nutrition review, laboratory tests and physical assessments. If the child has been to a physician or other health care provider for well child care within one year prior to screening, the school must request the results of that visit so the findings can be reviewed in conjunction with the screening findings, thus providing a comprehensive view of the child's health, development and family factors. Evidence of the date and results of screening is to be presented at school enrollment prior to or during kindergarten or Grade 1. Parents have 30 days after school enrollment to meet the requirement or submit a signed conscientious objection statement.

Schools are to work in collaboration with other early childhood programs and public or private health care providers to offer a comprehensive and cost effective program. Outreach is an intensive

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0409 EARLY CHILDHOOD SCREENING
(Continuation)

effort to notify all parents of the requirement for screening, of their options for services and to encourage participation early, at age 3-1/2 to 4. The actual screening is staffed by personnel from K-12 education, special education, community education and/or contracts with community health agencies and education cooperatives. Follow-up includes guaranteeing that problems noted have been assessed, resolved, or the family is linked with ongoing services and support. Learning Readiness initiatives play a major role in ensuring that follow-up is completed. Local and/or county Interagency Early Intervention Committees assist in planning and evaluating ECS.

The state reimburses districts for planning, administering and evaluating the program. The present state reimbursement rate is \$25 per child screened. When the ECS state categorical aid does not meet actual costs, districts draw on Grade K-12 General Education aid, early childhood family education funds, special education funds, community resources and use of volunteers. A few ECS programs also use federal Medical Assistance dollars because they fund similar comprehensive services through Children and Teen Checkups (formerly named EPSDT).

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995*	F.Y. 1996	F.Y. 1997
Eligible children	65,000	68,570	65,000	65,000	65,000
Percent participating	95%	95%	95%	95%	95%
Number screened	59,345 ^(a)	65,144	62,000	62,000	62,000
	5,594 ^(b)	1,000 ^(b)	1,000 ^(b)	1,000 ^(b)	1,000 ^(b)
Reimbursement rate	\$25	\$25	\$25	\$25	\$25

* F.Y. 1995 includes \$1.0 for prior year payment.

^(a) Targeted pre-school children (3-4-5 year olds).

^(b) Children already enrolled in kindergarten without prior screening ("K catch-up").

(\$ in 000s)

	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
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PROGRAM FUNDING

A. Statutory Formula Aid:	\$ 1,585	\$ 1,654	\$ 1,550	\$ 1,550	\$ 1,550
Aid Reduction Due To					
Insufficient Appropriation	(0)	(69)	(0)	(286)	(146)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	\$ 1,585	\$ 1,585	\$ 1,550	\$ 1,264	\$ 1,404
Proration Factor	1.000	.958	1.000	0.816	0.906

B. Aid Entitlement Reconciliation:

Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 1,550	\$ 1,550	\$ 1,550*	\$ 1,550*
Increase in No. of Children Screened		104			
Statutory Formula Aid (Unprorated)		\$ 1,654	\$ 1,550	\$ 1,550	\$ 1,550

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- School district costs for Early Childhood Screening sometimes exceeds the reimbursement rate of \$25 per child screened, especially for smaller districts.

B. STRATEGIES:

- Work to obtain more collaboration in the provision of these services to keep cost low.
- Assist more districts in using medical assistance funding for ECS.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$1,317 for F.Y. 1996 and \$1,317 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$1,352 in F.Y. 1996 (\$232 for F.Y. 1995 and \$1,120 for F.Y. 1996), and \$1,317 in F.Y. 1997 (\$197 for F.Y. 1996 and \$1,120 for F.Y. 1997).

The Governor also recommends that this activity be included in the Family and Community Services function in the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0409: EARLY CHILDHOOD SCREENING

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 1,550	\$ 1,550	\$ 1,550	\$ 1,550
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<286>	<146>
3. Other Adjustments				
Excess Funds Transfer In	35			
4. CURRENT LAW AID FUNDING LEVEL	1,585	1,550	1,264	1,404
5. Statutory Formula Aid (Detail in Narrative)	1,654	1,550		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<69>			
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	1,585	1,550	1,264	1,404
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds Between Years			53	<87>
Current Law Aid Funding Level (Line 4)			1,264	1,404
RECOMMENDED AID ENTITLEMENT			1,317	1,317
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			1,317	1,317
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	240	232	232	197
Current Year 85 Percent	1,318	1,318	1,120	1,120
Transfers Per M.S. 124.14, Subd. 7	20			
Total-State General Funds	1,578	1,550	1,352	1,317

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1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

 0411 LEARNING READINESS

CITATION: M.S. 121.831; 124.2615
MDE ADMIN: 1206 Community Collaboration
FEDERAL: None

PURPOSE:

To strengthen and build upon existing community resources to effectively address the health, nutrition, education and social service needs of four year old children with the goal of enhancing their learning and development and future success in school. This requires extensive coordination and cooperation among service providers, parents, policy makers and others to assure that children with the greatest needs receive the most intensive/extensive services as part of a continuum that could potentially enrich the lives of all four year olds.

Most education aid programs contribute to more than one education goal. By facilitating the coordination and cooperation of community resources to address the health, nutrition, education, and social service needs of four year old children, this program contributes to four of the Department of Education's *goals*:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.

This program also contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- Collaboration and Service Co-Location
- Integration/Desegregation/Educational Diversity

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 102 and 106.

DESCRIPTION:

Learning Readiness is not a separate program but a concept for providing a continuum of services for four year old children based upon their needs as identified through a screening process. M.S. 121.831 requires that the program include the following:

- a comprehensive plan to coordinate social services to provide for the needs of participating families and for collaboration with agencies or other providers;
- a development and learning component;
- a nutrition component;
- health referral services to address the medical, dental, and mental health needs of the children;
- involvement of parents in meeting the needs of the children;
- community outreach; and
- community-based staff and program resources.

Learning Readiness recognizes that while all young children have many similar needs, they do not require identical services because their needs are being met in a variety of ways. Learning Readiness connects the child and family with the appropriate resources in a comprehensive, sensible way and then continues to follow-up to make sure that the child's needs are being addressed.

Communities are required to develop a plan that provides for a continuum of services based upon the needs of their children that would 1) provide choices through increased opportunities for all four year olds, 2) provide for heterogeneous mixing of children/families to prevent labeling and 3) build upon existing programs to improve quality and maximize the use of resources in that specific community. Learning Readiness funds become the "glue" to connect services, to provide access for children otherwise unable to participate, to fill gaps where certain services are missing or to supplement existing services to improve quality, quantity or breadth of service.

Services range from comprehensive Head Start and Family Literacy/ESL programs, to use of innovative scheduling of existing preschool and child care center programs that have added a parent education/involvement component and special needs services, to "life experience" field trips and "kindergarten connection" classes for all children and parents, to story time hours with take-home activity kits from the public library and special nutrition education sessions presented by Chef Combo through Minnesota Extension Service. The actual continuum varies from community to community and the list of ideas statewide is almost endless.

To become eligible for Learning Readiness aid, a district must submit a plan to the commissioners of education; health; human services; and economic security. All agencies review and comment; MDE compiles comments and negotiates changes with the districts until the plan becomes suitable for approval.

Districts receive aid from the biennial appropriation of \$19,000,000 for F.Y. 1994 and F.Y. 1995 equal to: 1) the number of eligible four-year-old children in the district times the ratio of 50% of the total learning readiness aid for that year to the total number of eligible four-year-old children

1996-97 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Education Aids

0411 LEARNING READINESS
 (Continuation)

reported to the commissioner for that year; plus 2) the number of participating eligible children times the ratio of 15 % of the total learning readiness aid for that year to the total number of participating eligible children for that year; plus 3) the number of pupils enrolled in the school district from families eligible for the free or reduced school lunch program times the ratio of 35 % of the total learning readiness aid for that year to the total number of pupils in the state from families eligible for the free or reduced school lunch program.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Number of Districts	--	365	340	342	345
Number of 4 Year Olds	--	67,985	67,037	67,000	67,000
Number of participating children	--	45,000	45,000	45,000	45,000
Number of participating parents	--	48,000	48,000	48,000	48,000
Percent of children/free or reduced rates	--	73%	73%	73%	73%
Basic Revenue	--	\$ 4,749.5	\$ 4,746.5	\$ 4,746.5	\$ 4,746.5
Supplemental Revenue	--	4,749.5	4,746.5	4,746.5	4,746.5
Evaluation	--	--	20.0	10.0	10.0
Program	--	\$ 9,499.0	\$ 9,493.0*	\$ 9,493.0	\$ 9,493.0
Unprorated Aid Entitlement	--	\$ 9,499.0	\$ 9,513.0	\$ 9,503.0	\$ 9,503.0
Proration Factor**	--	1.0	1.0	0.8158	0.9062
Prorated Aid Entitlement	--	\$ 9,499.0	\$ 9,513.0	\$ 7,753.1	\$ 8,611.9

* In F.Y. 1995, \$1,500.0 was added to \$9,493.0 as part of the violence prevention initiatives, Laws 1994, Chap. 576.

** F.Y. 1996 and F.Y. 1997 prorated per Laws '93, Ch. 224, Art. 15, Sec. 3

PROGRAM FUNDING

A. Statutory Formula AID:	--	\$ 9,499	\$ 9,493	\$ 9,495	\$ 9,495
Aid Reduction Due To					
Insufficient Appropriation	--	(0)	(0)	(1,750)	(892)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	--	\$ 9,499	\$ 9,493	\$ 7,745	\$ 8,603
Proration Factor	--	1.000	1.000	0.816	0.906
Evaluation	--	\$ 0	\$ 20	\$ 10	\$ 10
				(2)	(1)
				8	9
Total Aid Entitlement	--	\$ 9,499	\$ 9,513	\$ 7,753	\$ 8,612

Current Law

(\$ in 000s) F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

B. Aid Entitlement Reconciliation:

Appropriation-Implied Entitlement

(Line 1 on Fiscal Page)

\$ 9,509^(a) \$ 9,503^(a) \$ 9,505^{(a)*} \$ 9,505^{(a)*}

Entitlement Changes Per Law:

■ Evaluation Design was Begun at

No Cost in F.Y. 1994, and a Larger

Continuing Evaluation Effort is

Planned for F.Y. 1995

(10) 10

■ Evaluation

(20)

(10)

(10)

Statutory Formula Aid (Unprorated)

\$ 9,499

\$ 9,493

\$ 9,495

\$ 9,495

^(a) Includes \$10 Evaluation

^(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- To increase the percentage of children who enter kindergarten ready to learn.
- To assure that children with the greatest needs receive priority for services without inadvertently labeling them "at risk" in the process.
- To effectively engage hard-to-reach parents in their children's learning and total development.

B. STRATEGIES:

- Continue to collaboratively build upon existing resources to provide experiences for young children and their families that will enhance their readiness for school.
- Place additional emphasis on parent education/involvement component to prepare and support parents in fulfilling their responsibilities toward their children.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$9,506 for F.Y. 1996 and \$9,505 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$9,506 in F.Y. 1996 (\$1,424 for F.Y. 1995 and \$8,082 for F.Y. 1996), and \$9,505 in F.Y. 1997 (\$1,424 for F.Y. 1996 and \$8,081 for F.Y. 1997).

The Governor also recommends that this activity be included in the Family and Community Services function in the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0411: LEARNING READINESS PROGRAM

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 9,509 ^a	\$ 9,503 ^a	\$ 9,505 ^a	\$ 9,505 ^a
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<1,752>	<893>
3. Other Adjustments				
Balance Forward--Evaluation Funds	<10>	10		
4. CURRENT LAW AID FUNDING LEVEL	9,499	9,513	7,753	8,612
5. Statutory Formula Aid (Detail in Narrative)	9,499 ^b	9,513 ^c		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	9,499	9,513	7,753 ^a	8,612 ^a
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds From Other Programs			1,753	893
Current Law Aid Funding Level (Line 4)			7,753	8,612
RECOMMENDED AID ENTITLEMENT			9,506	9,505
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			9,506	9,505
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	1,412	1,426	1,424	1,424
Current Year 85 Percent	8,073	8,089	8,082	8,081
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	9,485	9,515	9,506	9,505

^aIncludes \$10 evaluation.

^bIncludes \$0 evaluation.

^cIncludes \$20 evaluation

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1996-97 Biennial Budget

PROGRAM: 04 Community Education
AGENCY: Education Aids

0414 ALCOHOL-IMPAIRED DRIVER EDUCATION

CITATION: M.S. 123.709; 171.29, Subd. 2, Paragraph(b), Clause(4)
MDE ADMIN: 1201 Learner Improvement
FEDERAL: None

PURPOSE:

Special revenue funding for this program is provided from a portion of the drivers license reinstatement fee. The 1993 legislature changed the distribution of the funding by allocating up to \$314,000 each year of the 1994-95 biennium for programming related to alcohol-impaired driver education, and up to \$200,000, plus any additional funds that are received each year, for chemical abuse prevention programs.

To increase the number and quality of educational activities provided to youth that stress the dangers of alcohol-impaired driving in an effort to reduce the violence associated with alcohol involved traffic accidents, the resulting deaths and injuries, and to reduce the incidence of alcohol-impaired driving by Minnesota youth. More specifically, the Alcohol-Impaired Driver Education program objectives are to:

- implement and support an elementary (Grade K-6) program stressing the dangers of riding with a driver who has used alcohol prior to driving;
- provide schools with a Driving Under the Influence demonstration program utilizing a mobile driver simulator to show the effects of driving while under the influence of alcohol; and
- provide grants to schools as an incentive to support youth advocacy groups to enable them to plan and conduct alcohol-impaired driver prevention programs in their schools and communities.

By providing programs that stress the dangers of using alcohol while driving, presenting alternatives and other safety measures to use in a drinking and driving situation, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

■ Collaboration and Service Co-Location

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 28.

DESCRIPTION:

The Alcohol-Impaired Driver Education program is a school-based improvement program developed and directed by the Minnesota Department of Education (MDE) and implemented in conjunction with the Department of Health and Traffic Safety at St. Cloud State University.

This program was first enacted by the 1986 legislature, and began in FY 1988. Funding for the program was provided by dedicating 25 % of the \$150 driver license reinstatement fee with funds transferred monthly from the Department of Public Service to the Department of Education. Since that time, the percent dedicated for this purpose has been reduced several times, and a cap has been placed on the amount of revenue that MDE can receive for the program. For 1994-95, the program funding cap was \$314,000 for each year of the 1994-95 biennium.

PROGRAM STATUS:

Age of Persons Killed and Injured in 1993 Alcohol-Related Crashes

<u>Age</u>	<u>Killed¹</u>	<u>Injured²</u>
0-4	3	55
5-9	0	83
10-14	1	85
15-19	13	770
20-24	39	1,174
25-29	28	822
30-34	34	738
35-39	31	523
40-44	11	367
45-49	13	206
50-54	9	152
55-59	2	86
60-64	4	49
65-69	3	45
70-74	2	42
75-79	2	23
80-84	0	11
85 & Older	1	17
Not Stated	0	197
Total	196*	5,445

¹Includes alcohol test information as well as officer's perception of alcohol noted on accident report.

²Includes only police officer's perception of alcohol noted on accident report.

*13 of the 196 alcohol-related fatalities were pedestrians who had been drinking. In 3 of these 13 cases, the motor vehicle driver had also been drinking.

1996-97 Biennial Budget

PROGRAM: 04 Community Education
AGENCY: Education Aids

0414 ALCOHOL-IMPAIRED DRIVER EDUCATION
(Continuation)

DWI Arrests by Age, 1984-1993

Age	1984	1985	1986	1987	1988	1989	1990*	1991	1992	1993
14 & Younger	6	8	8	8	6	8	7	5	3	5
15	21	24	27	13	15	25	12	14	9	10
16	185	171	254	208	160	175	158	126	128	100
17	500	446	546	485	503	458	431	299	275	241
18	1,342	1,109	1,151	1,084	1,038	1,072	959	740	576	542
19	2,166	1,846	1,813	1,363	1,229	1,284	1,318	1,063	836	787
20	<u>2,370</u>	<u>2,035</u>	<u>2,002</u>	<u>1,709</u>	<u>1,291</u>	<u>1,426</u>	<u>1,472</u>	<u>1,315</u>	<u>1,048</u>	<u>929</u>
Total Under 21	6,590	5,657	5,801	4,870	4,242	4,448	4,357	3,562	2,875	2,614
14 & Younger	6	8	8	8	6	8	7	5	3	5
15-19	4,214	3,614	3,791	3,153	2,945	3,014	2,878	2,242	1,824	1,680
20-24	11,220	10,289	10,273	9,345	7,933	8,071	8,357	7,470	7,217	7,101
25-29	7,511	7,618	8,295	8,146	7,920	8,293	8,744	7,332	6,646	6,559
30-34	4,720	4,933	5,002	5,110	5,146	5,554	6,509	6,312	6,109	6,177
35-39	3,013	3,200	3,316	3,356	3,265	3,577	4,111	4,100	4,073	4,613
40-44	2,078	2,062	2,098	2,087	2,101	2,418	2,689	2,680	2,549	2,724
45-49	1,394	1,292	1,274	1,289	1,360	1,407	1,531	1,340	1,510	1,567
50-54	916	911	857	834	786	892	985	845	856	943
55-59	704	686	631	584	556	568	590	489	523	533
60-64	<u>443</u>	<u>395</u>	<u>397</u>	<u>359</u>	<u>406</u>	<u>389</u>	<u>417</u>	<u>369</u>	<u>349</u>	<u>287</u>
65 & Older	<u>419</u>	<u>375</u>	<u>448</u>	<u>393</u>	<u>403</u>	<u>371</u>	<u>441</u>	<u>390</u>	<u>314</u>	<u>329</u>
Grand Total	36,638	35,383	36,390	34,664	32,827	34,562	37,261	33,574	31,973	32,518

* The total for 1990 includes 2 arrests where age was unknown. Information provided by the Bureau of Criminal Apprehension.

(\$ in 000s)

Current Law
F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

PROGRAM FUNDING

A. Statutory Formula Aid:	\$ 550	\$ 314	\$ 314	\$ 314	\$ 314
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(0)	(0)
Current Law Aid Entitlement	\$ 550	\$ 314	\$ 314	\$ 314	\$ 314
Proration Factor	1.000	1.000	1.000	1.000	1.000

B. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement	\$ 314	\$ 314	\$ 314*	\$ 314*	
Statutory Formula Aid (Unprorated)	\$ 314	\$ 314	\$ 314	\$ 314	

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$314 for F.Y. 1996 and \$314 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$314 in F.Y. 1996, and \$314 in F.Y. 1997.

See Program Budget 0415 for budget fiscal page.

1996-97 Biennial Budget

PROGRAM: 04 Community Education
AGENCY: Education Aids

0415 CHEMICAL ABUSE PREVENTION GRANTS

CITATION: M.S. 121.8355; 171.29, Subd. 2, Paragraph(b), Clause(4)
MDE ADMIN: 1206 Community Collaboration
FEDERAL: None

PURPOSE:

Special revenue funding for this program is provided from a portion of the drivers license reinstatement fee. The 1993 Legislature changed the distribution of the funding by allocating up to \$200,000 each year of the 1994-95 biennium for programming related to chemical abuse prevention, plus any additional funds that are received each year for chemical abuse prevention programs.

The Chemical Abuse Prevention Program funds Service Colocation. This grant program complements the Family Service Collaboratives. Concrete service and system change to meet the needs of youth are the ultimate objectives of these programs. These programs work to improve the link between social service, health services, and educational services. They represent a method of improving access to services, expanding service delivery systems, and building better collaboration between schools and service providers.

Most education aid programs contribute to more than one education goal. By improving access between schools and service providers, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

- **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 28.

DESCRIPTION:

The Chemical Abuse Prevention grants target children and youth who experience multiple risk factors that make their learning especially challenging. The Minnesota Student Survey in 1992 and the Survey of Special Populations in 1991 reveal a high degree of environmental stressors (physical, sexual and chemical abuse) that challenge young people's ability to cope. These environmental factors often impede a student's ability to learn. Community leaders, parents, schools, social service organizations and youth have creatively come together to respond to the unique needs within their communities. Each program works to foster community and agency collaboration, involvement of the target population in the planning, implementation and evaluation of the projects, parental involvement. The MDE provides technical assistance, fiscal administration and contract management functions for these grantees.

Funding is available on a competitive annual basis to public or non-profit entities including schools, school districts, groups of school districts, regional entities, community health boards, community social service agencies, community correction agencies, parent groups, community action agencies and other community-based organizations. Both planning and implementation grants are available. Applications for funding are reviewed by a broad-based review team and recommendations for funding are made to the Commissioner of Education.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Grants:	10	5	4	4	4

PROGRAM FUNDING

A. Statutory Formula Aid:	\$ 324	\$ 142	\$ 290	\$ 200	\$ 200
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(0)	(0)
Current Law Aid Entitlement	\$ 324	\$ 142	\$ 290	\$ 200	\$ 200
(Line 4 on Fiscal Page)					
Proration Factor	1.000	1.000	1.000	1.000	1.000
B. Aid Entitlement Reconciliation					
Appropriation-Implied Entitlement		\$ 200	\$ 200	\$ 200*	\$ 200*
Entitlement Changes Per Law:					
■ Special revenue funds received					
over the appropriation basis		\$ 32			
■ Balance forward due to late timing					
of receipts		(90)	\$ 90		
Statutory Formula Aid (Unprorated)		\$ 142	\$ 290	\$ 200	\$ 200

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 04 Community Education
AGENCY: Education Aids

0415 CHEMICAL ABUSE PREVENTION GRANTS
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- The complexity of creating and funding integrated education, social service and health programs is an ongoing challenge.

B. STRATEGIES:

- Coordinate this funding source with the Family Service Collaboratives.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$200 for F.Y. 1996 and \$200 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$200 in F.Y. 1996, and \$200 in F.Y. 1997.

The Governor also recommends that this activity be included in the Family and Community Services function in the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0416: OMBUDSPERSONS

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 80	\$ 0	\$ 40	\$ 40
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<7>	<4>
3. Other Adjustments				
4. CURRENT LAW AID FUNDING LEVEL	80	0	33	36
5. Statutory Formula Aid (Detail in Narrative)	80	0		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	80 ^a	0	33	36
GOVERNOR'S RECOMMENDATIONS : AID Current Law Aid Funding Level (Line 4)			33	36
RECOMMENDED AID ENTITLEMENT			33	36
GOVERNOR'S RECOMMENDATIONS : LEVY Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			33	36
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	80	0	33	36
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	80	0	33	36

^aTransferred out per appropriation rider

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EDUCATION FACILITIES/EQUIPMENT (05)

		<u>Page</u>
State Aid Programs		
0501	Capital Expenditures - Facilities	A-264
0502	Capital Expenditures - Equipment	A-268
0503	Capital Expenditures - Health and Safety	A-272
0504	Maximum Effort School Loan	A-277
0505	Desegregation Capital Improvements Grants (Information Only)	A-281
0506	Cooperative Secondary Facilities Grants (Information Only)	A-282
0507	Miscellaneous Capital Expenditure and Debt Services Levies	A-284
0508	Debt Service Equalization	A-286

EDUCATION FACILITIES/EQUIPMENT

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
 AGENCY: Education Aids

 0501 CAPITAL EXPENDITURE - FACILITIES

 CITATION: M.S. 124.243; 124.2442
 MDE ADMIN: 1301 Education Finance
 FEDERAL: None

PURPOSE:

To provide revenue to school districts to acquire land, construct buildings, maintain and improve structures, and acquire fixtures, so that facilities are accessible, and the learning process and school district operations are supported. More specifically, districts may use Capital Expenditures-Facilities revenue to:

- acquire land for school purposes;
- acquire or construct buildings for school purposes, up to \$400,000;
- rent or lease buildings;
- improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures;
- pay for capital improvements on a surplus school building that is used substantially for a public non-school purpose;
- eliminate barriers or increase access by handicapped individuals;
- bring school buildings into compliance with the uniform fire code;
- remove or treat asbestos;
- clean up and dispose of PCBs (polychlorinated biphenyl);
- clean up and dispose of fuels, or make repairs related to their storage;
- perform energy audits and to make related improvements;
- improve leased buildings;
- pay special assessments levied against school property (not including service charges);
- pay principal and interest on state loans for energy conservation according to M.S. 116J.37 or loans made under the Northeast Minnesota Economic Protection Trust Fund Act;
- purchase or lease interactive telecommunications equipment; and
- make payments from the Debt Redemption Fund. The school board may, by resolution, transfer money into the Debt Redemption Fund. Each year a district may notify the Minnesota Department of Education (MDE) about the amount of Facilities revenue to be allocated to the debt reduction fund. MDE will then reduce the debt redemption levy by the amount allocated.

Most education aid programs contribute to more than one education goal. By providing state districts with revenues for the acquisition of land, construction of facilities, maintenance and improvement of facilities, and to acquire attached equipment, this program contributes to the financial health of the districts. As a result, the districts have an increased ability to provide effective educational programs that contribute to three of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the

basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.

- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

■ Education Facilities Improvement

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 174 and 177.

DESCRIPTION:

In F.Y. 1995, a district's maximum Capital Expenditure Facilities revenue equals \$128 times the district's actual (weighted average daily membership) pupil units for the school year.

$$\text{Levy} = \text{Revenue} \times \frac{(\text{1992 ANTC} / \text{94-95 WADM})}{9,026}$$

$$\text{Aid} = \text{Revenue} - \text{Levy}$$

Capital facilities revenue must be placed in a separate account, and is subject to an account balance subtraction. Districts with a reserved capital expenditure facilities account balance exceeding \$675 per fund balance pupil unit incur a dollar-for-dollar reduction in facilities revenue.

In F.Y. 1995, a district's maximum levy equals the product of the maximum revenue times the lesser of one or the ratio of the district's adjusted net tax capacity (ANTC) per pupil unit to the General Education equalizing factor. (The equalizing factor for F.Y. 1995 is \$9,026.) A district's maximum aid equals the maximum revenue minus the maximum levy. If a district levies less than the maximum amount, the state aid is reduced proportionately. Beginning in F.Y. 1996, a new facilities formula is phased-in over a four-year period. The new facilities allowance equals \$100 times the district's maintenance cost index. The maintenance cost index equals one plus the ratio of the district's average building age to 100, but may not exceed 1.5. In addition, districts operating year-round schools are authorized revenue of \$15 times the year-round pupil units.

Every school district in Minnesota must adopt or amend a school facilities program by 2/3 vote of the school board before July 1 of each year. The school board must first hold a hearing, for which 20 days notice is provided in the official newspaper. The program is to include plans for repair and restoration of existing facilities and plans for new construction. It must also include specific plans

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
AGENCY: Education Aids

0501 CAPITAL EXPENDITURE - FACILITIES
(Continuation)

for correcting health and safety hazards, a schedule of work for the next five years, the estimated costs, and the proposed methods of financing.

Facilities revenue may be allocated or transferred to the debt redemption fund.

If the appropriation is insufficient to pay all districts the full amount of aid earned, each district's capital expenditure facility revenue is proportionately reduced.

PROGRAM STATUS:

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>Current Law F.Y. 1996</u>	<u>F.Y. 1997</u>
Pupil Units (WADM)					
1. Revenue					
a. Allowance/WADM	128.00	128.00	128.00	N/A	N/A
b. Initial Capital Expenditure Amount	108,570.3	112,909.5	117,228.9	119,992.8	122,381.8
c. Fund Balance Subtraction	32.0	0.0	0.0	0.0	0.0
d. Prorated Allowance	128.00	128.00	128.00	N/A	N/A
e. Prorated Percent	N/A	N/A	N/A	87.98%	92.06%
f. Prorated Capital Expenditure Amount	108,538.3	112,909.5	117,228.9	105,569.6	112,659.4
g. Debt Service Facilities	568.0	43.0	10.0	0.0	0.0
h. Debt Service Districts	5	2	1	0	0
2. Levy					
a. Initial Capital Expenditure Levy Authority	38,272.4	40,843.8	42,478.8	43,133.2	43,262.5
b. Fund Balance Subtraction	0.0	0.0	0.0	0.0	0.0
c. Levy Adjusted For Proration	38,251.6	40,843.8	42,478.8	43,059.6	43,225.4
d. Net Levy	38,251.6	40,843.8	42,478.8	43,059.6	43,225.4
e. Debt Service Levy	131.1	10.0	3.0	0.0	0.0
3. State Aid					
a. Initial Capital Expenditure Aid	70,297.9	72,065.7	74,750.1	76,854.6	79,119.3
b. Fund Balance Subtraction	11.2	0.0	0.0	0.0	0.0
c. Net Capital Expenditure Aid	70,286.7	72,065.7	74,750.1	76,854.6	79,119.3

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>Current Law F.Y. 1996</u>	<u>F.Y. 1997</u>
d. Prorated Capital Expenditure Aid	70,286.7	72,065.7	74,750.1	62,510.0	69,434.0
e. Debt Service Facilities Aid	436.7	33.0	7.0	0.0	0.0
f. Total Aid	70,723.4	72,098.7	74,757.1	62,510.0	69,434.0

NOTE: All K-12 districts participate in this program and levy the maximum amount.

PROGRAM FUNDING

A. Statutory Formula					
REVENUE:	\$ 109,106	\$ 112,953	\$ 117,239	\$ 119,993	\$ 122,382
Revenue Reduction Due To Insufficient Appropriation	(0)	(0)	(0)	(14,423)	(9,723)
Current Law Revenue	109,106	112,953	117,239	105,570	112,659
Proration Factor	1.000	1.000	1.000	0.880	0.921
B. Statutory Formula LEVY:	38,383	40,854	42,482	43,133	43,263
Levy Change Due To Insufficient Appropriation	0	0	0	(73)	(38)
Current Law Levy (Line 8 on Fiscal Page)	38,383	40,854	42,482	43,060	43,225
C. Statutory Formula AID:	70,723	72,099	74,757	76,860	79,119
Aid Reduction Due To Insufficient Appropriation	(0)	(0)	(0)	(14,350)	(9,685)
Current Law Aid Entitlement	70,723	72,099	74,757	62,510	69,434
Proration Factor	1.000	1.000	1.000	0.813	0.878
D. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement (Line 1 on Fiscal Page)		73,718	76,635	76,635*	76,635*
Entitlement Changes Per Law:					
■ Change in Pupil Units		(1,619)	(1,878)	225	2,484
Statutory Formula Aid (Unprorated)		72,099	74,757	76,860	79,119
E. Aid Funding Level Reconciliation:					
Current Law Aid Entitlement		72,099	74,757	76,860	79,119
Adjustments Per Law:					
■ Excess Funds (Not Allocated)					
■ Portion of 15% Final Not Requested			281		
Prior Year Payments		8			
Current Aid Funding Level (Line 4 on Fiscal Page)		72,107	75,038	62,510	69,434

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
AGENCY: Education Aids

0501 CAPITAL EXPENDITURE - FACILITIES
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- The condition of school facilities in Minnesota continues to be a major financial concern for school districts. Three major factors are increasing the demand for capital expenditure-facility expenditures by district:
 - fire safety inspections
 - the Americans with Disabilities Act (ADA)
 - need to address accessibility for the disabled
 - deferred maintenance
 - because of the increasing age of school facilities, districts are experiencing an increase in maintenance costs.

B. STRATEGIES:

- The Department will continue to provide information and assistance to school districts in this area.
- Efforts will be made to prevent an increase in deferred maintenance required for school buildings.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$69,345 for F.Y. 1996 and \$71,556 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$70,158 in F.Y. 1996 (\$11,214 for F.Y. 1995 and \$59,944 for F.Y. 1996), and \$71,224 in F.Y. 1997 (\$10,401 for F.Y. 1996 and \$60,823 for F.Y. 1997).

The Governor recommends the following modifications in the capital expenditure facilities program:

1. Beginning in F.Y. 1996, the old formula facilities allowance is changed to \$123 and the new formula facilities allowance is changed to \$96.
2. Beginning in F.Y. 1996, compute the capital expenditure facilities levy as a uniform tax rate statewide. For F.Y. 1996, the uniform tax rate equals 1.39 % of adjusted net tax capacity. Adjust the 1995 Payable 1996 levy by the difference between the amount levied for taxes payable in

1995 and the new levy authority.

3. Beginning in F.Y. 1996, make charter schools eligible to receive facilities revenue.
4. Beginning in F.Y. 1997, set the target for the capital expenditure facilities levy at 3.15 % of the statewide uniform education levy (see Program 0101).
5. Beginning in F.Y. 1997, repeal the authorization for school districts to certify a portion of the capital expenditure facilities levy in the debt redemption fund. School districts may continue to transfer funds from the capital expenditure facilities account to the debt redemption fund.
6. Beginning in F.Y. 1997, repeal the reduction to facilities revenue for school districts maintaining fund balances exceeding \$675 per pupil unit.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0501: CAPITAL EXPENDITURES - FACILITIES

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 73,718	\$ 76,635	\$ 76,635	\$ 76,635
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<14,125>	<7,201>
3. Other Adjustments				
Excess Funds Transfer Out	<1,611>	<1,597>		
4. CURRENT LAW AID FUNDING LEVEL	72,107	75,038	62,510	69,434
5. Statutory Formula Aid (Detail in Narrative)	72,099	74,757		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	8 ^a	^b 281		
8. CURRENT LAW LEVY	40,854	42,482	43,060	43,225
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	112,961	117,520	105,570	112,659
GOVERNOR'S RECOMMENDATIONS : AID				
1. Eliminate Reduction Due to Insufficient Appropriation			14,350	9,685
2. Charter School Eligibility			128	149
3. Levy Change Due to Formula			110	154
4. Reduction in Allowance & New Pupil Weights			<7,753>	<7,866>
Current Law Aid Funding Level (Line 4)			62,510	69,434
RECOMMENDED AID ENTITLEMENT			69,345	71,556
GOVERNOR'S RECOMMENDATIONS : LEVY				
Formula Change			<188>	<199>
Current Law Levy (Line 8)			43,060	43,255
RECOMMENDED LEVY			42,872	43,056
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			112,217	114,612
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	10,730	11,058	11,214	10,401
Current Year 85 Percent	62,660	65,140	58,944	60,823
Transfers Per M.S. 124.14, Subd. 7	<1,615>	<1,597>		
Total-State General Funds	71,775	74,601	70,158	71,224

^aThis amount is for prior year payments per M.S. 124.14, subdivision 2.

^bThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
AGENCY: Education Aids
 0502 CAPITAL EXPENDITURE - EQUIPMENT

CITATION: M.S. 124.244; 124.2442
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide revenue to school districts for the purchase of equipment. Instructional equipment provides the "tools" required for educational programs and the learning process. Non-instructional equipment provides for various needs related to facility maintenance and school district operations. More specifically, districts may use Capital Expenditure-Equipment revenue to:

- purchase or lease computers and related materials, copying machines, telecommunications equipment, and other non-instructional equipment;
- purchase or lease assistive technology or equipment for instructional programs;
- purchase textbooks;
- purchase library books; and
- purchase vehicles except those purchases charged to the bus purchase account; and
- pay capital expenditure equipment-related assessments of any entity formed under a cooperative agreement between two or more districts.

Most education aid programs contribute to more than one education goal. By providing districts with revenues for the acquisition of equipment, this program contributes to the financial health of the districts. As a result, the districts have an increased ability to provide effective educational programs that contributes to three of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

■ Education Facilities Improvement

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 204.

DESCRIPTION:

In F.Y. 1995, a district's maximum Capital Expenditure Equipment revenue equals \$66 times the district's actual (weighted average daily membership) pupil units for the school year. Laws of 1994, Chapter 647, Article 5, Section 2 amended M.S. 124.244 increasing Capital Expenditure equipment revenue to \$69 times actual pupil units for F.Y. 1996 and thereafter. \$3 times the district's actual pupil units is reserved for classroom needs such as purchasing or leasing telecommunication equipment, computers, and related equipment for integrated information management systems. Classroom equipment purchases with this reserved revenue can only be used for:

1. managing and reporting learner outcome information for all students under a results-oriented graduation rule;
2. managing student assessment, services, and achievement information required for students with individual education plans; and
3. other classroom information management needs.

The equipment obtained with reserved revenue shall be utilized, to the greatest extent possible given available funding, on a per instructor or per classroom basis. A school district may supplement its reserved revenue with other capital expenditure equipment revenue, and cash and in-kind grants from public and private sources.

Revenue = \$66 x 94-95 WADM

Levy = Revenue x $\frac{92 \text{ ANTC}}{94-95 \text{ WADM}}$
 \$ 9,026

Aid = Revenue - Levy

A district's maximum levy equals the product of the maximum revenue times the lesser of one or the ratio of the district's adjusted net tax capacity (ANTC) per actual pupil unit to the equalizing factor. A district's maximum aid equals the maximum revenue minus the maximum levy. If a district levies less than the maximum amount, the state aid is reduced proportionately. If a district makes a debt service levy for equipment purchases under M.S. 124.2445 (see Program Budget 0508), the capital expenditure equipment levy is reduced by the amount of the debt service equipment levy. Capital expenditure equipment aid is not reduced as a result of this levy reduction.

If the appropriation is insufficient to pay all districts the full amount of aid earned, each district's capital expenditure equipment revenue is proportionately reduced.

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
 AGENCY: Education Aids
 0502 CAPITAL EXPENDITURE - EQUIPMENT
 (Continuation)

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Pupil Units (WADM)					
A. Revenue					
1. Allowance/WADM	63.00	63.00	66.00*	69.00*	69.00*
2. Gross Amount	\$ 53,741.5	\$ 55,593.8	\$ 60,451.3	\$ 64,597.2	\$ 65,766.0
3. Prorated allowance	63.00	63.00	66.00	59.44	62.29
4. Prorated amount	\$ 53,741.5	\$ 55,593.8	\$ 60,451.3	\$ 55,647.3	\$ 59,370.5
B. Levy					
1. Capital Expenditure Levy Authority Before Proration	\$ 18,607.7	\$ 19,839.5	\$ 21,647.6	\$ 22,501.8	\$ 22,339.4
2. Debt Levy for Equipment	294.2	269.7	257.1	650.6	800.0
3. Number of Districts with Debt Levy	10	6	4	10	12
4. Total Levy Before Proration	18,901.9	20,109.2	21,904.7	23,152.4	23,139.4
5. Prorated Levy Amount	18,901.9	20,116.7	21,904.7	23,050.3	23,064.5
C. State Aid					
1. Gross Amount	34,839.6	35,484.6	38,546.6	41,444.8	42,626.6
2. Prorated Amount	34,839.6	35,484.6	38,546.6	32,597.0	36,306.0

* \$3.00 of the allowance is reserved for classroom information management needs.

NOTE: All K-12 districts participate in this program and levy the maximum.

(\$ in 000s)

Current Law
 F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula</u>					
<u>REVENUE:</u>	\$ 53,742	\$ 55,594	\$ 60,452	\$ 64,597	\$ 65,766
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(8,950)	(6,396)
Current Law Revenue	53,742	55,594	60,452	55,647	59,370
Proration Factor	1.000	1.000	1.000	0.861	0.903
B. <u>Statutory Formula LEVY:</u>	18,902	20,109	21,905	23,152	23,139
Levy Change Due To					
Insufficient Appropriation	0	0	0	(102)	(75)
Current Law Levy					
(Line 8 on Fiscal Page)	18,902	20,109	21,905	23,050	23,064
C. <u>Statutory Formula AID:</u>	34,840	35,485	38,547	41,445	42,627
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(8,848)	(6,321)
Current Law Aid Entitlement	34,840	35,485	38,547	32,597	36,306
Proration Factor	1.000	1.000	1.000	0.787	0.852
D. <u>Aid Entitlement Reconciliation:</u>					
(Line 1 on Fiscal Page)		36,258	39,481	40,071*	40,071*
Entitlement Changes Per Law:					
■ Increase Formula Allowance from \$66 to \$69				2,807	2,857
■ Change in Pupil Units		(773)	(934)	(1,433)	(301)
Statutory Formula Aid (Unprorated)		35,485	38,547	41,445	42,627
E. <u>Aid Funding Level Reconciliation:</u>					
Adjustments Per Law:					
■ Excess Funds					
■ Portion of 15% Final Not Requested			140		
■ Prior Year Payment		\$ 3			
Current Aid Funding Level					
(Line 4 on Fiscal Page)		35,488	38,687	32,597	36,306

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments. The base budget funding level for F.Y. 1996 and F.Y. 1997 includes a \$3 increase in the formula allowance over F.Y. 1995.

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
AGENCY: Education Aids

0502 CAPITAL EXPENDITURE - EQUIPMENT
(Continuation)

4. Beginning in F.Y. 1997, compute the capital expenditure equipment levy as a uniform tax rate statewide. Set the target for the capital equipment levy at 1.70% of the statewide uniform education levy (see Program 0101).

BUDGET ISSUES:

A. CHALLENGES:

- The funding level for equipment is below the expenditures that may be charged to the capital expenditure equipment account.
- Many districts have a deficit account balance in the capital expenditure equipment account.
- Many school districts have continuing need for addressing instructional technology needs. Districts need to upgrade computer and related technology.

B. STRATEGIES:

- The Department will continue to provide information and technical assistance to districts for this program. The Department will continue to advocate that districts address their instructional technology needs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$39,135 for F.Y. 1996 and \$39,792 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$39,047 in F.Y. 1996 (\$5,782 for F.Y. 1995 and \$33,265 for F.Y. 1996), and \$39,694 in F.Y. 1997 (\$5,870 for F.Y. 1996 and \$33,824 for F.Y. 1997).

The Governor recommends the following modifications in the capital expenditure equipment program:

1. Beginning in F.Y. 1997, set the capital expenditure equipment allowance at \$68.
2. Beginning in F.Y. 1996, repeal the mandate requiring school districts to reserve a portion of capital expenditure equipment revenue for classroom information management equipment.
3. Beginning in F.Y. 1996, compute the capital expenditure equipment levy as a uniform tax rate statewide. For F.Y. 1996, set the uniform tax rate at 0.74% of adjusted net tax capacity. Adjust the 1995 Payable 1996 levy by the difference between the amount levied for the taxes payable in 1995 and the new levy authority.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0502: CAPITAL EXPENDITURES - EQUIPMENT

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 36,258	\$ 39,481	\$ 40,071	\$ 40,071
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<7,386>	<3,765>
3. Other Adjustments				
Excess Funds Transfer Out	<770>	<794>		
4. CURRENT LAW AID FUNDING LEVEL	35,488	38,687	32,597 ^a	36,306
5. Statutory Formula Aid (Detail in Narrative)	35,485	38,547		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	3 ^b	140 ^c		
8. CURRENT LAW LEVY	20,109	21,905	23,050 ^d	23,064
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	55,597	60,592	55,647	59,370
GOVERNOR'S RECOMMENDATIONS : AID				
1. Eliminate Reduction Due to Insufficient Appropriation			8,848	6,321
2. Change in Formula Allowance and Pupil Weights			<2,273>	<2,800>
3. Levy Change			<37>	<35>
Current Law Aid Funding Level (Line 4)			32,597	36,306
RECOMMENDED AID ENTITLEMENT			39,135	39,792
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Levy Changes			<215>	256
Current Law Levy (Line 8)			23,050	23,064
RECOMMENDED LEVY			22,835	23,320
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			61,970	63,112
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	5,279	5,439	5,782	5,870
Current Year 85 Percent	30,819	33,559	33,265	33,824
Transfers Per M.S. 124.14, Subd. 7	<790>	<794>		
Total-State General Funds	35,308	38,204	39,047	39,694

^a\$32,685 adjusted for the base budget 85-15% funding level.

^bThis amount is for prior year payments per M.S. 124.14, subdivision 2.

^cThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

^dIncludes debt equipment levy.

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
AGENCY: Education Aids

0503 CAPITAL EXPENDITURE - HEALTH AND SAFETY

CITATION: M.S. 124.83
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide revenue to school districts to ensure an education environment that is free of recognized hazards, so that the learning process and school district operations are supported. This program facilitates districts in taking proactive and remedial response steps to health, safety, and environmental hazards in school facilities. The intent is to provide revenue that is designated specifically for use toward compliance with federal and state laws and regulations and for the prevention or reduction of health and safety hazards in districts.

The objectives of the program are to:

- increase school district efforts in hazard evaluation and compliance planning related to environmental, occupational, fire and life safety, and health regulations; and
- define district programs and estimated costs related to health, safety, and environmental risk management.

Most education aid programs contribute to more than one education goal. By ensuring progress toward eliminating asbestos, fire, industrial, and science lab safety and health hazards, and improving drinking water and indoor air quality in school facilities, this program contributes to the financial health of the districts. As a result, the districts have an increased ability to provide effective educational programs that contributes to three of the Department of Education's goals:

- **Learner Achievement** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

■ Education Facilities Improvement

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 177.

DESCRIPTION:

To receive health and safety revenue, a district must submit an application to the Minnesota Department of Education (MDE) for approval by June 1 — thirteen months preceding the school year to which the health and safety revenue is attributed. The application must describe and include a cost estimate of the program adopted by the district school board. The district program must include one or more of the following plans:

- Hazardous substance plan — provisions for the removal or encapsulation of asbestos, and asbestos related repairs, fuel storage repairs, cleanup, or storage tank removal;
- Fire safety plan — removal or repair of a current fire hazard;
- Environmental Health and Safety Management; or
- Physical Hazard Control.

For F.Y. 1995, the capital expenditure health and safety aid, levy, and revenue is computed as follows:

Revenue = amount approved by MDE (Revenue will not exceed actual approved costs)

Levy = the lesser of one or 1992 ANTC/1994-95 WADM x health and safety revenue
 \$4,513

Aid = health and safety revenue - health and safety levy

The amount of health and safety revenue in any given year is equal to the difference between a) the total approved cost of the district's total health and safety program approved since F.Y. 1985 through the current year, and b) the accumulated receipt of health and safety state aid and local levy plus the amount of other federal, state, or local receipts due the district from F.Y. 1985 through the prior fiscal year.

Health and safety revenue must not be used for the construction of new facilities or the purchase of portable classrooms. The revenue may not be used for a building or property, or part of a building or property, used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education.

A district's health and safety aid is the difference between its health and safety revenue and its health and safety levy. If a district does not levy the entire amount permitted, health and safety aid is reduced proportionately.

If health and safety aid is prorated due to insufficient appropriations, a district may levy an additional amount equal to the amount not paid due to proration.

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities/Equipment
AGENCY: Education Aids

0503 CAPITAL EXPENDITURE - HEALTH AND SAFETY
 (Continuation)

PROGRAM STATUS:

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Total Revenue					
Amount	\$ 52,725.0	\$ 54,667.9	\$ 44,863.0	\$ 46,332.0	\$ 44,000.1
Districts	363	331	312	322	300
Levy					
Amount	41,591.0	45,128.4	27,493.0	31,553.0	32,681.1
Districts	362	330	312	322	300
State Aid					
Amount	11,134.0	9,539.5	17,370.0	14,797.0	11,319.0
Districts	256	228	276	280	250
Management Assistance and Fire Marshal	60	460	460	460	460

The increase in State Aid between F.Y. 1994 and F.Y. 1995 was due to an increase from \$3,515 to \$4,513 in the health and safety equalization factor and the revenue (levy and aid) adjustment for the health and safety revenue cap. F.Y. 1995 health and safety revenue is restricted to a maximum of \$64,000,000 less the amount for the Alternative Bonding and Levy Program. Initially, all F.Y. 1994 projects not funded in F.Y. 1994 together with the F.Y. 1995 fire marshal projects and environmental management costs were funded for F.Y. 1995. Other F.Y. 1995 health and safety costs were not funded for F.Y. 1995. Revenue was later adjusted for revised estimates with highest priority on districts with increased estimates, for F.Y. 1995 fire marshal projects and environmental management costs that qualified for state aid. The Payable 1995 levy limitations were adjusted to reflect the revised estimates.

Six large districts are authorized funding for F.Y. 1995 under the Alternative Facilities Bonding and Levy program. These districts do not qualify for health and safety aid and may levy under health and safety for only their environmental management costs.

(\$ in 000s) Current Law
F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula</u>					
<u>REVENUE:</u>	\$ 52,725	\$ 54,668	\$ 44,863	\$ 46,332	\$ 44,000
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(0)	(0)
Current Law Revenue	52,725	54,668	44,863	46,332	44,000
B. <u>Statutory Formula LEVY:</u>	41,591	45,128	27,493	31,553	32,681
Levy Change Due To					
Insufficient Appropriation	335	0	0	0	0
Current Law Levy					
(Line 8 on Fiscal Page)	41,926	45,128	27,493	31,553	32,681
C. <u>Statutory Formula AID:</u>	11,134	9,540	17,370	14,779	11,319
Aid Reduction Due To					
Insufficient Appropriation	(335)	(0)	(0)	(0)	(0)
Current Law Aid Entitlement	10,799	9,540	17,370	14,779	11,319
Proration Factor	0.970	1.000	1.000	1.000	1.000
Management Assistance and					
Fire Marshal	60	460	460	460	460
Total Aid Entitlement	\$ 10,859	\$ 10,000	\$ 17,830	\$ 15,239	\$ 11,779
D. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 11,698	\$ 20,189	\$ 20,271*	\$ 20,271*
Entitlement Changes Per Law:					
■ Transfer Out To Debt Service			(1,527)		
■ Current Law Aid Entitlement					
Less Than Base		(1,698)	(832)	(5,032)	(8,492)
Less Management Assistance and					
Fire Marshal		(460)	(460)	(460)	(460)
Statutory Formula Aid (Unprorated)	\$ 9,540	\$ 17,370	\$ 14,779	\$ 11,319	

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

* Includes \$460 each year for management assistance and fire marshall.

PROGRAM: 05 Education Facilities/Equipment
AGENCY: Education Aids

0503 CAPITAL EXPENDITURE - HEALTH AND SAFETY
 (Continuation)

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law	
				F.Y. 1996	F.Y. 1997
E. Aid Funding Level Reconciliation:					
Current Law Aid Entitlement (Total)		\$ 10,000	\$ 17,830	\$ 14,717	\$ 11,779
Adjustments Per Law:					
■ Excess Funds (Not Allocated)				3,273	6,587
■ Portion of 15 % Final Not Requested			354		
■ Prior Year Payments (M.S. 124.14, Subd. 2)		—	10	—	—
Current Aid Funding Level (Line 4 on Fiscal Page)		\$ 10,000	\$ 18,194	\$ 20,235	\$ 18,366

BUDGET ISSUES:

A. CHALLENGES:

- There is increasing public awareness and concern related to health and safety issues. We anticipate new requirements to assure that lead in water problems are eliminated as well as continuing attention to current state and federal requirements. It is anticipated that financial demands on school districts will continue.

B. STRATEGIES:

- Review and comment requests for new construction and major renovations reached a record level in calendar year 1994. This construction should reduce the need for expanding health and safety revenues in aging buildings and/or cover some of these costs through boarding programs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends continuation of this activity.

The Governor recommends 1) an aid entitlement of \$14,717* for F.Y. 1996 and \$11,779* for F.Y. 1997, and 2) beginning in F.Y. 1997, equalize health and safety levies using an equalizing factor of \$4707.50 per pupil unit.

Based on these entitlements, the Governor recommends an appropriation of \$15,185 in F.Y. 1996 (\$2,606 for F.Y. 1995 and \$12,579* for F.Y. 1996), and \$12,220 in F.Y. 1997 (\$2,138 for F.Y. 1996 and \$10,082* for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0503: CAPITAL EXPENDITURES - HEALTH & SAFETY AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996 F.Y. 1997	
1. Appropriation-Implied Entitlement	\$ 11,698 ^a	\$ 20,189 ^a	\$ 20,271 ^a	\$ 20,271 ^a
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<36>	<1,905>
3. Other Adjustments				
Transfer out to Debt Service Aid		<1,527>		
Excess Funds Transfer Out	<1,698>	<468>		
4. CURRENT LAW AID FUNDING LEVEL	10,000	18,194	20,235	18,366
5. Statutory Formula Aid (Detail in Narrative)	10,000	17,830 ^a		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		354 ^b 10 ^c		
8. CURRENT LAW LEVY	45,128	27,493	31,553	32,681
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	55,128	45,687	51,788	51,047
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Education Programs			<5,518>	<6,587>
Current Law Aid Funding Level (Line 4)			20,235	18,366
RECOMMENDED AID ENTITLEMENT			14,717	11,779
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Levy Changes			759	
Current Law Levy (Line 8)			31,553	32,681
RECOMMENDED LEVY			32,312	32,681
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			47,029	44,460

(Continued on next page)

^aIncludes \$460 for management assistance and fire marshal

^bThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

^cThis amount is for prior year payments per M.S. 124.14, subdivision 2.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

PAGE: 2

0503: CAPITAL EXPENDITURES - HEALTH & SAFETY AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	1,256	1,694	2,606	2,138
Current Year 85 Percent	10,004	15,703 ^d	12,579 ^a	10,082 ^a
Transfers Per M.S. 124.14, Subd. 7	<1,698>	<468>		
Total-State General Funds	9,562	16,929	15,185	12,220

^dExcludes \$1,527 transfer out to Debt Service Aid

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities and Equipment
 AGENCY: Education Aids
 0508 DEBT SERVICE EQUALIZATION
 (Continuation)

referendum. The bonds authorized under this section shall be retired by funds annually transferred from the capital expenditure facilities account but in an amount not to exceed the lesser of the amount necessary to make principal and interest payments or 50% of the current year's facilities revenue. If the transfer is not sufficient, then funding the difference shall be an obligation of the debt redemption fund. The bonds shall be redeemed within 10 years of issuance. This levy is not included in the required debt service levy, when computing debt service equalization aid.

7. Alternative Facilities Bonding and Levy (M.S. 124.239). Large school districts with over 1,850,000 square feet of space, an average age of building space of 20 years or older, and a ten-year facility plan approved by the Commissioner, may issue bonds or have capital expenditure levy authority to provide funds for the projects specified in the ten-year facility plan. The ten-year facility plan contains the projects and project costs under the following areas:
 1. health and safety,
 2. disabled access, and
 3. deferred capital expenditures and maintenance (necessary to prevent further erosion of facilities). The school district must annually update the plan. Once, every two years, the school district must submit a facility maintenance plan. The bond issue authorized by this section does not require voter approval. This levy is included in the required debt service levy when computing debt service equalization aid.
8. Energy Conservation (M.S. 124.91, subd. 6). School districts have levy authority for the amount needed to repay the annual principal and interest on energy conservation loans and other loans received pursuant to M.S. 216C.37 and M.S. 298.292 to 298.298. Prior to the 1993 Payable 1994 levy, this component was listed as a capital expenditure levy limitation component. Since energy loans are recorded in the long-term debt group of accounts and this component is eligible for debt service equalization aid, this component, starting with the 1993 Payable 1994 levy, is listed as a debt service levy limitation component.
9. Lease Purchase (M.S. 124.91, subd. 2 and 3). School districts have levy authority for the annual amount needed for payments on the lease purchase agreements approved by the Commissioner of Education prior to July 1, 1990. In addition, certain districts with a desegregation plan have levy authority for lease purchase costs for more recent facility acquisitions. Prior to the 1993 Payable 1994 levy, this component was listed as a capital expenditure levy limitation component. Since lease purchases are recorded in the long-term debt group of accounts and this component is eligible for debt service equalization aid, this component, starting with the 1993 Payable 1994 levy, is listed as a debt service levy limitation component.

10. Debt Excess (M.S. 475.61, subd. 3). With the approval of the Commissioner, some districts are authorized to retain all or a portion of the debt excess in the debt redemption fund. The net debt excess in the net debt redemption fund is certified by the Commissioner to the County Auditor. The County Auditor reduces the debt service levy by the amount of the debt excess certified. The debt excess, other than for capital loan districts, reduces the revenue eligible for debt service equalization aid. Districts with outstanding capital are required to remit, unless authorized to be retained, the debt excess amount to the Commissioner as payment on their state loans.

11. Debt Service Loan (M.S. 124.42). School districts with a very large debt service levy relative to their tax base may qualify for a debt service loan. The amount of the loan reduces the debt service levy of the district. Districts receiving a debt service loan are required to levy an amount at least equal to the maximum effort debt service levy until the loan is retired.

12. Debt Service Equalization Aid (M.S. 124.95).

The following portions of a district's required debt service levy qualify for debt service equalization:

- a. debt service for repayment of principal and interest on bonds issued before 7-2-92;
- b. debt service for bonds or state loans refinanced after 7-2-92, if the bond schedule has been approved by the commissioner and, if necessary, adjusted to reflect a 20-year maturity schedule; and
- c. debt service for bonds issued after 7-2-92 for construction projects that have received a positive review and comment according to section 121.15, if the commissioner has determined that the district has met the criteria under section 124.431, subdivision 2, and if the bond schedule has been approved by the commissioner and, if necessary, adjusted to reflect a 20-year maturity schedule. The criterion in section 124.431, subdivision 2, paragraph (a), clause (2), shall be considered to have been met if the district in the fiscal year in which the bonds are authorized at an election conducted under chapter 475:
 - (i) serves an average of at least 66 pupils per grade in the grades to be served by the facility; or
 - (ii) is eligible for sparsity revenue.

Districts identified in Laws 1990, chapter 562, article 11, section 8, do not need to meet the criteria of section 124.431, subdivision 2 to qualify.

For fiscal years 1995 and later, the debt service equalization revenue of a district equals (the greater of the eligible required debt service levy or maximum effort debt service levy) plus the energy conservation loan levy and the eligible lease purchase levy minus the debt excess and the amount raised by a levy of 10% times the adjusted net tax capacity of the district. For fiscal year 1993, debt service equalization revenue equals one-third of this amount, and for fiscal year 1994, debt service equalization revenue equals two-thirds of this amount.

The debt service levy is a mandatory levy. The unadjusted equalized debt service levy is equal to the district's debt service equalization revenue times the lesser of one or the ratio of:

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities and Equipment
AGENCY: Education Aids

0508 DEBT SERVICE EQUALIZATION
 (Continuation)

1. the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the actual pupil units in the district for the second year prior to the year the levy is certified; to
2. 50% of the equalizing factor as defined in section 124A.02, subdivision 8, for the year to which the levy is attributable.

A district's debt service equalization aid is the difference between the debt service equalization revenue and the equalized debt service levy. A district's debt service equalization aid may be prorated. If prorated, the equalized debt service levy is increased for the aid proration.

Districts eligible for debt service equalization must notify the Department of their F.Y. 1997 debt service levy for bonds sold before 7-2-95 and their F.Y. 1996 debt service excess by 7-2-95. The Department will use these data to compute the final F.Y. 1997 debt service aid for each district prior to certification of 1995 payable 1996 levy limits.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
1. <u>Required Debt Service Levy</u>					
Amount	\$185,096.5	\$203,257.8	\$263,743.9	\$286,015.6	\$307,000.0
Number of Districts	255	249	245	250	250
Amount Eligible	\$183,790.2	\$201,793.6	\$233,848.7	\$266,943.6	\$287,000.0
Amount Not Eligible	\$ 1,306.3	\$ 1,752.1	\$ 29,895.2	\$ 19,072.0	\$ 20,000.0

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
2. <u>Maximum Effort Debt Service Levy</u>					
Amount	\$ 17,001.1	\$ 14,662.1	\$ 9,271.0	\$ 8,745.2	\$ 8,700.0
Number of Districts	35	35	24	22	20
Initial Amount					
Above Required	\$ 0.0	\$ 0.0	\$ 0.0	\$ 116.0	\$ 120.0
Number of Districts	0	0	0	2+	2+
Additional Amount	\$ 0.0	\$ 1,861.3	\$ 412.6	\$ 1,178.2	\$ 1,200.0
Number of Districts With Additional Amount	0	29	13	16	16
3. <u>Facilities Adjustment to Debt Service</u>					
Levy	\$ 131.3	\$ 10.0	\$ 3.0	\$ 0.0	\$ 0.0
Aid	\$ 436.7	\$ 33.0	\$ 7.0	\$ 0.0	\$ 0.0
Revenue	\$ 568.0	\$ 43.0	\$ 10.0	\$ 0.0	\$ 0.0
Number of Districts	5	2	1	0	0
4. <u>Debt Service Equipment Levy</u>					
Levy	\$ 294.2	\$ 269.7	\$ 257.1	\$ 650.6	\$ 800.0
Number of Districts	10	6	4	10	12
5. <u>Cooperative Secondary Facilities Debt Service Levy (Included Under 1. Required Debt Service-Amount Not Eligible)</u>					
Amount	\$ 1,306.3	\$ 1,532.0	\$ 971.1	\$ 1,714.2	\$ 300.0
Number of Joint Power Districts	2	3	3	4	1
Number of Districts	7	11	10	13	3
6. <u>Bonds for Certain Capital Facilities (Excluded From 1. Required Debt Service)</u>					
Amount	\$ 121.6	\$ 123.2	\$ 119.2	\$ 284.2	\$ 287.6
Number of Districts	1	1	1	4	4
7. <u>Alternative Facilities Bonding (Included under 1. Required Debt Service)</u>					
Amount	\$ 0.0	\$ 0.0	\$ 13,936.7	\$ 13,748.0	\$ 15,000.0
Number of Districts	0	0	4	4	4

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities and Equipment
AGENCY: Education Aids

0508 DEBT SERVICE EQUALIZATION
 (Continuation)

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law	
				F.Y. 1996	F.Y. 1997
8. <u>Energy Conservation*</u>					
Amount	\$ 3,709.3	\$ 3,776.0	\$ 4,404.9	\$ 3,985.6	\$ 3,600.0
Number of Districts	152	155	156	143	130
9. <u>Lease Purchase*</u>					
Amount	\$ 4,065.8	\$ 6,062.4	\$ 7,373.2	\$ 12,178.6	\$ 15,000.0
Number of Districts	9	8	7	7	7
Eligible Amount	\$ 0.0	\$ 0.0	\$ 7,317.2	\$ 12,122.1	\$ 14,943.5
Ineligible Amount	\$ 4,065.8	\$ 6,062.4	\$ 56.0	\$ 56.5	\$ 56.5
10. <u>Debt Excess</u>					
Gross Excess	\$ 28,000.5	\$ 13,925.5	\$ 7,405.4	\$ 10,770.9	\$ 10,800.0
Net Excess	\$ 20,227.2	\$ 10,169.8	\$ 6,346.2	\$ 10,005.8	\$ 10,000.0
Number of Districts					
With Net Excess	153	106	86	85	85
Net Excess for Districts with					
Elg. Debt	\$ 20,227.2	\$ 10,169.8	\$ 6,346.2	\$ 9,839.8	\$ 10,000.0
11. <u>Debt Service Loan</u>					
Amount	\$ 1,490.7	\$ 180.9	\$ 0.0	\$ 0.0	\$ 0.0
Number of Districts	25	3	0	0	0
12. <u>Debt Service</u>					
<u>Equalization Aid</u>					
Full Equalized Revenue	\$ 35,318.9	\$ 46,818.4	\$ 65,839.5	\$ 70,135.0	\$ 80,000.0
Gross Aid Entitlement	\$ 6,238.6	\$ 14,445.0	\$ 27,527.2	\$ 30,053.1	\$ 35,000.0
Proration Factor	0.9618	0.9704	1.0000	1.0000	1.0000
Net Aid Entitlement	\$ 6,000.0	\$ 14,018.0	\$ 27,527.2	\$ 30,053.1	\$ 35,000.0
Districts Participating	109	113	132	139	150

* Prior to 1993 Payable 1994 these components were capital expenditure levy limitation components. Starting with 1993 Payable 1994 these components are included in computing the debt service levy limitation.

For F.Y. 1993, the net appropriation is \$3,000.0 (\$6,000.0 in M.S. 124.9601 less \$3,000.0 required cancellation in M.S. 124.9602). The additional \$3,000.0 necessary to fund the F.Y. 1993 prorated entitlement is to be appropriated in F.Y. 1994.

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law	
				F.Y. 1996	F.Y. 1997
<u>Debt Service Budget</u>					
Eligible Required	\$183,790.2	\$201,793.6	\$233,848.7	\$266,943.6	\$287,000.0
Maximum Effort					
Greater Than Required	\$ 0.0	\$ 0.0	\$ 0.0	\$ 116.0	\$ 120.0
Facilities Adjustment	(131.1)*	(43.0)	(10.0)	\$ 0.0	\$ 0.0
Energy Loan	\$ 3,709.3	\$ 3,776.0	\$ 4,404.9	\$ 3,985.6	\$ 3,600.0
Eligible Lease Purchase	\$ 0.0	\$ 0.0	\$ 7,317.2	\$ 12,122.1	\$ 14,943.5
Debt Service Loan	(1,490.7)	(180.9)	\$ 0.0	\$ 0.0	\$ 0.0
Net Debt Excess	(20,227.2)	(10,169.8)	(6,346.2)	(9,839.8)	(10,000.0)
Statutory Revenue	\$165,650.5	\$195,175.9	\$239,214.6	\$273,327.5	\$295,663.5
* Levy Component of Facilities Adjustment					
A. <u>Statutory Formula</u>					
<u>REVENUE</u>	\$ 165,651	\$ 195,176	\$ 239,215	\$ 273,327	\$ 295,664
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(0)	(0)
Current Law Revenue					
(Line 9 on Fiscal Page)	\$ 165,651	\$ 195,176	\$ 239,215	\$ 273,327	\$ 295,664
B. <u>Statutory Formula LEVY</u>	\$ 159,412	\$ 180,731	\$ 211,688	\$ 243,274	\$ 260,664
Levy Change Due To					
Insufficient Appropriation	239	284	0	0	6,369
Current Law Levy					
(Line 8 on Fiscal Page)	\$ 159,651	\$ 181,015	\$ 211,688	\$ 243,274	\$ 267,033
C. <u>Statutory Formula AID</u>	\$ 6,239	\$ 14,445	\$ 27,527	\$ 30,053	\$ 35,000
Aid Reduction Due To					
Insufficient Appropriation	(239)	(284)	(0)	(0)	(6,369)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	6,000	14,161	27,527	30,053	28,631
Proration Factor	0.962	0.980	1.000	1.000	0.818
D. <u>Aid Entitlement Reconciliation</u>					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 14,018	\$ 26,000	\$ 31,600*	\$ 31,600*
Entitlement Changes Per Law:					
■ Growth in Debt Service					
Obligations		427	1,527		
■ Change in Debt Service Obligations					
From Level Assumed in Setting					
the Statutory Appropriation				(1,547)	3,400
Statutory Formula Aid (Unprorated)	\$ 14,445	\$ 27,527	\$ 30,053	\$ 30,053	\$ 35,000

REVISED 2-28-95

PAGE A-289

1996-97 Biennial Budget

PROGRAM: 05 Education Facilities and Equipment
AGENCY: Education Aids

0508 DEBT SERVICE EQUALIZATION
(Continuation)

15, 30% before December 15, 25% before March 15, and 15% final payment on July 15 of the following fiscal year.

2. Beginning in F.Y. 1997, authorize the Commissioner of Education, with the approval of the Commissioner of Finance, to transfer funds from the capital expenditure health and safety appropriation to the debt service equalization aid appropriation to correct for changes in debt service aid after November 1 of the year the debt service levy is certified.
3. Beginning in F.Y. 1997, equalize debt service equalization revenue using an equalizing factor of \$4,707.50 per pupil unit.

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
E. Aid Funding Level Reconciliation					
Current Law Aid Entitlement		\$ 14,161	\$ 27,527	\$ 30,053	\$ 28,631
Adjustments Per Law:					
■ Excess Funds (Not Allocated)		—	—	523	—
Current Aid Funding Level					
(Line 4 on Fiscal Page)		\$ 14,161	\$ 27,527	\$ 30,576	\$ 28,631

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- Debt service levies have grown steadily in recent years, and will continue to grow as some school districts require additional space to house growing enrollments, while other districts replace or upgrade aging facilities.

B. STRATEGIES:

- This program provides greater financial equity among districts than the various capital grant and loan programs and is therefore a preferable model.
- The state should continue to fully fund the debt service equalization formula to ensure that the commitments made to taxpayers at the time of the bond elections are carried out.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$30,054 for F.Y. 1996 and \$35,250 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$30,054 in F.Y. 1996 (\$0 for F.Y. 1995 and \$30,054 for F.Y. 1996), and \$29,963 in F.Y. 1997 (\$0 for F.Y. 1996 and \$29,963 for F.Y. 1997).

The Governor recommends the following modifications in the debt service equalization program:

1. Beginning in F.Y. 1997, change the debt service and payment schedule to 30% before September

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0508: DEBT SERVICE EQUALIZATION

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 14,018	\$ 26,000	\$ 31,600	\$ 31,600
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<1,024>	<2,969>
3. Other Adjustments				
Transfer from Health & Safety		1,527		
Excess Funds Transfer In	143			
4. CURRENT LAW AID FUNDING LEVEL	14,161	27,527	30,576	28,631
5. Statutory Formula Aid (Detail in Narrative)	14,445	27,527		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<284>			
8. CURRENT LAW LEVY	181,015	211,688	243,274	267,033
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	195,176	239,215	273,850	295,664
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Education Programs			<523>	
2. Eliminate Aid Reduction Due to Insufficient Appropriation				6,619
Current Law Aid Funding Level (Line 4)			30,576	28,631
RECOMMENDED AID ENTITLEMENT			30,053	35,250
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Eliminate Aid Reduction Due to Insufficient Appropriation				<5,369>
Current Law Levy (Line 8)			243,274	267,033
RECOMMENDED LEVY			243,274	261,664
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			273,327	296,914
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	3,000	0	0	0
Current Year 85 Percent	14,018	27,527	30,054	29,963 ^a
Transfers Per M.S. 124.14, Subd. 7	143			
Total-State General Funds	17,161	27,527	30,054	29,963

^aBeginning in FY 1997, this aid is paid 85-15% basis.

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1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

 0601 COOPERATION AND COMBINATION
 (Continuation)

the program. The revenue is equalized at a percentage of the equalizing factor used for the General Education program. The percentage of the equalizing factor used is 100%, 75% 50%, and 25 %, respectively, for the first, second, third, and fourth years of the program. In addition to the equalized revenue, school districts also receive \$100 per pupil unit served in additional aid in the first year of cooperation and in the first year of combination; and

- in addition to cooperation and combination revenue, the school districts levy for transition expenses, operating debt, and severance or early retirement incentives as desired. (For further information see Program 0811.)

PROGRAM STATUS:

Since its enactment in 1989, the Cooperation and Combination program has attracted considerable interest from school districts. Thirty groups made up of 69 school districts with approved cooperation and combination plans are involved in various stages of cooperation and combination in F.Y. 1995. Since F.Y. 1993, 31 districts have passed combination referendums, combining into 11 new school districts.

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
New C & C Plans	7	7	9	5	1
Total Active C & C Plans	19	27	30	27	22
Member School Districts*	44	62	69	59	51
Pupil Units Served (WADM)	26,878	36,143	43,280	40,191	28,889
Total Revenue	\$ 4,746.9	\$ 5,636.7	\$ 6,183.5	\$ 5,412.5	\$ 3,814.6
Levy	\$ 890.7	\$ 1,805.5	\$ 1,946.1	\$ 2,070.7	\$ 1,732.9
State Aid Entitlement	\$ 3,856.2	\$ 3,831.2	\$ 4,237.4	\$ 3,341.8	\$ 2,081.7
Proration Factor	1.0	1.0	0.8531174	0.9737	1.0
Prorated Entitlement	\$ 3,856.2	\$ 3,831.2	\$ 3,615.0	\$ 3,254.1	\$ 2,081.7

* Number of districts prior to combination.

(\$ in 000s)

Current Law

F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula</u>					
REVENUE:	\$ 4,747	\$ 5,639	\$ 6,138	\$ 5,434	\$ 3,815
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(4)	(324)	(60)	(0)
Current Law Revenue	4,747	5,635	5,814	5,374	3,815
B. <u>Statutory Formula LEVY:</u>	891	1,802	1,944	2,060	1,733
Levy Change Due To					
Insufficient Appropriation	0	0	0	0	0
Current Law Levy					
(Line 8 on Fiscal Page)	891	1,802	1,944	2,060	1,733
C. <u>Statutory Formula AID:</u>	3,856	3,837	4,194	3,314	2,082
Aid Reduction Due To					
Insufficient Appropriation	(0)	(4)	(324)	(88)	(0)
Current Law Aid Entitlement	3,856	3,833	3,870	3,254	2,082
Proration Factor	1.000	0.999	0.923	0.982	1.000
D. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		3,831	3,615	4,074*	4,074*
Entitlement Changes Per Law:					
■ Change in Appropriation-Implied Entitlement Per 1994 Legislation				(459)	(459)
■ <u>Revenue Increase:</u>					
Change in Pupil Units		6	(29)	(28)	
Change in Early Combinations			143		
Change in Participation			429	(186)	(1,446)
■ <u>Levy (Increase):</u>					
Change in Pupil Units, Tax Capacities (ANTC), and Program Participation			36	(87)	(87)
Statutory Formula Aid (Unprorated)		\$ 3,837	\$ 4,194	\$ 3,314	\$ 2,082

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments. The base budget funding level for F.Y. 1996 and F.Y. 1997 is the F.Y. 1995 implied entitlement *before* the transfer of funds to F.Y. 1994 in Laws 1994, Chap. 647, Art. 6, Sec. 35.

REVISED 2-28-95

PAGE A-295

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids
 0601 COOPERATION AND COMBINATION
 (Continuation)

(\$542 for F.Y. 1995 and \$2,755 for F.Y. 1996), and \$1,973 in F.Y. 1997 (\$486 for F.Y. 1996 and \$1,487 for F.Y. 1997).

The Governor recommends continuation of funding for school districts currently participating in this activity. No funding is provided for new participants.

Beginning in F.Y. 1997, set the equalizing factors used in computing the cooperation and combination revenue at \$9,415 for the first year, \$7,061 for the second year, \$4,707 for the third year, and \$2,354 for the fourth year.

Districts seeking financial assistance in consolidating are able to use the Consolidation Transition Aid Program (0603).

0601.L

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
E. Aid Funding Level Reconciliation:					
Current Law Aid Entitlement		\$ 3,833	\$ 3,870	\$ 3,254	\$ 2,082
Adjustments Per Law:					
■ Excess Funds (Not Allocated)		_____	_____	_____	1,609
Current Aid Funding Level (Line 4 on Fiscal Page)		\$ 3,833	\$ 3,870	\$ 3,254	\$ 3,691

BUDGET ISSUES:

A. CHALLENGES:

- The more equitable and improved programs and services for students that result from cooperative efforts are well documented by participating districts. Lacking such cooperation and combination, small districts have great difficulty in maintaining or expanding educational programs and services without burdensome excess levy referendums.
- The cost of expanding programs and services to provide equal educational opportunities for all students in Greater Minnesota school districts as presently organized would be prohibitive. School districts therefore are encouraged to voluntarily reorganize to help achieve the same.
- Districts currently participating in this program have made commitments which are binding on the district.
- The program has been in operation for 6 years. Districts have had opportunities to participate if they chose to do so.

B. STRATEGIES:

- The state needs to keep its commitment to the districts which recognized the need to begin the cooperation and combination process.
- Districts which in the future determine that they are unable to provide quality programs for their students will need to initiate collaborative efforts using other revenue sources.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$3,241 for F.Y. 1996 and \$1,749 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$3,297 in F.Y. 1996

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0601: COOPERATION/COMBINATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 3,831 ^a	\$ 3,615 ^a	\$ 4,074	\$ 4,074
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<751>	<383>
3. Other Adjustments				
Excess Funds Transfer In	2	255		
4. CURRENT LAW AID FUNDING LEVEL	3,833	3,870	3,254 ^b	3,691
5. Statutory Formula Aid (Detail in Narrative)	3,837	4,194		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<4>	<324>		
8. CURRENT LAW LEVY	1,802	1,944	2,060	1,733
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	5,635	5,814	5,314	5,424
GOVERNOR'S RECOMMENDATIONS : AID				
1. Discontinue New Participation After FY 1996				<1,320>
2. Reallocate Funds to Other Education Programs				<569>
3. Change in Pupil Weights			<13>	<53>
Current Law Aid Funding Level (Line 4)			3,254	3,691
RECOMMENDED AID ENTITLEMENT			3,241	1,749
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Discontinue New Participation After FY 1996			<41>	<58>
Current Law Levy (Line 8)			2,060	1,733
RECOMMENDED LEVY			2,019	1,675
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			5,260	3,424
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	591	574	542	486
Current Year 85 Percent	3,257	3,073	2,755	1,487
Transfers Per M.S. 124.14, Subd. 7	<79>	255		
Total-State General Funds	3,769	3,902	3,297	1,973

^aAfter the transfer of funds from FY 1995 to FY 1994 per legislation in 1994.

^b\$3,323 adjusted for the base budget 85-15% funding level.

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

0602 DISTRICT COOPERATION REVENUE

CITATION: M.S. 124.2727
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide revenue to schools to purchase goods and services from entities formed for cooperative purposes or to provide educational services in a cooperative manner for students enrolled in special education and secondary vocational education classes. The intent of this program is to move school districts toward a market-driven system of purchasing goods and services, and to increase cooperative ventures between school districts so that operating efficiency increases and quality services are available to students participating in special education and secondary vocational courses and services.

Most education aid programs contribute to more than one education goal. By encouraging school districts to collaborate in the delivery of services to students, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.

This program also contributes to the following current priorities of the Minnesota Department of Education (MDE):

- **Lifework Development and Technological Competence**
- **Education Facilities Improvement**
- **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 14, 18, 124, 126, and 135.

DESCRIPTION:

District Cooperation revenue is equal to the greater of \$67 times the district's actual pupil units or \$25,000.

To receive district cooperation revenue, a district may levy an amount equal to the district's cooperation revenue multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable to \$3,500.

District Cooperation Aid is the difference between its district cooperation revenue and its district cooperation levy. If a district does not levy the entire amount permitted, aid must be reduced in proportion to the actual amount levied. If the appropriation is insufficient to pay all districts the full amount of aid earned, the Department must proportionately reduce the \$67 allowance and the \$25,000 minimum to the level that spends the amount available. The reduction is made first from the district's aid and then from levy.

Districts must place the district cooperation revenue in a reserved account and may only use the revenue for purposes set forth in this statute.

In the 1994 legislative session several changes to the district cooperation revenue statute were made: 1) district cooperation revenue was increased from \$50 to \$67 per pupil unit beginning in F.Y. 1995; 2) a 1994 payable 1995 levy adjustment was authorized for the increase in F.Y. 1995 revenue with the full amount recognized as revenue in F.Y. 1995; 3) there was no aid penalty for underlevy on the F.Y. 1995 adjustment. In addition, the Legislature authorized that \$230,000 of the F.Y. 1995 appropriation be used for a hold harmless aid in F.Y. 1995 for districts that were a member of intermediate school district 287. The hold harmless aid for the eligible districts is equal to the cooperation revenue formula allowance times the sum of (1) average per pupil allocation of the regional reporting subsidy grant received by the regional management information center in F.Y. 1994, (2) the average per pupil allocation of ECSU state aid received by the ECSU in which the district was a full member, and (3) the average per pupil allocation of the intermediate district levy certified in 1992 for taxes payable in 1993.

The districts that were members of an intermediate district on July 1, 1994 are required to place in a reserve account an amount equal to the product of the intermediate district's Pay 94 special education/secondary vocational levy per pupil unit times the district's F.Y. 1995 pupil units. 5/11th of the reserved revenue must be used for special education and 6/11th must be used for secondary vocational programs. The district must demonstrate that revenue is being used to provide the full range of special education and secondary vocational services available to each child served by the intermediate district.

Districts that were not members of an intermediate district on July 1, 1994 are required to spend at least \$9 per pupil unit of their district cooperation revenue on secondary vocational education.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
District Coop Revenue	--	--	\$ 61,541.7	\$ 63,286.4	\$ 64,440.8
Hold Harmless Revenue	--	--	\$ 230.0	--	--
Total Revenue	--	--	\$ 61,771.7	\$ 63,286.4	\$ 64,440.8

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

 0602 DISTRICT COOPERATION REVENUE
 (Continuation)

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
				Current Law	
Levy	--	--	\$ 48,087.6	\$ 48,932.8	\$ 51,410.1
State Aid Entitlement	--	--	\$ 13,872.4	\$ 11,791.3	\$ 12,573.1
Hold Harmless	--	--	\$ 230.0	--	--
Total	--	--	\$ 14,102.4	\$ 11,791.3	\$ 12,573.1
<hr/>					
A. <u>Statutory Formula REVENUE</u>	\$ 0	\$ 0	\$ 62,190	\$ 63,244	\$ 64,397
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(2,518)	(0)
Current Law Revenue	\$ 0	\$ 0	\$ 62,190	\$ 60,726	\$ 64,397
B. <u>Statutory Formula LEVY</u>	\$ 0	\$ 0	\$ 48,088	\$ 49,868	\$ 51,568
Levy Change Due To					
Insufficient Appropriation	0	0	(0)	(935)	(0)
Current Law Levy					
(Line 8 on Fiscal Page)	\$ 0	\$ 0	\$ 48,088	\$ 48,933	\$ 51,568
C. <u>Statutory Formula AID</u>	\$ 0	\$ 0	\$ 14,102	\$ 13,376	\$ 12,829
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(1,583)	(0)
Current Law Aid Entitlement	0	0	14,102	11,793	12,829
Proration Factor	--	--	1.000	0.882	1.000
D. <u>Aid Entitlement Reconciliation</u>					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		--	\$ 14,458	\$ 14,458*	\$ 14,458*
Entitlement Changes Per Law:					
■ Revenue Increases:					
Growth in Pupil Units		--	(554)	629	2,089
■ Levy (Increases):					
Growth in Pupil Units					
and Tax Capacities (ANTC)		--	267	(1,642)	(3,649)

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
■ Other					
Change in Assumptions Used in					
Setting the F.Y. 1995 Appropriation	--		(69)	(69)	(69)
Statutory Formula Aid (Unprorated)	--	\$ 14,102	\$ 13,376	\$ 12,829	
E. <u>Aid Funding Level Reconciliation</u>					
Current Law Aid Entitlement	--	\$ 14,102	\$ 11,793	\$ 12,829	
Adjustments Per Law:					
■ Excess Funds (Not Allocated)					270
■ Portion of 15 % Final Not Requested			53		
Current Aid Funding Level					
(Line 4 on Fiscal Page)		\$ 14,155	\$ 11,793	\$ 13,099	

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 95-15 % funding basis or other relevant adjustments.

F.Y. 1995 was the first year for this program.

BUDGET ISSUES:

A. CHALLENGES:

- Minnesota districts face differing challenges. Priorities in districts vary based on their needs.
- Districts face challenges in terms of how to provide efficient, high quality services for students and their families.
- Districts have utilized this program in providing cooperative services for special education students. No changes regarding district responsibility are being proposed.
- With the implementation of Graduation Standards, the continuing need for cost-effective means of developing, implementing, and maintaining programs and services will increase, not lessen.
- Some districts provide their own secondary vocational programs and find the requirement for cooperation too restrictive.
- Holding districts accountable for results when resources are scarce is more difficult.

B. STRATEGIES:

- Districts should have access to a revenue source to initiate or expand programs based on their priorities.
- When revenue is scarce, districts need enhanced flexibility to be able to address the needs of learners.
- Because many districts experience significant cost savings and improved efficiency through cooperative programs for special education, secondary vocational education, and other activities, districts will continue to participate in cooperation when it is economically feasible to do so.

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

0602 DISTRICT COOPERATION REVENUE
(Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends that funding for this activity be discontinued beginning in F.Y. 1997. School districts may use resources from the general education program (see Activity 0101) or the new learner improvement program (see Activity 0718) for cooperative purposes.

The Governor recommends the following modifications in the District Cooperation Revenue program:

1. That there be no change to the district cooperation formula.
2. That the pupil weights be changed (see general education program, Activity 0101).
3. That F.Y. 1996 funding be prorated at 92.5%.

The Governor recommends an aid entitlement of \$11,435 for F.Y. 1996 and \$0 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$11,835 in F.Y. 1996 (\$2,115 for F.Y. 1995 and \$9,720 for F.Y. 1996), and \$1,715 in F.Y. 1997 (\$1,715 for F.Y. 1996 and \$0 for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0602: DISTRICT COOPERATION REVENUE

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 14,458	\$ 14,458	\$ 14,458
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<2,665>	<1,359>
3. Other Adjustments				
Excess Funds Transfer Out		<303>		
4. CURRENT LAW AID FUNDING LEVEL		14,155	11,793	13,099
5. Statutory Formula Aid (Detail in Narrative)		14,102		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		53 ^a		
8. CURRENT LAW LEVY		48,088	48,933	51,866
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)		62,243	60,726	64,965
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Education Programs				<524>
2. Change in Pupil Weights			<358>	<389>
3. Use District Coop. Revenue for Learner Improvement Rev.				<12,186>
Current Law Aid Funding Level (Line 4)			11,793	13,099
RECOMMENDED AID ENTITLEMENT				
			11,435	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Use District Coop. Revenue for Learner Improvement Rev.				<51,568>
2. Levy Change Due to Aid Proration			327	
Current Law Levy (Line 8)			48,933	51,658
RECOMMENDED LEVY				
			49,260	0
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY				
			60,695	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent			2,115	1,715
Current Year 85 Percent		12,290	9,720	0
Transfers Per M.S. 124.14, Subd. 7		<303>		
Total-State General Funds		11,987	11,835	0

**The 85% share of the FY 1997 entitlement, equal to \$10,358, is being used for "Learner Improvement Revenue" in FY 1997.
See Program 0718 for more information.

^aThis amount is the portion of the FY 1996 prior year final account that does not have to be appropriated.

REVISED 2-28-95
PAGE A-301

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

0603 CONSOLIDATION TRANSITION AID

CITATION: M.S. 124.2726
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide incentives for school districts that have been reorganized and that have not received Cooperation and Combination Revenue under M.S. 124.2725 to improve conditions for learning and instruction that will better ensure the success of all learners. By consolidating, school districts are able to expand curriculum programs and support services for students, enlarged teaching staffs with fewer teaching preparations, be more cost efficient through combined operations, and increase educational opportunities for learners.

The program also ensures that the reorganized school district has sufficient resources to fund early retirement incentives for staff members due to the reorganization and to address operating debt as defined in 122.23. This program provides alternative means of dealing with fiscal issues that often prevent permanent school district reorganization such as staff reduction due to increased staff utilization and operational debt.

The intent of Consolidation Transition Revenue is to provide fiscal assistance to combining school districts so that the newly combined district can have the fiscal means to create more opportunities for student success, increase cost-effective school district operations, and to encourage district combination when district consolidation is in the best interest of students, staff, and members of those communities.

Most education aid programs contribute to more than one education goal. By promoting the creation of combined school districts, this program contributes to three of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be provided in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social,

emotional, and academic growth of children.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

■ **Education Facilities Improvement**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual Performance Report, September 1994, pages 14, 18, 124, 126 and 135.

DESCRIPTION:

A school district that has been reorganized under the consolidation statute (M.S. 122.23) after June 30, 1994, and has not received revenue under the Cooperation and Combination Program (M.S. 124.2725) is eligible to participate in this program.

Revenue is equal to the sum of state aid plus authorized levy authority. State Aid is equal to \$200 times the number of actual pupil units in the newly created district in the year of consolidation and \$100 times the number of actual pupil units in the second year. The number of pupil units used in the calculation of state in either year can not exceed 1,000. If the state aid provided is insufficient to cover the early retirement incentive costs of the district under M.S. 122.23, Subd. 20, the district may levy the difference over a period of time not to exceed three years.

Revenue must be used to cover district costs for the early retirement incentives granted by the district under M.S. 122.23, Subdivision 20. Any remaining revenue must be used to reduce operating debt as defined in M.S. 121.915. If any additional funds remain after the reduction of operating debt, the balance must be deposited into the district's general fund. This revenue shall not be included in the determination of the general fund operating fund balance reduction in M.S. 124A.26.

Retirement incentives allowable for funding under this program are for both licensed and nonlicensed staff and may include:

- payment of employer pension plan contributions for a specific period of time for individuals with at least ten years of allowable service;
- extended leaves of absences under M.S. 125.60;
- severance payment incentives; and
- employer payment of premiums for continued health insurance coverage up to age 65 or until the employee is eligible for health insurance coverage from a new employer.

Eligible school districts may offer these incentives beginning on the day the consolidation is approved under M.S. 122.23 subdivision, or, if an election is called under section M.S.122.23, Subdivision 9 or 10, on the day the plat is approved by the commissioner of education. A school board may offer these incentives until June 30 following the effective date of the consolidation.

If a district consolidates with another district that has received consolidation transition aid within six years of the effective date of the new consolidation, only the pupil units in the district not previously

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
 AGENCY: Education Aids
 0603 CONSOLIDATION TRANSITION AID
 (Continuation)

reorganized are counted for aid purposes. If two districts consolidate and both districts had previously received transition aid within six years of the effective date of the consolidation, only one quarter of the pupil units in the newly created district are used to determine consolidation transition aid.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
A. Groups of districts	--	--	3	7	8
B. Unprorated Aid Entitlement	--	--	\$ 532.2	\$ 892.0	\$ 1,051.0
C. Estimated Proration*	--	--	0.9488	0.461	0.435
D. Reduced Entitlement	--	--	\$ 505.0	\$ 411.9	\$ 457.5
E. Levy (a)	--	--	--	\$ 37.6	\$ 190.0
F. Districts using levy authority (b)	--	--	1	1	4
G. Total Revenue D+E	--	--	\$ 505.0	\$ 449.5	\$ 647.5

* F.Y. 1996 and F.Y. 1997 prorated per Laws '93, Chap. 224, Art. 15, Sec. 3

(a) 94 Pay 95 Levy - first levy year for this program.

(b) ISD #2171 - \$37.6 levy each year for three years

F.Y. 1995 is the first year for this program

Districts Participating in F.Y. 1995 are:

<u>District Number</u>	<u>District Name</u>
2170	Motley-Staples
2171	Hallock-Kennedy
2176	Olso-Warren

Projection for F.Y. 1996 and F.Y. 1996 assumes an additional 4 new groups of districts will participate in both each year, with an average student membership of 950.

(\$ in 000s)

F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

PROGRAM FUNDING

A. <u>Statutory Formula</u>					
<u>REVENUE:</u>	--	--	\$ 532	\$ 930	\$ 1,121
Revenue Reduction Due To					
Insufficient Appropriation	--	--	(15)	(480)	(473)
Current Law Revenue					
(Line 9 on Fiscal Page)	--	--	517	450	648
B. <u>Statutory Formula LEVY:</u>	--	--	0	38	70
Levy Change Due To					
Insufficient Appropriation	--	--	0	0	120 ^(a)
Current Law Levy					
(Line 8 on Fiscal Page)	--	--	0	38	190
C. <u>Statutory Formula AID:</u>	--	--	532	892	1,051
Aid Reduction Due To					
Insufficient Appropriation	--	--	(15)	(480)	(593)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	--	--	517	412	458
Proration Factor	--	--	0.972	0.462	0.436
D. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		--	505	505*	505*
Entitlement Changes Per Law:					
■ Increase in Pupil Units			27		
■ Increased Number of Districts					
Participating				387	546
Statutory Formula Aid (Unprorated)	--		532	892	1,051

^(a) Assumes only 3 of 4 districts receiving aid in F.Y. 1996 will levy in Pay 1996 for the excess retirement costs resulting from the aid proration.

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

0603 CONSOLIDATION TRANSITION AID
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- The Consolidation Transition Aid program provides needed incentives for school districts to create improved conditions for the success of learners and for more effective instruction. The more equitable and improved programs and services for students that result from such cooperative efforts are well documented by participating districts. Small districts have great difficulty in maintaining or expanding educational programs and services without excess levy referendums which are frequently difficult to pass.
- The local cost of expanding programs and services to provide equal educational opportunities for all students in Greater Minnesota school districts as presently organized would be prohibitive. A realistic option is to encourage voluntary school district reorganization to help achieve the same.

B. STRATEGIES:

- With the recommended funding of cooperation and combination in F.Y. 1996 and F.Y. 1997 and the Consolidation Transition Aid program, school districts in Greater Minnesota will continue to expand, maintain and enhance educational programs and services for students as outlined in their approved consolidation plan and budget.
- The state needs to keep its commitment to the districts which are currently involved in this program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends maintaining commitments to districts receiving aid in F.Y. 1995. New districts will be funded with remaining funds.

The Governor recommends an aid entitlement of \$892 for F.Y. 1996 and \$1,051 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$834 in F.Y. 1996 (\$75 for F.Y. 1995 and \$759 for F.Y. 1996), and \$1,027 in F.Y. 1997 (\$133 for F.Y. 1996 and \$894 for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0603: CONSOLIDATION TRANSITION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 505	\$ 505	\$ 505
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<93>	<47>
3. Other Adjustments				
Excess Funds Transfer In		12		
4. CURRENT LAW AID FUNDING LEVEL		517	412	458
5. Statutory Formula Aid (Detail in Narrative)		532		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		<15>		
8. CURRENT LAW LEVY			38	190
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)		517	450	648
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds from Other Educ. Programs			480	593
Current Law Aid Funding Level (Line 4)			412	458
RECOMMENDED AID ENTITLEMENT			892	1,051
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Levy Change Due to Governor's Recommendation				60
Current Law Levy (Line 8)			38	130
RECOMMENDED LEVY			38	190
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			930	1,241
APPROPRIATIONS BASIS:				
Prior Year 15 Percent			75	133
Current Year 85 Percent		430	759	894
Transfers Per M.S. 124.14, Subd. 7		12		
Total-State General Funds		442	834	1,027

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1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

0604 SPECIAL CONSOLIDATION AID

CITATION: M.S. 124.2728
MDE ADMIN: Office of Education Funding
FEDERAL: None

PURPOSE:

To allow recently reorganized districts that experience a sudden drop in Early Childhood Family Education and Community Education revenue as a result of a district reorganization, the ability to continue quality educational opportunities at the same level as before the reorganization through the Early Childhood Family Education (ECFE) and Community Education programs by phasing down the decrease in revenue over three years.

Most education aid programs contribute to more than one education goal. By providing additional revenue to recently combined school districts for Early Childhood Family Education (ECFE) and Community Education programs, this program contributes to five of the Department of Education's goals:

- **Adult Literacy and Lifelong Learning:** All Minnesota adults will have access to education opportunities which lead to literacy and economic self-sufficiency.
- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Parental and Community Participation:** All Minnesota schools will establish partnerships with parents and communities which will result in the collaborative promotion of the social, emotional, and academic growth of children.
- **Safe, Drug Free, Accessible, Co-Located Learning Environments:** All learning will be delivered in environments which are safe, accessible, and violence-free, are conducive to learning and delivered so that learners and their families will have efficient access to programs and services of all agencies.

This program also contributes to the following *current priorities* of the Minnesota Department of Education (MDE):

- **Education Facilities Improvement**
- **Collaboration and Service Co-Location**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 14, 18, 124, 126 and 135.

DESCRIPTION:

This program is limited to school districts that reorganized under M.S. 12.23 or M.S. 122.241 to 122.248 effective on or after July 1, 1994. The intent of this program is to provide a phase-down of ECFE and Community Education revenue to districts that have reorganized so that programs have sufficient time to adjust to the new funding levels in the reorganized districts and to avoid severe reductions in ECFE and Community Education programs as a result of the reorganization. Participation in this program is limited to three years.

Special Consolidation Aid is calculated by computing the sum of:

1. the difference between the total amount of ECFE revenue under M.S. 124.2711 to the district involved in the reorganization in the fiscal year prior to the effective date of reorganization and the maximum amount of ECFE revenue available to the reorganized district in the current year; and
2. the difference between the total amount of Community Education revenue under M.S. 124.2713 available to the districts involved in the reorganization in the fiscal year prior to the effective date of reorganization and the maximum amount of Community Education revenue available to the reorganized district in the current year.

The additional revenue that this program provides to reorganized districts is phased-out over three years. In the first year of reorganization, Special Consolidation Aid is equal to the aid calculated times 100%. In the second fiscal year, Special Consolidation Aid is equal to the aid calculated times 67%. In the third year, Special Consolidation Aid is equal to the aid calculated times 33%.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Districts	--	--	12	15	18
Average State Aid					
Entitlement Per District	--	--	\$ 9.1	\$ 6.2	\$ 3.1

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Education Aids

 0604 SPECIAL CONSOLIDATION AID
 (Continuation)

- Districts that utilize this program need to make necessary adjustments in their programs to adjust to the phasing out of the funding without severely damaging the programs.

B. STRATEGIES:

- Because this program makes a significant contribution to learner readiness and school readiness, recently combined districts will continue to provide services offered through this program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends continuation of funding for school districts currently participating in this activity. No funding is provided for new participants.

The Governor recommends an aid entitlement of \$73 for F.Y. 1996 and \$36 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$75 in F.Y. 1996 (\$12 for F.Y. 1995 and \$63 for F.Y. 1996), and \$40 in F.Y. 1997 (\$9 for F.Y. 1996 and \$31 for F.Y. 1997).

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>Current Law</u>	
				<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
<u>PROGRAM FUNDING</u>					
A. <u>Statutory Formula Aid:</u>	--	--	\$ 109	\$ 93	\$ 56
Aid Reduction Due To					
Insufficient Appropriation	--	--	(15)	(26)	(0)
Current Law Aid Entitlement	--	--	\$ 94	\$ 67	\$ 56
Proration Factor	--	--	0.862	0.720	1.000
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		--	\$ 82	\$ 82*	\$ 82*
Entitlement Changes Per Law:					
a. Budget Variables					
■ Change in Population and Participation	--		\$ 27	\$ 30	\$ 60
b. Legislation Becoming Effective					
■ Phase-out of Aid	--	--	--	(19)	(86)
Statutory Formula Aid (Unprorated)	--	--	\$ 109	\$ 93	\$ 56
C. <u>Aid Funding Level Reconciliation:</u>					
Current Law Aid Entitlement		--	\$ 94	\$ 67	\$ 56
Adjustments Per Law:					
■ Excess Funds	--	--	--	--	\$ 18
Current Aid Funding Level	--	--	\$ 94	\$ 67	\$ 74

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

F.Y. 1995 is the first year for this program.

BUDGET ISSUES:

A. CHALLENGES:

- This program provides needed revenue for school districts so that ECFE and Community Education programs in recently consolidated programs do not experience sudden large reductions in service.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0604: SPECIAL CONSOLIDATION AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 82	\$ 82	\$ 82
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<15>	<8>
3. Other Adjustments				
Excess Funds Transfer In		12		
4. CURRENT LAW AID FUNDING LEVEL		94	67	74
5. Statutory Formula Aid (Detail in Narrative)		109		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		<15>		
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)		94	67	74
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds from Other Education Programs			6	
2. Phase Down Activity in FY 1997				<38>
Current Law Aid Funding Level (Line 4)			67	74
RECOMMENDED AID ENTITLEMENT			73	36
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			73	36
APPROPRIATIONS BASIS:				
Prior Year 15 Percent			12	9
Current Year 85 Percent		70	63	31
Transfers Per M.S. 124.14, Subd. 7		12		
Total-State General Funds		82	75	40

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ACCESS TO EXCELLENCE (07)

State Aid Programs

0701	Area Learning Centers	A-321
0702	Summer Program Scholarships (HECB)	A-325
0703	Advance Placement and International Baccalaureate Grants	A-329
0704	ITV Levy Aid/Instructional Technology	A-335
0705	Educational Effectiveness	A-339
0706	Academic Excellence Foundation	A-343
0707	Environmental Education (MDE)	A-348
0708	Graduation Rule Acceleration	A-351
0709	School Improvement Incentive Grants	A-357
0710	School Restructuring Grants	A-360
0711	Staff Development Incentive	A-365
0712	Faculty Exchange Program	A-369
0713	Science and Math Initiative	A-373
0714	Institute of Advanced Teaching (MN Humanities Comm.)	A-378
0715	Technology Grants	A-383
0716	Educational Performance Improvement Grants	A-386
0717	Internet (InforMNs Project)	A-390
0718	Learner Improvement Revenue	A-391
0719	Charter School Start-Up	A-394
0727	Technology Access Initiative	A-396a

Federal Flow-Through Programs

0720	Foreign Language Assistance	A-397
0721	NEH Articulate Language/Instruction	A-399
0722	Byrd Scholarship Program	A-401
0723	Framework in Arts	A-403
0724	Teacher Inservice Training	A-404
0725	Science/Math Internet Grant	A-406
0726	Goals 2000	A-408

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1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0702 SUMMER PROGRAM SCHOLARSHIPS (HECB)

CITATION: M.S. 126.56
MDE ADMIN: None
FEDERAL: None

PURPOSE:

This activity provides summer scholarships to eligible Minnesota secondary students (Grades 7-12) who attend summer academic programs sponsored by Minnesota postsecondary institutions. The program is designed to:

- encourage students to enrich their learning beyond those academic experiences now provided by their schools;
- provide academic instruction for student enrichment in curricular areas including, but not limited to: communications, humanities, social studies, social science, science, mathematics, computer science, fine or performing arts, and foreign languages;
- provide financial assistance to students of need who are interested in attending summer academic programs sponsored by postsecondary institutions; and
- encourage minority students and students from low and lower middle income families to participate in summer enrichment programs.

DESCRIPTION:

The Summer Scholarships for Academic Enrichment Program administered by the HECB provides scholarships of up to \$1,000 to eligible junior and senior high school age students who have completed 7th grade, but have not graduated from high school. The scholarship covers tuition and other costs of attendance, such as transportation.

An eligible institution must be accredited by the North Central Association of Colleges, offer at least an associate or baccalaureate degree program, and be located in Minnesota.

In order to be eligible for a scholarship, a student must:

- be a Minnesota resident;
- attend an eligible program;
- have completed at least one year of secondary school (Grade 7), but not have graduated from high school;
- have earned at least a "B" average during the semester or quarter prior to application in the subject area applicable to the summer program the student wishes to attend; and
- demonstrate need for financial assistance. Financial need is determined by taking into account costs of attending the program, and household adjusted gross income.

An eligible program must be approved by the State Board of Education (SBE) and must:

1. provide academic instruction for student enrichment in curricular areas including, but not limited to: communications, humanities, social studies, social science, science, mathematics, fine or performing arts, or foreign language;
2. be an in-state program;
3. not be offered for credit to postsecondary students; and
4. not provide remedial instruction.

An advisory committee assists SBE in approving eligible programs and assists the HECB in planning, implementing, and evaluating the scholarship program. The HECB is responsible for developing and disseminating information about the program. The HECB and the SBE determine the time and manner for scholarship applications, awards, and program approval.

All scholarship are awarded by the HECB. Each eligible institution sponsoring eligible programs designates a representative responsible for assisting the HECB. This representative has responsibility for counseling potential applicants, verifying student eligibility, calculating each student's financial need, transmitting scholarship disbursements to award recipients, and refunding appropriate scholarship monies for students who withdraw or do not attend the program for which funds were awarded. All scholarship applications must be approved by the postsecondary institution sponsoring the eligible program and the HECB.

PROGRAM STATUS:

Commencing Summer 1992, only students from families with adjusted gross incomes *less than* \$18,000 for the prior income tax year were eligible for summer scholarship awards. This made it possible to ensure a commitment to fully fund students from families with the lowest family incomes, including many minority students, who would most likely not be able to attend these programs unless they were fully funded.

	Current Law				
(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Institutions participating	25	24	25	25	25
Programs offered	61	64	67	67	67
Number of awards	392	306	342	280	310
Total awards	\$ 207.0	\$ 176.1	\$ 214.0	\$ 175.0	\$ 194.0
Average award (actual dollars)	\$ 528	\$ 576	\$ 625	\$ 625	\$ 625

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0702 SUMMER PROGRAM SCHOLARSHIPS (HECB)
(Continuation)

other types of programs through the city, county, and school districts, which have been created over the last two years. This explains the slight drop in money expended for F.Y. 1994 awards. However, the need for scholarship assistance for students of families with adjusted gross incomes greater than \$18,000 but less than \$30,000 with multiple children continues to grow. It is estimated that with the new programs helping some of the clientele of this program, the income cut-off level should be raised to \$25,000.

B. STRATEGIES:

- Efforts will be made to maintain existing levels of programs and services given available funding.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing funding for this activity within the K-12 omnibus bill. Funding for this activity, increased to \$235.0 in F.Y. 1996 and \$250.0 in F.Y. 1997, has been included in the Governor's recommendations for the Higher Education Coordinating Board for F.Y. 1996-97.

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
<u>PROGRAM FUNDING</u>					
A. <u>Statutory Formula Aid:</u>	\$ 213	\$ 198	\$ 214	\$ 214	\$ 214
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(39)	(20)
Current Law Aid Entitlement	\$ 213	\$ 198	\$ 214	\$ 175	\$ 194
Proration Factor	1.000	1.000	1.000	0.816	0.906
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 214	\$ 214	\$ 214*	\$ 214*
Cancellation		\$ (16)			
Statutory Formula Aid (Unprorated)		\$ 198	\$ 214	\$ 214	\$ 214

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- The summer scholarship program has been operational since Summer, 1986. From 1986 to 1992, the number of scholarship recipients increased from 239 to 397 -- an increase of 40%. This increase was due primarily to intensified efforts to improve participation in these summer academic programs by low income and minority students meeting the scholarship eligibility requirements.
- Commencing Summer, 1993, the income eligibility requirements were lowered due to inadequate program funding, which has resulted in additional needy students not being eligible for scholarship awards. This need is substantiated by information provided by postsecondary institutional representatives handling summer programs. Under the lower income cut-off, students from families with adjusted gross incomes of more than \$18,000 are not eligible for an award from this program. In addition, many of the summer enrichment programs attract "high risk students" who need additional support services when they attend such programs. There are many "needy" students who could benefit from attending summer enrichment programs, but are unable to receive awards due to limited scholarship funding. Some of the most needy students, including minority youth, who do qualify for scholarship awards are now having their needs met through

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0702: SUMMER SCHOLARSHIPS (HECB)

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 214	\$ 214	\$ 214	\$ 214
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<39>	<20>
3. Other Adjustments Cancellation				
	<16>			
4. CURRENT LAW AID FUNDING LEVEL	198	214	175	194
5. Statutory Formula Aid (Detail in Narrative)	198	214		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	198	214	175	194
GOVERNOR'S RECOMMENDATIONS : AID				
1. Discontinue K-12 funding; in HECB Budget Recommendation			<175>	<194>
Current Law Aid Funding Level (Line 4)			175	194
RECOMMENDED AID ENTITLEMENT			0*	0*
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			0	0
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	198	214	0	0
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	198	214	0	0

*The recommendation for continued funding for this program is contained within the Governor's budget recommendation for the Higher Education Coordinating Board. Funding is recommended in the amount of \$235.0 for FY 1996 and \$250.0 for FY 1997.

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1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0703 ADVANCED PLACEMENT (AP) AND
INTERNATIONAL BACCALAUREATE (IB)

(Continuation)

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law F.Y. 1996	F.Y. 1997
Teacher Training	\$ 104.7	\$ 94.7	\$ 160.0		
Teacher Support, Implementation	\$ 84.8	\$ 54.5	\$ 100.0		
Student Exam Subsidies	\$ 10.7	\$ 14.8	709.4		
0.5 MDE Complement	\$ 25.7	\$ 31.1	32.0		
Program Administration/ Training	\$ 21.0	\$ 2.3	\$ 10.6		
Unprorated State Aid	\$ 246.9	\$ 197.4	\$ 1,012.0	\$ 612.0	\$ 680.0

PROGRAM FUNDING

A. <u>Statutory Formula Aid:</u>	\$ 247	\$ 197	\$ 1,012.0	\$ 750	\$ 750
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(89)	(138)	(70)
Current Law Aid Entitlement (Line 4 on Fiscal Page)	\$ 247	\$ 197	\$ 923	\$ 612	\$ 680
Proration Factor	1.000	1.000	.912(a)	0.816	0.906
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 300	\$ 750	\$ 750*	\$ 750*
Entitlement Changes Per Law:					
■ Balance Forward to Fund Staff					
Development Activities Planned in F.Y. 1994 But Offered Early in F.Y. 1995		(103)	\$ 103		
■ Increase in student participation in exam			\$ 159		
Statutory Formula Aid (Unprorated)		\$ 197	\$ 1,012	\$ 750	\$ 750

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

(a) Student exam fees are prorated at 0.761, while all other AP/IB components are fully funded.

A. CHALLENGES:

As the AP and IB programs continue to grow, there is an ongoing need to provide services for advanced learners who are underserved and for support of teachers working with this level of student

and for support of schools initiating or expanding their programs. Challenging, rigorous learning opportunities are essential to an effective system that is setting standards for learning and for graduation. Specific challenges include:

Fiscal Planning

- *AP/IB Program Timelines.* The major program activities (student testing and teacher training) occur the last two months of the fiscal year - making it difficult to get actual numbers until June/July. This impacts budgeting for other activities throughout the year in order to allow ample monies for the two major activities during the last two months of the fiscal year.
- *Specific Allocations for Exam Fee Subsidies.* Limited flexibility in use of funds between components of the program makes it difficult to maximize expenditures, particularly if monies remain after the year-end accounting when it is too late to adjust the payment schedule.

Setting the Exam Fee Subsidy Schedule

- *Making Projections for Payment Schedule.* Fall surveys from AP Program coordinators provide only rough estimates of numbers of students taking exams, making it difficult to set an exam fee subsidy schedule for amounts to be paid. This situation also impacts payment options - the state can make a subsidy payment to schools or schools can deduct exam costs through Educational Testing Service, whom they already pay for other AP exams. There are advantages and issues of concern for both options.
- *Insufficient Funds to Pay the First Exam.* Survey results indicate a 50% increase in numbers of interested AP students and a 10% increase in IB students taking at least one exam.

Getting AP/IB Programs or Courses Started

- *Lower School Enrollment.* It is difficult to provide AP/IB courses in small schools when there are only one-two sections of a course in the Category 6 schools (1-499 pupils) or Category 5 schools (500-999 pupils).
- *Low Course Enrollment.* This can be a problem in any size school when the enrollment for an AP/IB course is lower than school policy allows in order to offer the course.

Providing for Curriculum Needs

- *Cost of Materials.* Starting a new course often requires purchasing new or additional materials. Science courses, in particular, require specific, costly lab equipment. Schools offering new courses currently receive \$500 for curriculum materials, if money is available at the end of the fiscal year.
- *Content Updates.* On a 4-5 year cycle, the College Board and International Baccalaureate Organization revise and update curriculum, which frequently requires new or additional resources/equipment.

B. STRATEGIES:

- Provide for flexibility in use of the funds between the three program components to reduce possibility of monies not being used due to specific allocation of monies for exam fee subsidies.
- Encourage more students to take the exams. (Some students fear advanced placement in college

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0703 ADVANCED PLACEMENT (AP) AND
INTERNATIONAL BACCALAUREATE (IB)

(Continuation)

courses, not realizing that the rigor of their high school AP/IB course has prepared them well for higher level courses.)

- Assure that teachers are well trained to teach the challenging AP/IB courses and to prepare students for the rigorous exams so they don't back out in May.
- Provide support for curriculum resources needed for new courses and to update curriculum materials for existing courses.
- Continue promotion of the AP/IB Program to increase number of schools participating in the program, number and variety of courses being offered, and number of students participating in the courses.
- Continue working with Minnesota's postsecondary institutions to develop placement and credit policies to assist students in making more informed choices about the college they wish to attend and in receiving credit for exams taken.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing specific categorical funding for this activity. Districts will have the option of funding this activity through the use of Learner Improvement Revenue (Program 0718). In this way, districts will have the flexibility to choose those activities which they believe will most effectively impact student achievement.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0703: ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE PROGRAM

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
	-----	-----	-----	-----
1. Appropriation-Implied Entitlement	\$ 300	\$ 750	\$ 750	\$ 750
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<138>	<70>
3. Other Adjustments				
Balance Forward	<103>	103		
Excess Funds Transfer In		70		
	-----	-----	-----	-----
4. CURRENT LAW AID FUNDING LEVEL	197	923	612	680
5. Statutory Formula Aid (Detail in Narrative)	197	1,012		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		<89>		
8. CURRENT LAW LEVY	-----	-----	-----	-----
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	197	923	612	680
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Educ. Programs			<612>	<680>
Current Law Aid Funding Level (Line 4)			612	680
			-----	-----
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)			-----	-----
RECOMMENDED LEVY				
			-----	-----
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			0	0
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	197	853	0	0
Transfers Per M.S. 124.14, Subd. 7		70		
	-----	-----	-----	-----
Total-State General Funds	197	923	0	0
	-----	-----	-----	-----

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PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

 0704 INTERACTIVE TELEVISION (ITV) AID AND LEVY

CITATION: M.S. 124.91, Subd. 5
MDE ADMIN: 1307 Informational Technologies
FEDERAL: None

PURPOSE:

To provide funds for the construction, maintenance, and lease costs of an interactive television system for instructional purposes so that small districts have more program offerings for students.

Most education aid programs contribute to more than one education goal. This program contributes at least one of the Department of Education's *goals*:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

- **Education Facilities Improvement**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 18 and 124.

DESCRIPTION:

A school district located outside economic development region 11 may apply for revenue up to the greater of 0.5% of the adjusted net tax capacity or \$25,000. A district maximum levy equals the product of the maximum revenue times the lesser of one or the ratio of the district's adjusted net tax capacity per actual pupil unit to the equalizing factor. A district's maximum aid equals the maximum revenue minus the maximum levy. If a district levies less than the maximum amount, the state aid is reduced proportionately. If capital expenditure ITV aid is prorated, there is no adjustment to the levy for the proration.

PROGRAM STATUS:

(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	Current Law	
				F.Y. 1996	F.Y. 1997
<u>Revenue</u>					
Amount	--	--	\$ 4,603.2	\$ 5,780.8	\$ 6,219.5
Prorated Amount	--	--	\$ 4,517.0	\$ 4,286.6	\$ 4,757.6
Number of Districts	--	--	186	206	220
<u>Levy</u>					
Amount	--	--	\$ 1,294.8	\$ 1,713.9	\$ 1,900.0
<u>Aid</u>					
Amount	--	--	\$ 3,308.4	\$ 4,066.9	\$ 4,319.5
Proration Factor	--	--	0.9739	0.6326	0.6615
Prorated Aid	--	--	3,222.2	\$ 2,572.7	\$ 2,857.6
<hr/>					
A. <u>Statutory Formula</u>					
<u>REVENUE:</u>	--	--	\$ 4,603	\$ 5,781	\$ 6,220
Revenue Reduction Due To					
Insufficient Appropriation	--	--	(86)	(1,494)	(1,462)
Current Law Revenue					
(Line 9 on Fiscal Page)	--	--	\$ 4,517	\$ 4,287	\$ 4,758
B. <u>Statutory Formula LEVY:</u>	--	--	\$ 1,295	\$ 1,714	\$ 1,900
Levy Change Due To					
Insufficient Appropriation	--	--	0	0	0
Current Law Levy					
(Line 8 on Fiscal Page)	--	--	\$ 1,295	\$ 1,714	\$ 1,900
C. <u>Statutory Formula AID:</u>	--	--	\$ 3,308	\$ 4,067	\$ 4,320
Aid Reduction Due To					
Insufficient Appropriation	--	--	(86)	(1,494)	(1,462)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	--	--	3,222	2,573	2,858
Proration Factor	--	--	0.974	0.633	0.662
D. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)	--	--	\$ 3,154	\$ 3,154*	\$ 3,154*
Entitlement Changes Per Law:					
■ Increase in School District Participation					
and Growth of ANTC	--	--	154	913	1,166
Statutory Formula Aid (Unprorated)	--	--	\$ 3,308	\$ 4,067	\$ 4,320

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0704 INTERACTIVE TELEVISION (ITV) AID AND LEVY
 (Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Small schools continue to have fewer program offerings than larger school districts.
- Network technology will continue to provide opportunities for all schools to benefit from this program.
- MDE will continue to provide technical assistance to participating districts.

B. STRATEGIES:

- Broaden this program to allow districts greater flexibility in the purchase and maintenance of instructional technology.
- Districts need revenue to wire buildings to create local area and wide area networks that can allow teachers and students to communicate with each other within school buildings, between school buildings, and throughout the state and country. A broader program will allow for shared learning and professional development to ensure the development and implementation of the best teaching and learning practices and materials.

GOVERNOR'S RECOMMENDATION:

The Governor recommends expansion of this program beginning in F.Y. 1997 to include not only construction, maintenance and lease costs of an interactive television system for instructional purposes in small schools, but also to include funds for the purchase, maintenance, professional development and support of instructional technologies to enable all schools in Minnesota the ability to implement and improve technology.

The realignment of this program, to allow participation of all districts regardless of location and expanding the use of funds to include instructional technology items, will provide the resources to districts to purchase computer hardware and software for teachers and student use for instructional purposes and to track student assessment data and other information relating to the graduation standards.

F.Y. 1997 instructional technology revenue is equal to the greater of \$9 times the districts actual pupil units or \$25,000.

To receive instructional technology revenue in F.Y. 1997 and thereafter a district may levy an amount equal to the lesser of the district's instructional technology revenue or 0.204% of the

district's adjusted net tax capacity.

Instructional technology aid is the difference between instructional technology revenue and the instructional technology levy.

Districts must place the instructional technology revenue in the capital equipment account and may only use the revenue for these purposes.

If a district levies less than the maximum amount, state aid is reduced proportionately.

The Governor recommends an aid entitlement of \$2,470 for F.Y. 1996 and \$7,586 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$2,573 in F.Y. 1996 (\$473 for F.Y. 1995 and \$2,100 for F.Y. 1996), and \$6,819 in F.Y. 1997 (\$370 for F.Y. 1996 and \$6,449 for F.Y. 1997).

In keeping with this program expansion, the Governor recommends the program name be changed to Instructional Technology Revenue, beginning in F.Y. 1997.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0704: INTERACTIVE TV LEVY AID/INSTRUCTIONAL TECHNOLOGY

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 3,154	\$ 3,154	\$ 3,154
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<581>	<296>
3. Other Adjustments				
Excess Funds Transfer In		68		
4. CURRENT LAW AID FUNDING LEVEL		3,222	2,573	2,858
5. Statutory Formula Aid (Detail in Narrative)		3,308		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments		<86>		
8. CURRENT LAW LEVY	3,122	1,295	1,714	1,900
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	3,122	4,517	4,287	4,758
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds Between Educ. Programs; Increase Funding			<103>	4,728
Current Law Aid Funding Level (Line 4)			2,573	2,858
RECOMMENDED AID ENTITLEMENT			2,470	7,586
GOVERNOR'S RECOMMENDATIONS : LEVY				
Program Growth & Emphasis Change			<115>	4,056
Current Law Levy (Line 8)			1,714	1,900
RECOMMENDED LEVY			1,599	5,956
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			4,069	13,542
APPROPRIATIONS BASIS:				
Prior Year 15 Percent			473	370
Current Year 85 Percent		2,681	2,100	6,449
Transfers Per M.S. 124.14, Subd. 7		68		
Total-State General Funds		2,749	2,573	6,819

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1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0705 EDUCATIONAL EFFECTIVENESS

CITATION: M.S. 121.608
MDE ADMIN: 1201 Teacher Improvement
FEDERAL: None

PURPOSE:

The Minnesota Educational Effectiveness Program (MEEP) is a research referenced education change and improvement effort designed to create school environments which respond to the changing needs of all learners. The mission of the program is:

The mission of the Minnesota Educational Effectiveness Program is to prepare schools for implementation of the Graduation Standards and Goals 2000.

The Minnesota Educational Effectiveness Program, through the utilization of fifteen research referenced characteristics:

- develops the competence for and facilitates the involvement of families and other stakeholders in site-based decision making processes;
- focuses on organizational modification to support improved learning for all;
- focuses on results-oriented instructional processes;
- creates a systemic view of the school as an interdependent system which addresses organization (structures and people), curriculum (what is taught), and instruction (assessment of need, planning, implementation and evaluation);
- creates a comprehensive understanding, for all stakeholders, of the relationship of the educational processes to and with other systems which impact the lives of children; and
- provides research referenced material to families, school staff members and other stakeholders.

School participating in MEEP have the research base from which necessary systemic change will be made to address the implementation of the Graduation Standards. In addition, MEEP schools have the important component of process training, which allows for smooth integration of change.

This program contributes to the national educational "Goals 2000" by:

- preparing students with the appropriate knowledge, skills and attitudes to succeed in school;
- increasing community and family involvement in the systemic change process and in planning/implementing workbased programs;
- increasing collaborative efforts and interdisciplinary teaching among staff members;
- targeting climate issues which further conflict resolution among students and staff; and
- targeting the need to use data in decision-making processes.

Most education aid programs contribute to more than one education goal. By improving school

environments which respond to the changing needs of learners, thereby increasing basic academic skills and increasing school readiness, this program contributes to two of the Department of Education's goals:

- **Learning Readiness:** All children in Minnesota will enter school ready to learn, with parents and families prepared to support and participate in their children's learning.
- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

■ **Graduation Standards**

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, pages 14, 18, 46 and 137.

DESCRIPTION:

MEEP is a state-funded program developed, directed and implemented by the Minnesota Department of Education (MDE) which works with site and district teams.

As a basis for any significant change, MEEP provides structures and processes which enable site-based teams to be the facilitators of change within their buildings. Through the research base, the program can create the climate within a school building to translate a program into action and create the requisite changes in behavior. The research base is organized into 15 characteristics which describe effective schools.

Participation begins with the identification and training of a school leadership team composed of parents, community members, other stakeholders, teachers, the principal and a representative from the central office. This week-long clinical workshop develops the team's knowledge of the program's research base, develops their competence in the implementation processes, and develops a team which can focus on involving staff in site-based decision-making. It is these skills which the team uses to relate to other critical issues such as curriculum articulation, flexible grouping, high expectations, instructional delivery, staff development, and family/community involvement.

MEEP schools operate with an understanding of and commitment to change over the long term. Sites apply to participate and commit time and fiscal resources to comply with program expectations. MEEP training results in the implementation of improved practices as "standard operating procedure" in the school because decision-making processes utilize a research base in the areas of teaching, learning, change and effective organization.

At the district level, MEEP provides aid for staff development planning, curriculum articulation/improvement and implementation of the Graduation Standards. MEEP conducts summer training

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0705 EDUCATIONAL EFFECTIVENESS
(Continuation)

programs for district level teams. Through regional coordinators district readiness for the Standards is assessed and plans for implementation made.

PROGRAM STATUS:

Beginning with 26 pilot sites in 1984, the program has grown to a present level of 850 participating sites. It also serves every district in the state with support services.

Site and district teams are supported by a cadre of MDE regional coordinators housed in multiple locations. The main tasks of the regional coordinators include: 1.) ongoing communication and training for all school staffs, parents and community on the Graduation Standards, 2.) support for staff development planning/implementation, 3.) support for curriculum articulation/improvement, 4.) access by school sites to the research base, and 5.) facilitation for local problem solving and improvement planning.

The regional coordinators have access to other regional consultants who have been trained to present on the Graduation Standards, assessment specialists, certified vendors, and best practice networks. The regions have networks of teachers, administrators, staff developers and curriculum developers who disseminate information and gather data.

Evaluation data each year indicated that the regional and statewide network that has been established is a key element of success of the program. The regional coordinator role of providing direct assistance to participating schools and establishing and maintaining the regional networks has been a major factor in maintaining the integrity of the program.

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of schools:	750	800	850	900	950
Number of Facilitators (not FTE):	16	16	16	18	20
MDE Staff (full time):	3	3	3	4	4

(\$ in 000s)

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
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PROGRAM FUNDING

A. <u>Statutory Formula Aid:</u>	\$ 831	\$ 868	\$ 870	\$ 870	\$ 870
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(160)	(82)
Current Law Aid Entitlement	\$ 831	\$ 868	\$ 870	\$ 710	\$ 788
Proration Factor	1.000	1.000	1.000	0.816	0.906
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 870	\$ 870	\$ 870*	\$ 870*
Cancellation		\$ (2)			
Statutory Formula Aid (Unprorated)		\$ 868	\$ 870	\$ 870	\$ 870

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- The implementation of Graduation Standards across Minnesota becomes a challenge of educating all stakeholders. In particular, all districts which are not Pilot Sites must have intensive training on the Graduation Standards. Education Effectiveness staff must develop training programs for superintendents, principals, site teams and district teams, so that the Graduation Standards may be fully implemented. Beyond training challenges is the long term challenge of monitoring and compliance for standards. Continuous improvement of instruction and student learning in districts under the Graduation Standards combine existing Planning, Evaluation and Reporting (PER) programs and Staff Development initiatives, both under this program. This program is challenged to take existing compliance measures into a continuous framework under the Graduation Standards.

B. STRATEGIES:

- The Education Effectiveness program will continue to serve the needs of school site decision making teams, by offering initial team process training (750 sites have been trained, leaving another 750 as candidates) and through site team facilitation. This program has initiated programs to disseminate Graduation Standards training beyond Tier II pilot sites through district interview, superintendents' training, principals' training, Tier II pilot site selection/training, and district team training. Plans for monitoring and compliance to the Standards are in the planning stages. The Education Effectiveness program and the Graduation Standards units at MDE continue to strategize collaborative ways to disseminate Standards information.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$749 for F.Y. 1996 and \$749 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$749 in F.Y. 1996, and \$749 in F.Y. 1997.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0705: EDUCATIONAL EFFECTIVENESS

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 870	\$ 870	\$ 870	\$ 870
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<160>	<82>
3. Other Adjustments				
Cancellation	<2>			
4. CURRENT LAW AID FUNDING LEVEL	868	870	710	788
5. Statutory Formula Aid (Detail in Narrative)	868	870		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	868	870	710	788
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds Between Years			39	<39>
Current Law Aid Funding Level (Line 4)			710	788
RECOMMENDED AID ENTITLEMENT			749	749
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			749	749
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	868	870	749	749
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	868	870	749	749

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1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids
 0706 ACADEMIC EXCELLENCE FOUNDATION/PARTNERS FOR QUALITY
 (Continuation)

PROGRAM STATUS:

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>Current Law</u>	
				<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
A. Program delivery					
Initiatives delivered	10	11	8	8	10
Partners for Quality sites					
Enrolled sites (cumulative)	42	63	200	250	300
Commissioner's Award level	0	11	50	75	125
Governor's Award level	0	0	2	10	20
Minnesota Quality Award level	0	2	2	4	4
Assessment sites	0	0	5	10	15
Business partners	50	60	100	100	100
Minnesota Goals 2000					
Enrolled sites	89	52	50	50 ¹	50 ¹
Academic League					
Member districts	203	227	250	250	260
% state students (impact)	85%	90%	95%	95%	95%
% state students (participate)	NA	27%	27%	30%	32%
Activities	60	80	75	70	70
Students served					
Governor's Scholars/Alumnae 65/20		70/40	75/200	75/300	75/400
Lettering for Excellence					
Schools/Students	200/4,500	230/5,000	250/5,500	250/5,500	250/5,500
Gathering of Champions	350	NA	1200+	1500	1500
Special populations	14%	17%	15%	20%	20%
Awareness campaigns	0	1	2	2	2

¹ These sites will be folded into other MAEF and MDE initiatives in F.Y. 1996.

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>Current Law</u>	
				<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Media coverage					
Print articles	N/A	370	400	400	400
Broadcast	N/A	12	10	10	10
B. Fund Development and Private/Public Partnership					
Fundraising Campaigns	3	4	4	4	4
Annual fund	\$ 4	\$ 7	\$ 10	\$ 15	\$ 20
Endowment (Cumulative)	\$ 298	\$ 352	\$ 400	\$ 465	\$ 540
Endowment interest	\$ 4	\$ 6	\$ 15	\$ 17	\$ 20
Program partners	\$ 83	\$ 145	\$ 125	\$ 135	\$ 150
Inkind	\$ 135	\$ 328	\$ 400	\$ 400	\$ 400

C. State Funding

PROGRAM FUNDING

A. Statutory Formula AID:	\$ 264	\$ 469	\$ 575	\$ 525	\$ 525
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(97)	(49)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	\$ 264	\$ 469	\$ 575	\$ 428	\$ 476
Proration Factor	1.000	1.000	1.000	0.816	0.906
B. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement		\$ 525	\$ 525	\$ 525*	\$ 525*
Entitlement Changes Per Law:					
■ Balance Forward Due to Timing of					
Program Events and Administrative					
Support Costs		(50)	\$ 50		
■ Cancellation		(6)			
Statutory Formula Aid (Unprorated)		\$ 469	\$ 575	\$ 525	\$ 525
C. Aid Funding Level Reconciliation:					
Current Law Aid Entitlement		\$ 469	\$ 575	\$ 428	\$ 476
Adjustments Per Law:					
■ Cancellation		\$ 6			
Current Aid Funding Level		\$ 469	\$ 575	\$ 428	\$ 476

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0706 ACADEMIC EXCELLENCE FOUNDATION/PARTNERS FOR
QUALITY

(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- MAEF has been asked by the private sector for assistance in focusing their investments in education (personnel, in-kind gifts, foundation funding) toward achieving high-performing, results-oriented partnerships. Reduced levels of corporate resources and a new interest in results rather than activities drives this opportunity.
- MAEF assists schools in aligning existing resources toward achieving increases in student learning and implementing the graduation standards. Caps on funding and rising costs have led educators to use MAEF's quality assessment approach to reengineer and improve their delivery systems.
- A wide gap exists between what the general public expects and what education officials recognize as basic rigor in meeting the needs for high performance in the world marketplace. The private sector outcry for better prepared workers has fueled the need to transform education delivery systems toward achieving learning results which meet the needs for the global economy. Communities need support to recognize and understand these changes and to plan how to support local education systems in this transformation.
- Educators and policy leaders need a focused framework for re-aligning systems, programs and initiatives toward gaining and measuring results. Incremental programs and funding streams, characteristic of an input-driven system, are barriers to gaining improved outputs. MAEF has begun to assist educators in being able to assess what activities add value and what activities detract from continuous improvement efforts as Minnesota shifts to output-driven education systems.
- Most education sites lack capacity to become good managers of a results-driven system. A recent MAEF survey revealed that:
 - Sites have data but lack information.
 - They lack information and technology strategies to collect and manage information for decision-making.
 - The technology used presently was designed for instructional practice rather than assessment and analysis.
 - Management and instructional staff need training to learn how to develop, collect, analyze and use data.
 - Districts, schools, and units within these schools and districts lack common technologies and software, a fact which strangles communications.
 - Significant data is available outside of districts, but is not readily catalogued, easily accessed, or user friendly.

- The Coalition for Education Reform, Education Performance Improvement Contracts, and other emerging results-oriented funding proposals will create a sharp need for a means to reengineer education systems toward achieving and measuring results.

B. STRATEGIES:

- At its present level of funding, MAEF has been able to accelerate and improve its level of service to students, schools, and communities. MAEF continues to respond quickly and well to customer needs, and the increased capacity has allowed MAEF to transition to a customer-response, prevention-oriented, volunteer-driven program. MAEF is a small operation with large upside potential. A small investment in MAEF leverages important results, and its services will be more critically demanded in F.Y. 1996 and F.Y. 1997. MAEF's highest priority will be to continue to deliver good services to students, schools, communities, and businesses. Specific strategies include:

- Accelerating fundraising efforts to add donors, partners, and dollars and to improve MAEF's revenue mix.
- Developing a possible membership/affiliation option for businesses who request assistance from MAEF. Exploratory work is presently underway with the National Alliance of Business and the Minnesota Business Partnership.
- Continuing the transition to a volunteer-driven organization by increasing opportunities for volunteers to serve students, schools, and communities. MAEF will coordinate these efforts with the National Association of Partnerships in Education, the Minnesota Chamber, and local service groups.
- Continuing to work closely with like-minded groups to leverage output and avoid duplication of services.
- Adjusting the cash flow of private gifts, if possible, to offset initial budget reductions.

In F.Y. 1993 and F.Y. 1994, MAEF downsized its program offerings to eliminate investments which did not directly contribute to its goals. This is not a useable strategy for F.Y. 1995 or F.Y. 1996.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$452 for F.Y. 1996 and \$452 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$452 in F.Y. 1996, and \$452 in F.Y. 1997.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0706: MINNESOTA ACADEMIC EXCELLENCE FOUNDATION (MAEF)

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 525	\$ 525	\$ 525	\$ 525
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<97>	<49>
3. Other Adjustments				
Balance Forward	<50>	50		
Cancellation	<6>			
4. CURRENT LAW AID FUNDING LEVEL	469	575	428	476
5. Statutory Formula Aid (Detail in Narrative)	469	575		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	469	575	428	476
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds Between Years			24	<24>
Current Law Aid Funding Level (Line 4)			428	476
RECOMMENDED AID ENTITLEMENT			452	452
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			452	452
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	469	575	452	452
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	469	575	452	452

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

 0707 ENVIRONMENTAL EDUCATION (MDE)

CITATION: M.S. 126A
MDE ADMIN: 1201 Learner Improvement
FEDERAL: None

PURPOSE:

The purpose of the Minnesota Department of Education environmental education program is to provide strategies for the dissemination of the model environmental education curriculum integration process to K-12 teachers. These strategies include accurate content, curriculum integration strategies and relevant materials and issues to be able to prepare K-12 teachers to help students meet the goals of the 1990 Environmental Education Act, M.S. 126A. Through action of the 1993 Legislature, this statute is sunsetted on July 1, 1995.

Most education programs contribute to more than one education goal. This program provides funding to school districts throughout the state so that districts can provide programs and services that contribute to one or more of the Department of Education's goals and priorities. For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

The 1990 Environmental Education Act requires that environmental education be integrated into the curriculum and that the Department of Education devise strategies to prepare K-12 teachers to help students meet the goals of the Act:

- to understand ecological systems;
- to understand the cause and effect relationship between human attitudes and behavior and the environment;
- to be able to analyze, develop, and use problem-solving skills to understand the decision-making process of individuals, institutions, and nations regarding environmental issues;
- to be able to evaluate responses to environmental issues before deciding on alternative courses of action;
- to understand the potential complementary nature of multiple uses of the environment;
- to provide experiences to assist citizens to increase their sensitivity and stewardship for the environment; and
- to provide the information citizens need to make informed decisions about actions to take on environmental issues.

The major initial activities used to achieve the purpose of this program are providing a coordinator of services to teachers; securing additional funds (LCMR Funds); building a foundation for systematic, focused, and ongoing teacher training; identification of exemplary teachers who can help train others; and connecting educators with the environmental education community and all its resources.

PROGRAM STATUS:

(\$ in 000s) **F.Y. 1993** **F.Y. 1994** **F.Y. 1995** **Current Law**
F.Y. 1996 **F.Y. 1997**

PROGRAM FUNDING

A. Statutory Formula AID:	--	\$ 30	\$ 30	\$ 30	\$ 30
Aid Reduction Due To					
Insufficient Appropriation	--	(0)	(0)	(5)	(3)
Current Law Aid Entitlement	--	\$ 30	\$ 30	\$ 25	\$ 27
Proration Factor	--	1.000	1.000	0.816	0.906
B. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement		\$ 30 ^(*)	\$ 30	\$ 30*	\$ 30*
Statutory Formula Aid (Unprorated)		\$ 30	\$ 30	\$ 30	\$ 30

^(*) \$60 biennial appropriation less \$30 balance forward to F.Y. 1995.

(*) Biennial appropriation of \$60 allocated to F.Y. 1996 and F.Y. 1997.

F.Y. 1994 was the first year for this program.

BUDGET ISSUES:

A. CHALLENGES:

- This law has been sunsetted.
- Since enactment of M.S. 126A, a State Plan for environmental education was generated with the model curriculum integration process at the top of the priorities in the Plan. Further, an environmental education teacher network has been established as well as a collaborative of universities, eight school districts, two private foundations, and the Center for School Change. Deployment of resources, strategies for implementation, and ongoing teacher training are now a primary mission.

B. STRATEGIES:

- The goals of this activity will be continued in various other initiatives such as the graduation standards.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this activity.

While the goals of this program are worthwhile, fiscal constraints require that resources be directed toward MDE highest priorities. This recommendation, along with increased flexibility with general education funds, will increase school district discretion in managing resources most effectively toward improving student performance.

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids
 0708 GRADUATION RULE ACCELERATION
 (GRADUATION STANDARDS)
 (Continuation)

Table: Nine Additional Pilot Sites

ISD Number	Name	F.Y. 1996 Pilot Grants
432	Mahnomen	\$ 20.0
390	Lake of the Woods, Baudette	20.0
709	Secondary Tech Center, Duluth	20.0
769	Morris	20.0
2155	Wadena-Deer Creek	20.0
347	Willmar	20.0
728	Elk River	20.0
508	St. Peter	20.0
299	Caledonia	<u>20.0</u>
Total		\$ 180.0

The 23 pilot sites' experiences will provide valuable information about the standards and the training and resources needed to implement them. Pilot sites will test all portions of the standards before other districts implement them.

Cost Impact of State-wide Implementation of the Graduation Standards.

A national education finance consulting firm has been hired to determine the cost impact to the state of the Graduation Standards. The study will examine a range of costs that school districts are likely to incur in planning to implement the Graduation Standards, including but not limited to the direct costs associated with additional personnel, personnel development, supplies and materials, and administration.

The study will take into consideration any cost savings that might be associated with such planning. In addition, the study will develop a process to estimate the costs of fully implementing the Basic Requirements and the Profile of Learning, including an examination of the general fiscal implication of each element of the Profile and the creation of a data-gathering procedure that will be used to obtain detailed fiscal data from pilot school districts. The report, to be completed in the fall of 1995, will summarize the work completed, including a description of the process used to develop cost estimates, the level of statewide expenditures likely to be incurred, caveats that accompany such estimates, and any recommendations to improve data collection and analysis.

Public Information

Public information on Graduation Standards continues to increase to wider audiences in Minnesota, with public response being sought and used in refining the requirements. Awareness and beginning stages of implementation of the standards continue to spread throughout the schools of the state as teachers receive training and decide how to implement the standards even before the law requires.

School Improvement

The Office of Graduation Standards has collaborated with the Education Effectiveness Program on school improvement through implementation of the standards, with the result that regional assistance is available to all schools. For further information on the Education Effectiveness program see program 0705.

Areas of Need

- It will be necessary to increase technology to assist with creating educational plans for students and to manage the extensive records which the system requires.
- Schools will need to increase their capacity for student guidance and communicate with parents. Implementation of a new system will require more intense work with individuals during the first several years.
- Technical assistance with assessment practices must be available regionally to create the capacity of schools to conduct assessments appropriately, ensure test security, and continue training of personnel in performance assessment.
- Implementation of the Graduation Standards will require that staff development resources be available to schools from the state. Each teacher will need training in assessment techniques as well as familiarity with the new system.

Implementing the Standards

An assumption has been that the standards must be phased in. Rather than merely *announcing* the standards as many states have done, Minnesota will *build the capacity* of the system to deliver these standards by testing and checking them in real settings before requiring the standards statewide.

- Students entering 9th grade in 1996 must achieve the Basic Requirements in reading and mathematics;
- Students entering 9th grade in 1997 must achieve the Basic Requirements in reading and mathematics, writing and science;
- The remainder of the Graduation Standards, which include the rest of the Basic Requirements and the Profile of Learning, take effect in 1998.
- Students graduating from high school in 2000 will be the first group required to meet some of the Graduation Standards. Each succeeding class will have added requirements until all standards are implemented.

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

 0708 GRADUATION RULE ACCELERATION
 (GRADUATION STANDARDS)
 (Continuation)

PROGRAM STATUS:

(\$ in 000s) F.Y. 1993 F.Y. 1994 F.Y. 1995 F.Y. 1996 F.Y. 1997

I. Graduation Standards - State General Fund Appropriation

Standards and					
Assessment Development	--	\$ 2,737.0	\$ 2,735.0	\$ 3,100.0	\$ 3,000.0
Staff/Administration	--	25.0	1,292.0	800.0	1,000.0
Public Information	--	688.0	780.0	500.0	500.0
Rulemaking	--	--	500.0	200.0	100.0
State Assessment	--	\$ 575.0	668.0	400.0	400.0
Subtotals		\$ 4,025.0	\$ 5,975.0	\$ 5,000.0*	\$ 5,000.0*

* Not reduced for appropriation cap

II. Special Revenue Fund Appropriation^(a)

Subtotal	--	188.0	188.0	188.0	188.0
Grand Total	--	\$ 4,213.0	\$ 6,163.0	\$ 4,266.0**	\$ 4,718.0**

^(a) The \$188,000 from special revenue funds were spent on piloting specifically among schools working on the health/safety standards. Funding for the special revenue funds is provided from 12% of the \$250 driver license reinstatement fee, with money transferred to MDE from the Department of Public Safety.

** Reduced for appropriation cap

III. PROGRAM FUNDING

A. Statutory Formula Aid:	--	\$ 4,025	\$ 5,975	\$ 5,000	\$ 5,000
Aid Reduction Due To					
Insufficient Appropriation	--	(0)	(0)	(922)	(470)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	--	\$ 4,025	\$ 5,975	\$ 4,078	\$ 4,530
Proration Factor	--	1.000	1.000	0.816	0.906
Health Area (Special Revenue)	--	188	188	188	188
Total Aid Entitlement	--	\$ 4,213	\$ 6,163	\$ 4,266	\$ 4,718

		<u>Current Law</u>				
(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	
B. Aid Entitlement Reconciliation:						
Appropriation-Implied Entitlement						
(Line 1 on Fiscal Page)		\$ 5,000	\$ 5,000	\$ 5,000*	\$ 5,000*	
Entitlement Changes Per Law:						
■ Balance Forward Due to Increased						
Emphasis on Graduation Standards						
Development in F.Y. 1995		(975)	975			
Statutory Formula Aid (Unprorated)		4,025	5,975	5,000	5,000	
Health Area (Special Revenue)		188	188	188	188	
Total Aid Entitlement		\$ 4,213	\$ 6,163	\$ 5,188	\$ 5,188	

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15 % funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

In the 1996-97 biennium, the Graduation Standards program faces challenges related to statewide implementation. More specifically, challenges include:

- Providing staff development resources and technical assistance to schools.
- Increasing piloting to ensure effective implementation in schools of varieties of sizes, structures, locations, experience with standards, and other considerations;
- Increasing the capacity of the schools to deliver and verify standards;
- Increasing available technology and related training for data recording and reporting of student achievement; and
- Increasing public information and input.

B. STRATEGIES:

To meet these challenges, the Graduation Standards program in the 1996-97 biennium will:

- Increase piloting projects to more schools of even greater demographic differences;
- Implement the reading and mathematics standards statewide;
- Continue promotion and increase networking with the public, postsecondary institutions, business and industry, policy-makers, etc.; and
- Assist school districts with planning to implement the Graduation Standards.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$10,000 for F.Y. 1996 and \$5,000 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$10,000 in F.Y. 1996, and \$5,000 in F.Y. 1997.

The Governor also recommends an appropriation of \$188,000 from the special revenue fund each year for this activity.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0708: GRADUATION RULE ACCELERATION

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement ^a	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<922>	<470>
3. Other Adjustments				
Balance Forward	<975>	975		
4. CURRENT LAW AID FUNDING LEVEL	4,025	5,975	4,078	4,530
5. Statutory Formula Aid (Detail in Narrative)	4,025	5,975		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	4,025	5,975	4,078	4,530
GOVERNOR'S RECOMMENDATIONS : AID				
1. Increase Pilots and Rate of Implementation			5,922	470
Current Law Aid Funding Level (Line 4)			4,078	4,530
RECOMMENDED AID ENTITLEMENT			10,000	5,000
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			10,000	5,000
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	4,025	5,975	10,000	5,000
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	4,025	5,975	10,000	5,000
Total-Other Funds (Special Revenue)	188	188	188	188

^aIn addition, \$188 in special revenue funds are provided each year

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1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0709 SCHOOL IMPROVEMENT INCENTIVE GRANTS

CITATION: M.S. 121.602
MDE ADMIN: 1201 Learner Improvement
FEDERAL: None

PURPOSE:

To provide school improvement grants to individual school sites to improve student achievement, increase accountability for results, and to encourage general educational effectiveness which will lead to improved school effectiveness and increased student achievement.

Most education aid programs contribute to more than one education goal. By sponsoring initiatives which improve student learning and creating school environments which respond to the changing needs of learners, thereby increasing basic academic skills, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Teacher Education and Professional Development:** All education personnel in Minnesota will acquire and use the knowledge and skills needed to prepare all learners to achieve appropriate learning goals.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994; pages 14, 18, 46, 124 and 126.

DESCRIPTION:

School sites use the grants for a variety of school improvement activities such as:

- increasing meaningful parental involvement in site-based decision making;
- improving results-oriented instruction processes;
- creating flexible school-based organizational structures; and
- school-wide education effectiveness training.

Grants are awarded on a competitive basis each year. Applicants are required to demonstrate increasing accountability by using results-oriented systems for instruction, staff development, and measurement to achieve increased student performance. All sites must demonstrate and validate the form of measurement, indicators and instruments used to monitor student achievement. Selected

sites will be asked to share how their efforts have improved student learning and instructional practices. One of the outcomes of this grant project is to improve all Minnesota schools, and communicate and replicate the best practices.

PROGRAM STATUS:

No funds were awarded in F.Y. 1995 at the time this narrative was written. F.Y. 1995 grants will be awarded in February.

School Improvement Incentive Grants were distributed to 25 schools in December, 1993.

District Number	District Name	School	F.Y. 1994 Funding
1	Minneapolis	Center School	5
1	Minneapolis	Howe Elementary	5
1	Minneapolis	North Star Elementary	5
1	Minneapolis	Pease Academy	5
1	Minneapolis	Pillsbury Math Elementary	5
1	Minneapolis	Tuttle Elementary	5
1	Minneapolis	Webster Open Elementary	5
11	Anoka Hennepin	Johnson Elementary	5
16	Spring Lake Park	Park Terrace Elementary	5
44	Fergus Falls	Cleveland Elementary	5
194	Lakeville	Crystal Lake Elementary	5
199	Inver Grove Heights	Salem Hills Elementary	5
206	Alexandria	Washington Elementary	5
271	Bloomington	Bravo	5
273	Edina	Creek Valley Elementary	5
276	Minnetonka	Clear Springs Elementary	5
279	Osseo	Cedar Island Elementary	5
281	Robbinsdale	Meadow Lake Elementary	5
477	Princeton	South Elementary	5
492	Austin	Neveln Elementary	5
622	North St. Paul	Richardson Elementary	5
742	St. Cloud	Clearview Elementary	5
832	Mahtomedi	O.H. Anderson Elementary	5
832	Mahtomedi	Wildwood Elementary	5
2397	LeSueur	Park Elementary	5
			<u>5</u>
			\$ 125.0

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0709 SCHOOL IMPROVEMENT INCENTIVE GRANTS
 (Continuation)

				Current Law	
(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>

PROGRAM FUNDING

A. <u>Statutory Formula AID:</u>	--	\$ 125	\$ 125	\$ 125	\$ 125
Aid Reduction Due To					
Insufficient Appropriation	--	(0)	(0)	(23)	(12)
Current Law Aid Entitlement	--	\$ 125	\$ 125	\$ 102	\$ 113
Proration Factor	--	1.000	1.000	0.816	0.906
 B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 125	\$ 125	\$ 125*	\$ 125*
Statutory Formula Aid (Unprorated)		\$ 125	\$ 125	\$ 125	\$ 125

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- School Improvement Incentive Grants are site-specific and targeted to educational effectiveness research. A challenge to grant recipients is to ensure the money is spent on student-focused activities. An impossible challenge to recipients is to show significant student results in a year's time for the \$5,000 award per site.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing specific categorical funding for this activity. Districts will have the option of funding this activity through the use of Learner Improvement Revenue (0718). In this way, districts will have the flexibility to choose those activities which they believe will most effectively impact student achievement.

While the goals of this program are worthwhile, fiscal constraints require that resources be directed toward MDE highest priorities. This recommendation, along with increased flexibility with general education funds, will increase school district discretion in managing resources most effectively toward improving student performance.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0710: SCHOOL RESTRUCTURING GRANTS

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$ 750	\$ 500	\$ 500
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<92>	<47>
3. Other Adjustments				
4. CURRENT LAW AID FUNDING LEVEL		750	408	453
5. Statutory Formula Aid (Detail in Narrative)		750		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY		390	355	400
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)		1,140	763	853
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Educ. Programs			<408>	<453>
Current Law Aid Funding Level (Line 4)			408	453
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Discontinue Activity, Effective Pay 96 Levy				<400>
Current Law Levy (Line 8)			355	400
RECOMMENDED LEVY			355	0
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			355	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent				
Current Year 85 Percent		750	0	0
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds		750	0	0

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1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids
 0711 STAFF DEVELOPMENT INCENTIVE
CITATION: M.S. 124A.292
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide revenue for individual school sites that have implemented an outplacement program on an ongoing basis to counsel staff and have implemented a program according to the Teacher Mentorship program (M.S. 125.231). All funding provided through this program must be used at the eligible school site for staff development purposes.

Most education aid programs contribute to more than one education goal. By improving sponsoring initiatives which improve student learning and school environments which respond to the changing needs of learners, thereby increasing basic academic skills, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Teacher Education and Professional Development:** All education personnel in Minnesota will acquire and use the knowledge and skills needed to prepare all learners to achieve appropriate learning goals.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

Staff development revenue is equal to the number of teachers at the school site times \$25. School districts may levy for this program. The district's levy is equal to the revenue times the lesser of one or the district's adjusted net tax capacity per pupil unit for the year before the levy is certified to the equalizing factor for the school year to which the levy is attributable. A district's aid is equal to its revenue minus its levy times the ratio of the actual amount levied to the permitted levy.

PROGRAM STATUS:

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>Current Law</u>	
				<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Districts	--	0	4	6	6
Number of Staff	--	0	1,200	2,200	2,240
Total Revenue	--	0	30.0	55.0	56.0
Levy Authority	--	0	6.4	5.0	6.0
State Aid Entitlement	--	\$ 0	\$ 23.6	\$ 50.0	\$ 50.0

F.Y. 1994 was the first year of this program.

Although F.Y. 1994 was the first year of the program, the program was enacted after the levy was certified.

PROGRAM FUNDING

A. <u>Statutory Formula</u>					
<u>REVENUE:</u>	--	\$ 0	\$ 30	\$ 55	\$ 56
Revenue Reduction Due To					
Insufficient Appropriation	--	(0)	(0)	(9)	(5)
Current Law Revenue					
(Line 9 on Fiscal Page)	--	0	30	46	51
B. <u>Statutory Formula LEVY:</u>					
Levy Change Due To	--	0	6	5	6
Insufficient Appropriation	--	0	0	0	0
Current Law Levy					
(Line 8 on Fiscal Page)	--	0	6	5	6
C. <u>Statutory Formula AID:</u>					
Aid Reduction Due To	--	0	24	50	50
Insufficient Appropriation	--	(0)	(0)	(9)	(5)
Current Law Aid Entitlement	--	0	24	41	45
Proration Factor	--	--	1.000	0.816	0.906

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0711 STAFF DEVELOPMENT INCENTIVE
 (Continuation)

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
D. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		50 ^(a)	50	50*	50*
Entitlement Changes Per Law:					
■ Balance Forward Due To					
Timing -- No Levy and No					
Participation		(50)	50		
			(50)		
■ Change in Program Participation:					
Revenue Increase			(30)	(5)	(4)
Levy (Increase)			<u>4</u>	<u>5</u>	<u>4</u>
Statutory Formula Aid (Unprorated)		<u>0</u>	<u>24</u>	<u>50</u>	<u>50</u>

^(a) \$100 biennial appropriation less \$50 balance forward to F.Y. 1995.

^(*) Biennial appropriation of \$100 allocated to F.Y. 1996 and F.Y. 1997.

BUDGET ISSUES:

A. CHALLENGES:

- Because many districts have been experiencing growth in enrollment, few teachers are being released.
- Because of small amount of funds involved many districts have chosen not to participate.

B. STRATEGIES:

- Districts should have access to revenue to initiate programs such as this if that is a priority of the district.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing specific categorical aid and levy for this activity. Districts will have the option of funding this activity through the use of Learner Improvement Revenue (0718). In this way, districts will have the flexibility to choose those activities which they believe will most effectively impact student achievement.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0711: STAFF DEVELOPMENT INCENTIVE

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 50 ^a	\$ 50	\$ 50	\$ 50
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<9>	<5>
3. Other Adjustments				
Balance Forward	<50>	50		
Excess Funds Transfer Out		<76>		
4. CURRENT LAW AID FUNDING LEVEL	0	24	41	45
5. Statutory Formula Aid (Detail in Narrative)		24		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY		6	5	6
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	0	30	46	51
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Educ. Programs			<41>	<45>
Current Law Aid Funding Level (Line 4)			41	45
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Discontinue Activity, Effective Pay 96 Levy				<6>
Current Law Levy (Line 8)			5	6
RECOMMENDED LEVY			5	0
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			5	0
APPROPRIATIONS BASIS:				
Prior Year 15 Percent				
Current Year 85 Percent	0	100	0	0
Transfers Per M.S. 124.14, Subd. 7		<76>		
Total-State General Funds	0	24	0	0

^a\$100 biennial appropriation less \$50 balance forward to FY 1995.

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EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0717: INTERNET

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 200	\$ 200	\$ 0	\$ 0
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3				
3. Other Adjustments				
4. CURRENT LAW AID FUNDING LEVEL	200	200	0	0
5. Statutory Formula Aid (Detail in Narrative)	200	200		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	200	200	0	0
GOVERNOR'S RECOMMENDATIONS : AID				
1. Restore Funding			200	200
Current Law Aid Funding Level (Line 4)				
RECOMMENDED AID ENTITLEMENT			200	200
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			200	200
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	200	200	200	200
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	200	200	200	200

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

0718 LEARNER IMPROVEMENT

CITATION:
MDE ADMIN: 1201 Learner Improvement
FEDERAL: None

PURPOSE:

To provide school districts with resources for program improvement which will allow districts more flexibility and discretion to improve student performance.

DESCRIPTION:

Learner improvement revenue may be used for the following programs and purposes:

1. to maintain or reduce the school district's instructor to learner ratios;
2. to prepare and use individualized learning plans for each learner;
3. to provide staff development programs for the purpose of improving student performance;
4. to provide parent involvement programs;
5. to provide secondary vocational education programs;
6. to provide educational services in a cooperative manner or to purchase goods and services from entities formed for cooperative purposes;
7. to implement the new "results-oriented" graduation standards;
8. to provide or expand Advanced Placement and International Baccalaureate offerings;
9. to provide programs for implementing school site decision-making practices, involving staff members, students and parents.

The school board of each district will determine which programs to provide, the manner in which they will be provided, and the extent that these and other resources will be used for the programs.

Maximum learner improvement revenue is equal to the greater of \$67 times the district's actual pupil units or \$25,000. School districts are eligible to receive the maximum revenue if progress toward implementation of the new graduation standards has been demonstrated. If progress has not been demonstrated, learner improvement revenue is equal to the greater of \$60 times the district's actual pupil units or \$20,000.

To receive learner improvement revenue, a district may levy an amount equal to the district's learner improvement revenue multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable to \$3,500.

Learner improvement aid is the difference between the learner improvement revenue and the learner improvement levy. If a district does not levy the entire amount permitted, learner improvement aid must be reduced in proportion to the actual amount levied. If the appropriation is insufficient to pay all districts the full amount of aid earned, the formula allowance and minimum used to compute each

district's learner improvement revenue is reduced to avoid proration of the aid.

PROGRAM STATUS:

Currently, categorical aids for each of the programs and purposes listed in the prior section provided funds without much local district discretion. Specific data regarding these programs are provided elsewhere in this budget.

BUDGET ISSUES:

A. CHALLENGES:

- Minnesota is moving toward a results-oriented graduation system. While this is a common goal, districts are at various stages in terms of reaching that goal. Meeting that goal is both a state and local challenge.
- Minnesota's districts face differing challenges. Priorities in districts vary based on their needs.
- Resources for programs and services are scarce. At the present time, districts do not have a categorical revenue source which they can use to address their unique needs and goals.

B. STRATEGIES:

- Districts should have access to revenue to initiate or expand programs if the district determines they are a priority. Districts need enhanced flexibility if they are to be held accountable for results.
- To move districts closer toward a results-based system, a portion of the revenue available through this program should be linked to districts beginning to develop results-based systems in their districts. While all districts would have access to the \$67 per pupil unit only those which choose to initiate results-based programs would actually receive the \$67 per pupil unit. The other districts would receive \$60 per pupil unit. A results-based program would require districts to clearly state the learner results which will be expected. Where possible, this would be stated using graduation standards expectations. In order to be eligible for the added revenue, the results-based programs would need to file an application to the Commissioner. Districts which are pilot sites for the graduation standards would receive the added revenue without filing a plan.
- The Minnesota Educational Effectiveness Program will provide assistance to districts which elect to utilize this model.

GOVERNOR'S RECOMMENDATION:

The Governor recommends initiating this new activity beginning in F.Y. 1997.

The Governor recommends an aid entitlement of \$0 for F.Y. 1996 and \$11,824 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$0 in F.Y. 1996 (\$0 for F.Y. 1995 and \$0 for F.Y. 1996), and \$10,051 in F.Y. 1997 (\$0 for F.Y. 1996 and \$10,051 for F.Y. 1997).

SEE PROGRAM 0602 FOR FISCAL PAGE.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0718: LEARNING IMPROVEMENT REVENUE

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$	\$	\$
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3				
3. Other Adjustments	-----	-----	-----	-----
4. CURRENT LAW AID FUNDING LEVEL			0	0
5. Statutory Formula Aid (Detail in Narrative)				
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY	-----	-----	-----	-----
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)			0	0
GOVERNOR'S RECOMMENDATIONS : AID				
1. Use District Coop. Revenue for Learner Improvement Rev.				11,824
Current Law Aid Funding Level (Line 4)				0
			-----	-----
RECOMMENDED AID ENTITLEMENT				11,824
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Use District Coop. Revenue for Learner Improvement Rev.				50,927
Current Law Levy (Line 8)				0
			-----	-----
RECOMMENDED LEVY				50,927
			-----	-----
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY				62,751
APPROPRIATIONS BASIS:				
Prior Year 15 Percent				
Current Year 85 Percent				10,051
Transfers Per M.S. 124.14, Subd. 7				
	-----	-----	-----	-----
Total-State General Funds				10,051
	-----	-----	-----	-----

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EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0719: CHARTER SCHOOL START-UP

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$	\$	\$
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3				
3. Other Adjustments				
4. CURRENT LAW AID FUNDING LEVEL			0	0
5. Statutory Formula Aid (Detail in Narrative)				
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)				
GOVERNOR'S RECOMMENDATIONS : AID				
1. New Initiative			100	100
Current Law Aid Funding Level (Line 4)				
RECOMMENDED AID ENTITLEMENT			100	100
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			100	100
APPROPRIATIONS BASIS:				
Prior Year				
Current Year			100	100
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds			100	100

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Education Aids
PROGRAM: Access to Excellence
ACTIVITY:

ITEM TITLE: Technology Access Initiative

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$5,000	\$5,000	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a total of \$5,000,000 in F.Y. 1996 and \$5,000,000 in F.Y. 1997 to provide information and assistance to school districts in obtaining and utilizing technology for educational programming; to provide districts with access to the Internet; and to implement a pilot program that will encourage learners to meet educational goals and requirements outside of the school by linking up homes, businesses, libraries and other institutions with the schools through technology.

RATIONALE:

The increasing sophistication of instructional technology offers schools the opportunity to transform the way they reach learners in their communities and the kind of information they can bring into the classroom. Districts often lack the resources, financial and technical, however, to make the best use of available hardware, software and connectivity. The recommended funding would enable districts to begin to build a technological base.

PROGRAM OUTCOMES:

Education Technology Clearinghouse and Upgrade System

Through a competitive grant process, 2 or more educational technology clearinghouses and upgrade sites would be established. Businesses, other organizations or persons would be encouraged to donate new or used computers and other hardware and software to these clearinghouses, and the

technology would be upgraded at the center to increase its utility to elementary and secondary schools. Schools would be provided with information on the technology available to them through the clearinghouse.

The Governor recommends an appropriation of \$1,000,000 for this program, to be used to purchase technology needed to upgrade the computers, to employ staff at the clearinghouses and to inform districts about the clearinghouse.

Access to the Superhighway

Funds would be provided to each school site in each district, including outcome-based (charter) schools, to have 2 computers linked to the Internet. At the districts' option and expense they could link a greater number of computers to the Internet. The Governor recommends an appropriation of \$1,000,000 to provide school sites with access to the Internet. This appropriation would be added to the current appropriation for the Internet program (see Program 0717).

Electronic School

The Governor recommends \$8,000,000 in funding be awarded to a school district or a consortium of districts to develop and implement a pilot electronic school. The purpose of this school would be to provide educational opportunities for learners of all ages, utilizing the resources of the schools to their greatest capacity. In this electronic school, students would spend all or part of their time in environments outside of the school building, while still fulfilling educational requirements. The following activities would among those eligible for funding:

- linking homes, including home schools, to the Internet, and providing the technology to do so;
- linking homes or other learning sites to satellite technology;
- developing education programs to be accessed by learners in the electronic school, in collaboration with television stations;
- developing interactive television systems at select sites in remote areas where students would be linked to their classrooms rather than being transported to school each day;
- paying the cost of linking Minnesota classrooms with classrooms in other countries so that Minnesota learners could learn with and from teachers and students around the world;
- linking homes, schools or other learning centers with post secondary institutions, businesses, libraries or other institutions around the world; and
- providing training for students so that they are able to use the electronic equipment.

For each learner involved in the electronic school, the grant recipient would need to develop a learning plan which would identify the results that the student would be expected to demonstrate and how those results would be measured. The plan would also identify the licensed teachers who will manage the learning process for the students.

LONG-TERM IMPACT:

These funds are available for F.Y. 1996 and F.Y. 1997 only, but the programs should provide school districts with a foundation on which they can build.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0727: TECHNOLOGY ACCESS INITIATIVE

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$	\$	\$	\$
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3				
3. Other Adjustments	-----	-----	-----	-----
4. CURRENT LAW AID FUNDING LEVEL			0	0
5. Statutory Formula Aid (Detail in Narrative)				
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY	-----	-----	-----	-----
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)			0	0
GOVERNOR'S RECOMMENDATIONS : AID				
1. Develop Technology Clearinghouse and Upgrade Centers			500	500
2. Provide Internet Access (In addition to Funds in Program 0717)			500	500
3. Pilot Electronic School			4,000	4,000
Current Aid Funding Level (Line 4)			0	0
			-----	-----
RECOMMENDED AID ENTITLEMENT			5,000	5,000
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY			-----	-----
			-----	-----
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			5,000	5,000
APPROPRIATIONS BASIS:				
Prior Year				
Current Year			5,000	5,000
Transfers Per M.S. 124.14, Subd. 7				
			-----	-----
Total-State General Funds			5,000	5,000
			-----	-----

1996-97 Biennial Budget

PROGRAM: 07 Access to Excellence
AGENCY: Education Aids

FEDERAL PROGRAMS:

0720 FOREIGN LANGUAGES ASSISTANCE ACT PROGRAM

CITATION: Foreign Languages Assistance Program, Title II. Part B (Public Law 100-297), of the Elementary and Secondary Education Act of 1965, enacted as part of the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988. CFDA 84.249A

MDE ADMIN: 1201 Learner Improvement

PURPOSE:

To fund innovative, model programs in five languages: Arabic, Chinese, Japanese, Korean, and Russian with preference for programs that begin in the elementary grades and show articulation through secondary school.

Most education programs contribute to more than one education goal. This program provides federal flow-through funding to school districts throughout the state so that districts can provide essential programs and services that contribute to one or more of the Department of Education's goals and priorities.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 20.

DESCRIPTION:

The selection of model programs in Minnesota began with the design of the proposal process. To accomplish this, the Minnesota Department of Education (MDE) established a 15-member advisory committee of educators and representatives of the five primary critical languages. The advisory committee members met to plan for a competitive grant process and to establish criteria and procedures for LEA participation.

The MDE published an official announcement in the State Register and mailed a similar announcement to all LEAs and other potentially interested parties. This mailing reached superintendents in all public school districts, directors of the nine Educational Cooperative Service Units (ECSUs) and the 35 education districts, principals of 934 elementary schools, professors of teacher education programs in 19 colleges and universities, chairs of language departments at 45 institutions of higher education, and all Minnesota public and non-public school teachers of the five primary critical languages. Additional announcements were sent to pertinent ethnic, cultural, business, and professional organizations and to all 25 members of the Executive Board of the Minnesota Council of the Teaching of Foreign Languages (MCTFL).

Twelve proposals were received by the application deadline. Half of these proposals came from the Metropolitan Area. The other six came from four additional ECSU areas.

Proposals were read by a panel of readers including representatives of the five primary critical language communities, teacher education, non-public schools, the business community, and MDE specialists in the areas of language education, elementary education, curriculum and instruction, assessment and program evaluation, teacher education, and grants administration. Six projects were selected for funding in 1992-1993.

An additional competition was open for 1993-1994. Three applications were received and reviewed by MDE and outside readers. Two projects were selected for funding. The next competition will be held in 1995.

The sites selected through the competitive grant process for F.Y. 1993 funding were:

<u>District Name</u>	<u>District #</u>	<u>Project Name</u>	<u>Language</u>
Head of the Lakes	Educ. Dist. 6045	Head of the Lakes World Language Project	Russian
Minneapolis	Special Dist. 001	Sheridan Global Arts and Communications Russian Program	Russian
Minnetonka	276	Focus: Chinese Language for Middle Schools	Chinese
Morris Area	769	Morris Area Schools Language Project	Russian
South Koochiching Rainy River	363	Russian Studies Center	Russian
St. Paul	625	Webster Magnet World Languages and Cultures - Chinese Project	Chinese

Grant funding is contingent on a dollar-for-dollar match at the local level. All sites meet or exceed this requirement.

F.Y. 1994 and F.Y. 1995 sites include continuation for all of the above and two new sites:

<u>District Name</u>	<u>District #</u>	<u>Project Name</u>	<u>Language</u>
Minneapolis	S001	Anthony Japanese Inclusion Program	Japanese
		Southwest Global Japanese Language Access Program	Japanese

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids
 0805 TEACHER MENTORSHIP
 (Board of Teaching)
CITATION: M.S. 125.231, Sec. 13
MDE ADMIN: 1305 Board of Teaching
FEDERAL: None

PURPOSE:

To improve teaching skills and instructional performance of beginning teachers, teaching residents, teachers with special needs, or experienced teachers in need of peer coaching; to assist beginning teachers to transition into the school/district and community; and to provide leadership skills to experienced teachers who serve as mentors.

Most education aid programs contribute to more than one education goal. By assisting teachers to enhance their skills, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Teacher Education and Professional Development:** All education personnel in Minnesota will acquire and use the knowledge and skills needed to prepare all learners to achieve appropriate learning goals.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

Through grant funding, resources and services the teacher mentorship program provides assistance in the development and improvement of mentoring programs, and statewide and regional training and networking opportunities to support teacher mentoring needs.

Grant funding is available for planning, implementing, and the improvement of existing mentorship programs by schools, districts, and consortia of schools, districts, or cooperatives. Planning grants are provided for sites to plan activities prerequisite to establishing an effective teacher mentorship program. Implementation grants provide funding for implementing portions of effective mentoring plans. Improvement grants fund teacher mentorship program extensions or improvements aligned with site and/or state mentoring goals.

Applications for grants are made available to school districts. Proposals are reviewed by a teacher

mentoring task force that evaluates grant proposals and makes funding recommendations to the Board of Teaching.

Statewide training and assistance is provided to ensure effective program development. Regional training and networking opportunities are provided to assist with the development of skills for program participants.

Annual program evaluations provide feedback to the site programs and to the state mentoring program. Evaluations identify areas of need and successes in order to make program improvements.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
District/Consortia Sites	38	37	34	40	40
Mentors and Beginning Teachers Participating in Program	1600	1713	1200	1700	1700
Participants in State Mentor Training	95	93	92	90	90
Participants in Regional Mentor Training	N/A	403	400	400	400

PROGRAM FUNDING

A. <u>Statutory Formula AID</u>	\$ 413	\$ 318	\$ 362	\$ 340	\$ 340
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(63)	(32)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	\$ 413	\$ 318	\$ 362	\$ 277	\$ 308
Proration Factor	1.000	1.000	1.000	0.816	0.906

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

 0805 TEACHER MENTORSHIP
 (Board of Teaching)
 (Continuation)

- Districts should have access to revenue to initiate teacher mentoring programs if that is a priority of the district.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this activity.

The Governor recommends discontinuing specific categorical funding for this activity. Districts will have the option of funding this activity through the use of learner improvement revenue (see Activity 0718). In this way, districts will have the flexibility to choose those activities which they believe will most effectively impact student achievement.

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 340	\$ 340	\$ 340*	\$ 340*
Entitlement Changes Per Law:					
■ Balance Forward: 1993 Summer					
Training Program Not Provided					
Due to Timing of Transfer of					
Program Administration From MDE					
to Board of Teaching		<u>(22)</u>	<u>\$ 22</u>		
Statutory Formula Aid (Unprorated)		\$ 318	\$ 362	\$ 340	\$ 340

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

BUDGET ISSUES:

A. CHALLENGES:

- This program was transferred to the Board of Teaching in F.Y. 1994. The Board's goal is to incorporate this program into a restructured licensure system to provide ongoing guidance and support to beginning teachers during a year-long supervised teaching residency.
- According to a F.Y. 1994 survey, Minnesota beginning teachers indicate their need for improvement in most teaching skill areas. Support through effective mentoring programs to assist beginning teachers in developing improved instructional strategies and assessments is necessary.
- All beginning teachers must have opportunities to receive mentoring assistance in sites that have the capacity to develop and sustain structured mentoring programs that become an integral practice within the school/district culture.

B. STRATEGIES:

- Modify the mentorship program to create greater alignment with a restructured licensure system.
- Promote a common core of teaching knowledge and skills as the standards to be used as the basis for providing guidance and support directly related to effective practice.
- Continue to provide and improve teacher mentor training, regionally and statewide.
- Engage exemplary mentoring sites in the dissemination of model mentoring practices.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0805: TEACHER MENTORSHIP (BOARD OF TEACHING)

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 340	\$ 340	\$ 340	\$ 340
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<63>	<32>
3. Other Adjustments				
Balance Forward	<22>	22		
4. CURRENT LAW AID FUNDING LEVEL	318	362	277	308
5. Statutory Formula Aid (Detail in Narrative)	318	362		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	318	362	277	308
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Educ. Programs			<277>	<308>
Current Law Aid Funding Level (Line 4)			277	308
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			0	0
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	318	362	0	0
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	318	362	0	0

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1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
 AGENCY: Education Aids
 0806 MINORITY TEACHER INCENTIVES
 CITATION: M.S. 124.278
 MDE ADMIN: 1306 Monitoring and Compliance
 FEDERAL: None

PURPOSE:

To share fiscal responsibility with eligible school districts to employ additional teachers of color. More specifically, the objectives of the Minority Teacher Incentives are to:

- encourage the employment of teachers of color in Minnesota schools through partial reimbursement of new staff salaries;
- increase the number of role models for the growing number of students of color;
- increase diversity within the teaching staff and enhance awareness of racial, cultural and teaching issues arising in a culturally diverse student environment; and
- attract teachers of color to the state.

More teachers of color will provide opportunities among staff to increase cultural awareness, and provide diversity within staff and student populations. Representation of communities of color in staffing and curriculum will increase self esteem among students of color and promote respect among all students for all persons, regardless of race.

Inclusion will help reduce the dropout rate for students of color.

Most education aid programs contribute to more than one education goal. By increasing the number of teachers of color who demonstrate the importance of learning and education to all students, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Teacher Education and Professional Development:** All education personnel in Minnesota will acquire and use the knowledge and skills needed to prepare all learners to achieve appropriate learning goals.

This program also contributes to the following *current priority* of the Minnesota Department of Education (MDE):

- Integration/Desegregation/Educational Diversity

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 189.

DESCRIPTION:

This program provides funding to districts that have a students of color enrollment of more than 10% or to districts that have an approved comprehensive desegregation plan. In 1994, 39 districts were eligible to receive incentive grants. This is a two year grant program. These districts receive 1/2 of a teacher's salary, not to exceed \$20,000 per year, if they employ a teacher or teachers of color who has/have not taught in a Minnesota school district during the preceding year. Districts retaining the teacher a second year are guaranteed a second grant. Reimbursements are made for each year of the biennium and according to current law, reimbursements cannot be prorated.

Eligible districts are notified of the grant application procedures and schedule. All eligible districts submitting valid applications are provided at least one grant. Further grants are prorated in relation to the number of applications received from a district, the size of the student body, and the number of students of color within the student body.

PROGRAM STATUS:

Minority Teacher Incentives Grants were made to the following school districts:

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Grants Awarded					
Bemidji	\$ 17.2	\$ 14.2	\$ 15.1		
Blooming Prairie	15.5				
Brooklyn Center	14.8				
Butterfield-Odin					
Burnsville/Eagan/Savage		18.2	19.0		
Cass Lake-Bena		7.6	8.1		
Cedar Riverside		14.8	14.5		
Cloquet		16.2	17.8		
Duluth					
Fisher		7.3	7.1		
Mahnomen	16.5	15.0	15.7		
Minneapolis	245.3	74.4	78.9		
Mountain Lake		3.0	4.1		
Nett Lake	11.5	14.7			
Pine Point School	12.7				
Red Lake					
Remer-Longville	4.2				
Richfield	16.0	15.7	16.7		
Robbinsdale	14.3	15.1			
St. Louis Park	13.8	13.6			
St. Paul	167.0	62.4	63.2		
Waubun-Ogema					
Funds not awarded to date:			8.0		
Total Funding	\$ 509.2	\$ 288.4*	\$ 311.6*	\$ 245.0	\$ 272.0

* Estimated

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
 AGENCY: Education Aids
 0806 MINORITY TEACHER INCENTIVES
 (Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this activity.

The MDE and the Desegregation/Integration Advisory Board will have the option of funding this activity through the Desegregation/Integration Improved Learning Block Grant Program. See Magnet Schools and Program Block Grants, Activity 0822.

PROGRAM FUNDING

A. <u>Statutory Formula AID:</u>	\$ 509	\$ 288	\$ 312	\$ 300	\$ 300
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(55)	(28)
Current Law Aid Entitlement	509	288	312	245	272
Proration Factor	1.000	1.000	1.000	0.816	0.906
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement	\$ 288 ^(a)	\$ 312	\$ 300*	\$ 300*	
Statutory Formula Aid (Unprorated)	\$ 291	\$ 309	\$ 300	\$ 300	

^(a) \$600 biennial appropriation less \$312 balance forward to F.Y. 1995.

* Biennial appropriation of \$600 allocated to F.Y. 1996 and F.Y. 1997.

BUDGET ISSUES:

A. CHALLENGES:

- The integration of Minnesota's predominately white teaching staff is so difficult that several strategies must be pursued at once. For the smaller districts in greater Minnesota as well as the outer ring suburbs, the Minority Teachers Incentive grants are the difference between the districts having some staff of color or no staff of color.

B. STRATEGIES:

- In keeping with the intent to form block grants, this program should not have its own appropriation. Rather, the Commissioner through the Office of Desegregation and Integration and in consultation with the Desegregation/Integration Advisory Board should determine how much of the Magnet Schools and Program Block Grant should be utilized for this purpose.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0806: MINORITY TEACHER INCENTIVES

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 288 ^a	\$ 312	\$ 300	\$ 300
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<55>	<28>
3. Other Adjustments				
4. CURRENT LAW AID FUNDING LEVEL	288	312	245	272
5. Statutory Formula Aid (Detail in Narrative)	288	312		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	288	312	245	272
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Educ. Programs			<245>	<272>
Current Law Aid Funding Level (Line 4)			245	272
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			0	0
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	288	312	0	0
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	288	312	0	0

^a\$600 biennial appropriation less \$312 balance forward to FY 1995

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1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

0809 TEACHER EDUCATION IMPROVEMENT (Board of Teaching)

CITATION: M.S. 125.230
MDE ADMIN: 1305 Board of Teaching
FEDERAL: None

PURPOSE:

To provide funding for Board of Teaching responsibilities relating to implementation of the teaching residency program.

Most education aid programs contribute to more than one education goal. By restructuring the licensing system to focus on performance-based standards and assessments, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Teacher Education and Professional Development:** All education personnel in Minnesota will acquire and use the knowledge and skills needed to prepare all learners to achieve appropriate learning goals.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

Minnesota Statutes, Section 125.230 requires the Board of Teaching to develop model teaching residency outcomes and assessments for teachers of students in prekindergarten through grade 12. This program continues the development of a restructured licensure system that focuses on what teachers must know and be able to do. This approach to licensing requires changes in teacher preparation, development of performance assessments, and the development of residency sites to expand the clinical component. A year-long, supervised residency in a school district clinical school site after completion of a teacher education program will provide the time and setting necessary to ensure that those granted a continuing license to practice independently can teach effectively. The residency is a transitional status; it is neither the last year of teacher preparation nor is it the first year of fully independent teaching. During this year-long, supervised clinical phase, beginning teachers will receive extensive assistance and support through mentoring and will participate in professional development activities based on professional development plans developed in conjunction with mentoring teams. Ongoing performance assessment will also occur throughout the residency. Residency outcomes and assessments must be directly linked to licensure standards. Board

of Teaching licensure rules are repealed effective August 1, 1996, and new licensure rules that are outcome-based and are clearly related to the results-oriented graduation rule must be adopted through the rulemaking process. When fully implemented, a restructured licensure system will provide assurance to the public and the profession that beginning teachers have acquired and demonstrated the knowledge and skills needed to teach before they are licensed to practice independently.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Teachers Participating in Programs to Apply Performance-Based Standards to Practice	--	--	75	225	300
First-year Teachers Participating in Performance Assessment Field Testing	--	--	50	150	250
Experienced Teachers Trained as Assessors	--	--	25	50	50
Participants in State Meetings Re: Restructured Licensing System	--	380	1200	300	300
% of Licensure Rules Redesigned	--	--	--	25%	100%
# of Research and Development Sites	--	--	--	10	10

PROGRAM FUNDING

A. <u>Statutory Formula AID:</u>	--	\$ 21	\$ 579	\$ 300	\$ 300
Aid Reduction Due To Insufficient Appropriation	--	(0)	(0)	(55)	(28)
Current Law Aid Entitlement (Line 4 on Fiscal Page)	--	\$ 21	\$ 579	\$ 245	\$ 272
Proration Factor	--	1.000	1.000	0.816	0.906

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

 0809 TEACHER EDUCATION IMPROVEMENT (Board of Teaching)
 (Continuation)

(\$ in 000s)	Current Law				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
B. <u>Aid Entitlement Reconciliation:</u>					
Appropriation-Implied Entitlement		\$ 300	\$ 300	\$ 300*	\$ 300*
Entitlement Changes Per Law:					
■ Balance Forward Due to Timing					
Needed For New Program to Becoming					
Fully Operational		(279)	\$ 279		
Statutory Formula Aid (Unprorated)		\$ 21	\$ 579	\$ 300	\$ 300

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

F.Y. 1994 is the first year for this program.

BUDGET ISSUES:

CHALLENGES:

- Nationally, the new Interstate New Teacher Assessment and Support Consortium (INTASC), the National Council for Accreditation of Teacher Education (NCATE), the Board of Professional Teaching Standards (NBPTS) and Goals 2000 all call for dramatic change in the way teachers are prepared and licensed.
- Assurance must be provided that beginning teachers have acquired and demonstrated the expertise needed to prepare students to meet state graduation standards; therefore, licensing must focus on performance-based standards and assessments rather than on completion of courses and credits.
- Beginning teachers must have opportunities to meet performance-based standards and assessments. The supervised teaching residency, a critical component of a restructured licensure system, will provide these opportunities. The capacity for school districts that are engaged in sustained school reform to provide the clinical settings needed must be enhanced in order to implement a restructured licensure system.
- Performance-based standards and state-of-the-art performance-based assessments of teaching ability consistent with these standards must be developed for each licensure field. There are research and development challenges in developing a licensure system based on performance.
- Development of a restructured licensure system based on standards and assessments requires long-term, sustained commitment to implement.

B. STRATEGIES:

- Continue to develop a licensure structure and adopt new licensure rules that are outcome-focused and clearly related to the results-oriented graduation rule.
- Provide incentives for school districts to develop clinical sites for teaching residencies.
- Prepare experienced teachers at clinical sites to work effectively in providing instruction, supervision, and assessment of beginning teachers.
- Participate in national development of performance-based assessments for teacher licensure.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this activity.

The Governor recommends discontinuing specific categorical funding for this activity. Districts will have the option of funding this activity through the use of learner improvement revenue (0718). In this way, districts will have the flexibility to choose those activities which they believe will most effectively impact student achievement.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0809: TEACHER EDUCATION IMPROVEMENT (BOARD OF TEACHING)

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 300	\$ 300	\$ 300	\$ 300
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<55>	<28>
3. Other Adjustments				
Balance Forward	<279>	277		
4. CURRENT LAW AID FUNDING LEVEL	21	579	245	272
5. Statutory Formula Aid (Detail in Narrative)	21	579		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	21	579	245	272
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds to Other Educ. Programs			<245>	<272>
Current Law Aid Funding Level (Line 4)			245	272
RECOMMENDED AID ENTITLEMENT			0	0
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			0	0
APPROPRIATIONS BASIS:				
Prior Year				
Current Year	21	579	0	0
Transfers Per M.S. 124.14, Subd. 7				
Total-State General Funds	21	579	0	0

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1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
 AGENCY: Education Aids
 0811 RULE COMPLIANCE LEVY
 (Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the rule compliance levy allowance be adjusted for the changes made in pupil unit weightings beginning in F.Y. 1996.

PROGRAM STATUS:

LEVY AUTHORITY Revenue Recognition Year	(\$ in 000s)		Current Law		
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
	92 Pay 93	93 Pay 94	94 Pay 95	95 Pay 96	96 Pay 97
Duluth	\$ 695.8	\$ 1,343.3	\$ 1,404.3	\$ 1,434.8	\$ 1,465.7
Minneapolis	\$ 7,397.3	\$ 9,535.5	\$ 9,792.1	\$ 10,040.6	\$ 10,163.1
St. Paul	\$ 6,964.3	\$ 8,789.3	\$ 9,128.7	\$ 9,460.9	\$ 9,582.2
Total	\$ 15,057.4	\$ 19,668.1	\$ 20,325.1	\$ 20,936.3	\$ 21,211.0

BUDGET ISSUES:

A. CHALLENGES:

- Urban school districts continue to experience enrollment increases in the percentage of learners of color. The districts must maintain a desegregated school system as required by Minnesota Rule 3535. This rule does not allow a school building to be more than 15% above the district wide minority enrollment percentage for those grades represented in a building. The Minnesota State Board of Education and the Department of Education (MDE) are in the process of strengthening policies and rules that promote effective, integrated education throughout the state.
- Addressing the multiple needs of urban students is a substantive challenge. Implementing a program of education designed to meet the needs of all learners will require continued state assistance in this area.

B. STRATEGIES:

- With continuation of the Rule Compliance Levy, school districts required to have an approved desegregation plan in accordance with the State Board of Education Rule 3535 will have the ability to raise revenue needed to comply with this rule. Revenue raised through these levies is used to pay for the activities identified in the PURPOSE section of this narrative. The purpose for which the proceeds of these levies are used will be reviewed by MDE to determine that the levies support effective desegregation/integration plans which positively impact all learners, aid in closing the learning gap and improve the acceptance and understanding of the varied and rich cultures of our society.

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

 0812 NONPUBLIC PUPIL AID

CITATION: M.S. 123.931 - .947
MDE ADMIN: 1209 Education Finance
FEDERAL: None

PURPOSE:

To provide every school pupil in the state equitable access to secular study materials and pupil support services that complement the program of study the pupil regularly attends. This furthers the goal of assuring freedom of choice in education to all Minnesota pupils and their parents.

Specifically, program funds are used to reimburse school districts for the costs incurred in obtaining the educational materials that are loaned to the nonpublic pupil (textbooks, individualized instructional materials, and standardized tests) or for the costs incurred in providing pupil support services (health services and secondary guidance and counseling services) to the nonpublic pupil. Districts are provided an additional 5% of the reimbursed amount to offset the cost of administering the program.

Most education aid programs contribute to more than one education goal. By providing funds to school districts to provide textbooks, standardized tests, instructional materials, school health services, and secondary guidance and counseling to all nonpublic pupils who request materials and/or services, this program contributes to the following Department of Education goal:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

There are three basic categories of nonpublic pupil aid provided under Minnesota law:

1. **Textbooks, Individualized Instructional Materials, and Standardized Tests.** Public school districts, upon formal request, must make available to nonpublic pupils, instructional materials that are secular, neutral, nonideological and not able to be diverted to religious use. Items purchased are loaned to the nonpublic pupil and remain the property of the district.

The districts are reimbursed the cost of purchase and distribution of eligible materials up to an amount equal to the statewide average expenditure per public school pupil for similar materials

in the second preceding school year, adjusted by the percent of increase in the General Education formula allowance from the second preceding school year to the current school year, multiplied by the number of nonpublic pupils served, with Kindergarten pupils weighted at 0.5.

The formula for computing the per pupil rate is as follows for F.Y. 1995:

$$\begin{array}{rclcl} \text{F.Y. 1995} & & \text{F.Y. 1993 Avg. Expend.} & & \\ \text{Per Pupil} & = & \text{per Public Pupil} & \times & \frac{\text{F.Y. 1995 Gen'l Ed. Form. Allow.}}{\text{F.Y. 1993 Gen'l Ed. Form. Allow.}} \\ \text{Rate} & & \text{for like materials} & & \end{array}$$

2. **Health Services.** Public school districts, upon formal request, must make available to nonpublic pupils the student health services provided to public pupils. Health services may be provided to nonpublic students at a public school, a neutral site, the nonpublic school, or any other suitable location.

Each participating district is reimbursed for the cost of providing these services up to an amount equal to the statewide average expenditure per public school pupil for similar services in the second preceding school year, times the number of nonpublic pupils served, with Kindergarten pupils weighted at 0.5.

3. **Guidance and Counseling Services.** Public school districts, upon formal request, must make available to nonpublic secondary pupils, the guidance and counseling services provided to public secondary pupils, except guidance or counseling in the planning or selection of particular courses or classroom activities of the nonpublic school. Eligible services must be provided either at the public school or at a neutral site. Each participating district is reimbursed for the cost incurred in providing eligible services up to an amount equal to the statewide average expenditure per public secondary pupil for similar services in the second preceding school year, times the number of nonpublic secondary pupils served.

In addition to the three aid reimbursement components described above, school districts are provided an amount equal to 5% of their total aid reimbursement amount to offset the cost of administering the program.

All nonpublic students requesting materials or services by the statutory deadline date have been and are being accommodated. With the exception of 1990-91, nonpublic enrollment has declined every year since 1984-85. From 1984-85 to 1991-92, nonpublic enrollment has declined by approximately 12,000. The number of nonpublic students is estimated to increase from 80,653 in F.Y. 1992 to 83,459 in F.Y. 1995. Current projections anticipate that this rate of increase in nonpublic students will continue through F.Y. 1998. In addition, the percentage of these students participating in the Nonpublic Pupil Aid program continues to increase. Also, the number of pupils being instructed by parents in a home school that are requesting to participate in the program is increasing significantly. Since 1987-88, the number of students attending home schools has more than doubled -from 2,322 students in 1987-88 to 5,086 in 1991-92. Together these factors are increasing the number of pupils participating in the program.

Reimbursement rates for each current year are based on district expenditures in the second prior year for similar materials and services in the public schools. The per pupil reimbursement rates for health, guidance and counseling services continue to rise. The increase in support service

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

0812 NONPUBLIC PUPIL AID
 (Continuation)

expenditures is primarily due to the increase in personnel costs resulting from district labor contract negotiations. Due to the implementation of improved cost allocation procedures, the reimbursement rates for the Textbooks, Individualized Instruction Materials, and Standardized Tests component are being lowered over a four-year period beginning in F.Y. 1994. These projected rates more accurately reflect the actual expenditures per public school pupil, and the phase-in method will allow districts and nonpublic schools to plan effectively for these reimbursement rates.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
1. Textbooks, individualized instructional materials and standardized tests					
a. Nonpublic Grade K-12 enrollment statewide*	82,536	85,030	86,583	87,921	89,005
b. Districts participating	204	164	224	225	226
c. Pupils requesting services*	77,311	76,500	79,000	80,000	82,000
d. State aid rate per pupil unit	57.44	56.54	52.54	54.12	55.74
e. Maximum aid entitlement (c times d)	4,440.7	4,325.3	4,150.7	4,329.6	4,570.7
f. Entitlement per district expenditure	4,073.8	4,231.8	4,127.1	4,234.9	4,415.4
Average aid per pupil unit (f divided by c)	52.69	55.32	52.24	52.94	53.85
2. Health services					
a. Nonpublic Grade K-12 enrollment statewide*	82,536	85,030	86,583	87,921	89,005
b. Districts participating	154	161	212	215	216
c. Pupils requesting services*	71,321	72,400	73,400	76,700	77,800
d. State aid rate per pupil unit	26.44	29.84	30.31	31.22	32.16
e. Maximum aid entitlement (c times d)	1,885.7	2,160.4	2,224.8	2,394.6	2,502.0
f. Entitlement per district expenditure	1,564.8	1,842.8	2,210.5	2,388.1	2,490.3

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Average aid per pupil unit (f divided by c)	21.94	25.45	30.12	31.14	32.01

3. Guidance & Counseling

a. Nonpublic secondary enrollment statewide*	25,465	26,791	27,713	28,228	28,631
b. Districts participating	72	112	168	170	171
c. Pupils requesting services*	20,948	21,900	23,100	23,400	24,000
d. State aid rate per pupil unit	\$ 124.14	\$ 129.96	\$ 125.91	\$ 129.69	\$ 133.58
e. Maximum aid entitlement (c times d)	\$ 2,600.5	\$ 2,846.1	\$ 2,908.5	\$ 3,034.7	\$ 3,205.9
f. Entitlement per district expenditure	\$ 2,242.8	\$ 2,478.2	\$ 2,886.2	\$ 2,930.9	\$ 3,063.5

Average aid per pupil unit (f divided by c)	107.07	113.16	124.94	125.25	127.65
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4. Total Aid Entitlement

a. Services and materials	7,881.4	8,552.8	9,223.8	9,553.9	9,969.2
b. Administrative costs	394.1	427.6	461.2	477.7	498.5
c. Total Funding requirement	8,275.5	8,980.4	9,685.0	10,031.6	10,467.7

* Expressed in pupil units (K=0.5, Grades 1-12=1.0)

PROGRAM FUNDING

A. <u>Statutory Formula Aid</u>	\$ 8,276	\$ 8,980.4	\$ 9,685	\$ 10,032	\$ 10,468
Aid Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(2,131)	(1,692)
Current Law Aid Entitlement (Line 4 on Fiscal Page)	\$ 8,276	\$ 8,980.4	\$ 9,685	\$ 7,901	\$ 8,776
Proration Factor	1.000	1.000	1.000	0.788	0.838

B. Aid Entitlement Reconciliation:

Appropriation-Implied Entitlement (Line 1 on Fiscal Page)	\$ 9,753	\$ 9,685	\$ 9,686*	\$ 9,686*
Entitlement Changes Per Law:				
■ Text, Health and Guidance Components:				
Increased Pupils - Base Rates			198	421
Increased Rates - Base Pupils			143	288
Increased Rates - Increased Pupils			5	15
Level of District Program Expenditures	773			58
Statutory Formula Aid (Unprorated)	\$ 8,980	\$ 9,685	\$ 10,032	\$ 10,468

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

0812 NONPUBLIC PUPIL AID
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Due to growth in the number of nonpublic pupils (including home schools) at both the elementary and secondary levels, overall program participation is expected to increase. In addition, since per pupil rates are statutorily based on second prior year district expenditures, program funding requirements related to support services for the upcoming biennium are projected to continue to increase.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$8,229 for F.Y. 1996 and \$8,229 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$8,447 in F.Y. 1996 (\$1,452 for F.Y. 1995 and \$6,995 for F.Y. 1996), and \$8,229 in F.Y. 1997 (\$1,234 for F.Y. 1996 and \$6,995 for F.Y. 1997).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0812: NON-PUBLIC PUPIL AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC	
			F.Y. 1996	F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 9,753	\$ 9,685	\$ 9,686	\$ 9,686
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<1,785>	<910>
3. Other Adjustments				
Excess Funds Transfer Out	<773>			
4. CURRENT LAW AID FUNDING LEVEL	8,980	9,685	7,901	8,776
5. Statutory Formula Aid (Detail in Narrative)	8,980	9,685		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments				
8. CURRENT LAW LEVY				
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	8,980	9,685	7,901	8,776
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds Between Years			328	<547>
Current Law Aid Funding Level (Line 4)			7,901	8,776
RECOMMENDED AID ENTITLEMENT			8,229	8,229
GOVERNOR'S RECOMMENDATIONS : LEVY				
Current Law Levy (Line 8)				
RECOMMENDED LEVY				
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			8,229	8,229
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	1,333	1,463	1,452	1,234
Current Year 85 Percent	8,290	8,233	6,995	6,995
Transfers Per M.S. 124.14, Subd. 7	<1,380>			
Total-State General Funds	8,243	9,696	8,447	8,229

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

0813 NONPUBLIC PUPIL PROGRAM SUMMARY
 (Information Only)

CITATION: M.S. 123.246; 123.76 - 123.79; 123.931 - 123.947; 124.252; 124.646;
 124.648; 124A.034; 126.031 and 290.001

MDE ADMIN: 1301 Education Finance
FEDERAL: Various

PURPOSE:

To consolidate information on state and federal funding for services to nonpublic pupils and staff.

In Minnesota, nonpublic pupils and staff receive services under 10 programs. For purposes of discussion, these programs are categorized by state or federal funding source. The state funded programs include programs that provide either state aid or state income tax deductions. Additional information for each program is provided in the appropriate program budget narrative.

Most education aid programs contribute to more than one education goal. By providing a variety of services to nonpublic students and staff, this program contributes to the following Department of Education goal:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994.

DESCRIPTION:

State Programs:

1. Nonpublic Pupil Aid (M.S. 123.931-123.947; also see Program Budget 0812)

School districts are required to provide every school pupil in the state equitable access to secular study materials and pupil support services that complement the program of study the pupil regularly attends.

Under this program, districts are reimbursed for the costs incurred in obtaining the educational materials that are loaned to the nonpublic pupil or for the costs incurred in providing pupil support services to the nonpublic pupil. The maximum reimbursement is limited to an amount equal to the statewide average expenditure per public pupil in the second prior school year multiplied by the number of nonpublic pupils served. A 2 year inflation adjustment is included in the rate for the textbook, individualized instructional materials and standardized tests

component. Districts are provided an additional 5% of the reimbursed amount to offset the cost of administering the program. School districts are not required to expend an amount for nonpublic pupils which exceeds the amount of the state aid payments.

2. Shared Time Program (M.S. 124A.034; also see Program Budget 0101)

Nonpublic school pupils may be admitted by school districts to public school programs for part of the school day. These pupils earn a shared-time portion of General Education aid for the district.

School districts are required to provide special education programs for handicapped children. These programs must be made available to handicapped nonpublic school pupils, and the district receives a shared-time portion of General Education aid for these pupils.

3. Transportation Program (M.S. 123.76-123.79; also see Program Budget 0201)

School districts are required to provide "equal transportation" to nonpublic school pupils. This means that the district within which a nonhandicapped pupil resides must provide transportation for the nonpublic pupil within the district in like manner as that provided to the public school student residing in the district. Public schools are also permitted to transport nonpublic school pupils to regular shared-time programs and must transport handicapped nonpublic school pupils to and from the facility where special education is provided. Public schools must also provide nonpublic school pupils with transportation within the district boundaries between the private school and public school or neutral site for the purpose of receiving health and secondary guidance and counseling services provided to nonpublic school pupils.

4. School Lunch Program (M.S. 124.646; also see Program Budget 0801)

State funds are used to meet matching requirements of the United States Department of Agriculture National School Lunch Program.

5. School Milk Program (M.S. 124.648; also see Program Budget 0801)

State funds are provided to schools to pay, in part or in total, the cost of serving 1/2 pint of milk per day to kindergarten students. Eligibility is coordinated with the federal school milk program.

6. School Breakfast Program (M.S. 124.6472, also see Program Budget 0803)

State funds are provided to schools to pay, in part or in total, the cost of serving breakfast to students.

7. State Income Tax Deductions (M.S. 290.001)

Taxpayers who itemize deductions may deduct from gross income the amounts they spend for tuition, secular textbooks, and transportation of dependents attending public or nonpublic elementary or secondary schools in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin. The maximum deductions are \$650 per dependent in Grades K-6 and \$1,000 per dependent in Grades 7-12.

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

 0813 NONPUBLIC PUPIL PROGRAM SUMMARY
 (Information Only)
 (Continuation)

Federal Programs:

1. School Lunch Act and Child Nutrition Act (see Program Budgets 0826-0831)

The state receives federal funds from the United States Department of Agriculture to provide better nutrition for students.

2. Block Grant (also see Program Budget 0832)

The Federal Block Grant program replaced several smaller categorical grant programs. Federal funds are available to schools to support educational program improvement in 6 targeted areas.

3. Teacher In-service (also see Program Budget 0722)

Title 2 of the Elementary and Secondary Education Act (P.L. 98-377), and the Math & Science Act (P.L. 100-297) provide funds to school districts for training and retraining of teachers to improve instruction in the areas of mathematics and science. Nonpublic school teachers must be ensured equitable participation in the program.

4. Educationally Disadvantaged (ECIA) Chapter 1, Basic (also see Program Budget 0323)

The state receives federal funds to encourage the participation of nonpublic students in Chapter 1, which provides supplemental services to educationally disadvantaged students who live in areas of high concentrations of poverty.

PROGRAM STATUS:

NONPUBLIC PUPIL PROGRAM FUNDING ESTIMATES UNDER CURRENT LAW

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
A. State Programs					
1. Nonpublic Public Aids					
Texts/Instructional					
materials	\$ 4,073.8	\$ 4,231.8	\$ 4,127.1	\$ 4,234.9	\$ 4,415.4
Health services	1,564.8	1,842.8	2,210.5	2,388.1	2,490.3
Guidance/Counseling services	2,242.8	2,478.2	2,886.2	2,930.9	3,063.5
Administration	<u>394.1</u>	<u>467.2</u>	<u>461.2</u>	<u>477.7</u>	<u>498.5</u>
Subtotal	\$ 8,275.5	\$ 8,980.4	\$ 9,685.0	\$ 10,031.6	\$ 10,467.7

(\$ in 000s)	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
2. Shared-time Program	\$ 2,498.3	\$ 2,382.6	\$ 2,493.7	\$ 2,493.7	\$ 2,493.7
3. Pupil Transportation	\$ 18,153.4	\$ 19,266.1	\$ 20,410.4	\$ 21,678.2	\$ 22,965.8
4. School Lunch Program	287.3	400.0	400.0	400.0	400.0
5. School Milk Program	65.9	65.0	65.0	65.0	65.0
6. School Breakfast	0.0	25.0	25.0	25.0	25.0
7. State Income Tax Deduction	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0
State Total	31,780.4	33,619.1	35,579.1	37,193.5	38,917.2

B. Federal Programs

1. School Lunch Act and Child Nutrition Act	2,567.5	2,765.2	3,025.0	3,154.0	3,315.0
2. Block Grant	514.6	500.0	428.0	430.0	430.0
3. Teacher In-service Training	134.0	134.0	134.0	134.0	134.0
4. Educationally Disadvantaged Chapter 1	4,566.0	4,598.4	5,178.6	5,280.0	5,280.0
Federal Total	7,782.1	7,997.6	8,765.6	8,998.0	9,159.0
GRAND TOTAL	39,562.5	42,389.0	44,344.7	46,191.5	48,076.2

C. Number of Nonpublic Students 87,780 89,368 90,550 91,432 91,944

* This is not a state funding estimate. Rather, it is an estimate of the amount of tax revenue that would be realized if the deduction for Grade K-12 education expenses was not in effect. The amounts include both public and nonpublic data. The total amount is shown because no information is available to determine the amount that is attributable to nonpublic students.

The total amount of State funding for nonpublic pupils for F.Y. 1995 equals \$35,579,100. If the 90,550 nonpublic pupils in the State of Minnesota during F.Y. 1995 were to enroll in the public school system, the amount of state funding required under current law would be approximately \$307,621,660.

This estimate is based on the conversion of the number of nonpublic students to pupil units multiplied times the F.Y. 1995 General Education allowance of \$3,150. Taking into consideration that only three districts receive no General Education aid, all increased revenue is estimated to come in the form of aid.

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids
 0814 ABATEMENT AID AND LEVY

CITATION: M.S. 124.214, Subd. 2; M.S. 124.912, Subd. 9
MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To replace the net revenue loss incurred by school districts as a result of court-ordered abatements or net reductions in the tax capacity of the district after taxes have been spread by the county auditor. Part of the net revenue loss is replaced with state aid, and part is replaced with levy authority. The intent is to pay approximately the same amount in abatement aid as would have been paid to the district in general education, transportation, community education, and capital expenditure aid, if the adjusted net tax capacity could have been adjusted to the lower level.

Most education aid programs contribute to more than one education goal. By providing school districts with authority to levy for the loss of revenue, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 139.

DESCRIPTION:

The entitlement for abatement aid is determined from data on net revenue losses as certified by the county auditors. A district's aid entitlement is equal to its net revenue loss multiplied by the ratio of: a) the amount certified by the district in equalized general education, transportation, community education and capital expenditure levies for which it receives corresponding state aid to, b) its total certified levy in the preceding fall, pursuant to M.S. 124, 124A and 124A.03, plus or minus auditor's adjustments.

Abatement levy authority is the total of three components:

1. the net revenue loss minus abatement aid after any proration is deducted;

2. the net revenue loss for the first six months of the following calendar year, less any amount certified for the first six months of the prior calendar year; and
3. an amount for any interest paid by the district on abatement refunds.

The abatement levy may be spread over a three year period beginning with the taxes payable in 1995.

The railroad aid payments as a result of Soo Line Railroad Company vs. Commissioner of Revenue and related litigation are deducted from the abatement aid and levy authority of school districts. Due to the size and timing of the railroad aid payments, a portion of the railroad aid has not yet been deducted. The railroad aid balance to be recovered is carried forward each year, and deducted from current year abatement aid and levy authority.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
1. Total Abatement Funding					
a. Calendar Year	1991	1992	1993	1994	1995
b. Net Reduction in School Taxes	\$ 31,792.2	\$ 24,504.5	\$ 61,194.1	\$ 43,900.9	\$ 40,299.7
c. Railroad Aid Balance To Be Recovered	55.1	33.9	29.6	20.3	16.5
d. Railroad Aid Subtraction - Current Year	21.1	4.3	9.3	3.8	3.6
e. Railroad Aid Balance Carried Forward (1c less 1d)	33.9	29.6	20.3	16.5	12.9
f. Total Abatement Formula Funding (1b less 1d)	\$ 31,771.1	\$ 24,500.2	\$ 61,184.8	\$ 43,897.1	\$ 40,226.1
g. Levy for Interest Costs	N/A	\$ 1,000.0	\$ 2,704.6	\$ 2,028.4	\$ 2,028.4
h. Total Abatement Funding	\$ 31,771.1	\$ 25,500.2	\$ 63,889.4	\$ 45,925.5	\$ 42,254.5
g. Number of Districts	380	330	318	318	318
2. Abatement Aid Entitlement by Fund					
a. General Fund	\$ 15,441.6	\$ 12,947.1	\$ 33,744.3	\$ 24,789.2	\$ 22,728.5
b. Transportation Fund	\$ 1,341.0	\$ 720.8	\$ 2,257.0	\$ 1,827.2	\$ 1,674.1
c. Community Service Fund	\$ 233.2	\$ 207.4	\$ 365.3	\$ 316.2	\$ 291.4
d. Capital Expenditure Fund	\$ 965.7	\$ 845.9	\$ 1,931.4	\$ 1,410.6	\$ 1,296.5
e. General Debt Service Fund	\$ 0.5	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
f. Total Gross Abatement Aid	\$ 17,982.0	\$ 14,721.2	\$ 38,298.0	\$ 28,343.2	\$ 25,990.5
g. Direct Aid Appropriation	\$ 6,018.0	\$ 7,567.0	\$ 10,067 ^(a)	\$ 6,172.0	\$ 6,856.0
h. Transfer From Excess/Deficiency ^(b)	\$ 8,678.3	\$ 2,394.0	\$ 13,548.0	\$ 0.0	\$ 0.0
i. Net Prorated Abatement Aid	\$ 14,696.3	\$ 9,961.0	\$ 23,615.0	\$ 6,172.0	\$ 6,856.0

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
 AGENCY: Education Aids
 0814 ABATEMENT AID AND LEVY
 (Continuation)

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
j. Proration Factor	81.73%	67.66%	61.66%	21.78%	26.38%
k. Number of districts	325	317	314	314	314
3. Abatement Levy Authority by Fund (after aid proration)					
a. Levy Authority - Taxes					
Payable In:	1993	1994	1995	1996	1997
b. Levy Implied by					
Entitlement	\$ 13,789.1	\$ 9,779.0	\$ 22,886.8	\$ 15,553.9	\$ 14,235.6
c. Levy Due to Proration of					
State Aid	\$ 3,285.7	\$ 4,760.2	\$ 14,683.0	\$ 22,171.2	\$ 19,134.5
d. Levy for Interest Costs	N/A	\$ 1,000.0	\$ 2,704.6	\$ 2,028.4	\$ 2,028.4
e. Total Levy Authority	\$ 17,074.8	\$ 15,539.2	\$ 40,274.4	\$ 39,753.5	\$ 35,398.5
f. Authority Adjusted for					
Underlevies	\$ 17,051.6	\$ 15,025.2	\$ 28,176.0	\$ 31,478.4	\$ 27,558.0
g. Number of Districts	380	330	318	318	318
4. Certified Levy					
a. Certified Levy - Taxes					
Payable In:	1993	1994	1995	1996	1997
b. Current Year Levy	\$ 25,777.5	\$ 16,452.5	\$ 31,239.4	\$ 29,450.0	\$ 25,529.5
c. Levy Adjustment Year	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
d. Levy Adjustment Amount	(349.5)	(1,708.8)	(8,723.0)	(2,394.0)	(13,548.0)
e. Levy for Interest Costs	N/A	\$ 1,000.0	\$ 2,704.6	\$ 2,028.4	\$ 2,028.4
f. Advanced Levy	N/A	N/A	\$ 10,367.3	(138.1)	(652.0)
g. Total Certified Levy	\$ 25,428.0	\$ 15,743.7	\$ 35,588.3	\$ 28,946.3	\$ 13,357.9

(a) Includes \$2.5 million deficiency appropriation from Laws of 1994, Chapter 587.

(b) According to M.S. 124.14, Subd. 7.

	Current Law				
(\$ in 000s)	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
PROGRAM FUNDING					
A. Statutory Formula					
REVENUE:	\$ 31,748	\$ 24,986	\$ 50,315	\$ 37,650	\$ 34,414
Revenue Reduction Due To					
Insufficient Appropriation	(0)	(0)	(0)	(0)	(0)
Current Law Revenue					
(Line 9 on Fiscal Page)	\$ 31,748	\$ 24,986	\$ 51,791	\$ 37,650	\$ 34,414
B. Statutory Formula LEVY:	\$ 13,766	\$ 10,265	\$ 13,493	\$ 9,307	\$ 8,423
Levy Change Due To					
Insufficient Appropriation	3,286	4,760	14,683	22,171	19,135
Current Law Levy					
(Line 8 on Fiscal Page)	\$ 17,052	\$ 15,025	\$ 26,700	\$ 31,478	\$ 27,558
C. Statutory Formula AID:	\$ 17,982	\$ 14,721	\$ 38,298	\$ 28,343	\$ 25,991
Aid Reduction Due To					
Insufficient Appropriation	(3,286)	(4,760)	(14,683)	(22,171)	(19,135)
Current Law Aid Entitlement					
(Line 4 on Fiscal Page)	14,696	9,961	23,615	6,172	6,856
Proration Factor	0.817	0.677	0.617	0.218	0.264
D. Aid Entitlement Reconciliation:					
Appropriation-Implied Entitlement					
(Line 1 on Fiscal Page)		\$ 7,567	\$ 7,567	\$ 7,567*	\$ 7,567*
Entitlement Changes Per Law:					
■ Appropriation Shortfall		8,258	12,217	12,217	12,217
■ Revenue Increases:					
Net Reduction in School Taxes		(3,495)	26,194	8,901	5,231
Railroad Aid Subtraction		6	(2)	3	3
Levy Authority for Interest Costs		1,000	2,705	2,028	2,028
■ Levy (Increases):					
Change in School Taxes Abated		2,385	(7,678)	(345)	973
Levy Authority for Interest Costs		(1,000)	(2,705)	(2,028)	(2,028)
■ Total Changes to Aid		7,154	30,731	20,776	18,424
Statutory Formula Aid (Unprorated)	\$ 14,721	\$ 38,298	\$ 28,343	\$ 25,991	

(*) This is the appropriation-implied entitlement based on the F.Y. 1995 aid appropriations adjusted as necessary for the 85-15% funding basis or other relevant adjustments.

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

0814 ABATEMENT AID AND LEVY
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Abatement funding will continue to be needed by school districts. Each year there are court-ordered abatements or net reductions in the tax capacity of districts after taxes have been spread by the county auditor.

B. STRATEGIES:

- This program contributes to the goals of equity for students and taxpayers by replacing revenue to which the district was entitled but which was not received due to abatements. The objective is to replace the revenue in the same proportion of aid and levy as the original entitlement.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$25,183 for F.Y. 1996 and \$6,856 for F.Y. 1997.

Based on these entitlements, the Governor recommends an appropriation of \$22,541 in F.Y. 1996 (\$1,135 for F.Y. 1995 and \$21,406 for F.Y. 1996), and \$9,605 in F.Y. 1997 (\$3,777 for F.Y. 1996 and \$5,828 for F.Y. 1997).

The current statutory formula would remain in effect for F.Y. 1996 and F.Y. 1997. Abatement aid would be prorated at 88.8% for F.Y. 1996 and would be prorated at 26.4% for F.Y. 1997.

The Governor recommends the following modifications in the abatement aid and levy program:

1. Beginning in F.Y. 1996, compute the mix of aid and levy using state aids data from the second prior year.
2. Beginning in F.Y. 1997, eliminate the railroad aid adjustment and deduct any remaining balance from other state aids.

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0814: ABATEMENT AID

	ESTIMATED F.Y. 1994	ESTIMATED F.Y. 1995	GOVERNOR'S REC F.Y. 1996	GOVERNOR'S REC F.Y. 1997
1. Appropriation-Implied Entitlement	\$ 7,567	\$ 7,567	\$ 7,567	\$ 7,567
2. Adjustment Per Laws '93, Ch. 224, Art. 15, Sec. 3			<1,395>	<711>
3. Other Adjustments				
Excess Funds Transfer In	2,394	13,548		
Deficiency Appropriation from '94 Tax Bill		2,500		
4. CURRENT LAW AID FUNDING LEVEL	9,961	23,615	6,172	6,856
5. Statutory Formula Aid (Detail in Narrative)	14,721	38,298		
6. Funding Excess/Deficiency				
7. Funding Excess/Deficiency after Adjustments	<4,760>	<14,683>		
8. CURRENT LAW LEVY	15,058	26,700	31,478	27,558
9. CURRENT LAW FUNDING LEVEL: AID & LEVY (Lines 4+8)	25,019	50,315	37,650	34,414
GOVERNOR'S RECOMMENDATIONS : AID				
1. Reallocate Funds from Other Education Programs			19,011	
Current Law Aid Funding Level (Line 4)			6,172	6,856
RECOMMENDED AID ENTITLEMENT			25,183	6,856
GOVERNOR'S RECOMMENDATIONS : LEVY				
1. Levy Change due to Governor's Aid Recommendation			<18,974>	
Current Law Levy (Line 8)			31,478	27,558
RECOMMENDED LEVY			12,504	27,558
TOTAL RECOMMENDED FUNDING LEVEL: AID & LEVY			37,687	34,414
APPROPRIATIONS BASIS:				
Prior Year 15 Percent	902	1,135	1,135	3,777
Current Year 85 Percent	6,432	8,932	21,406	5,828
Transfers Per M.S. 124.14, Subd. 7	7,184	13,548		
Total-State General Funds	14,518	23,615	22,541	9,605

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

0815 MISCELLANEOUS GENERAL LEVIES

CITATION: M.S. 124.912, Subd. 1, 5, 6, 7, 8; 124.914, Subd. 1, 2, 3, 4; 124.916, Subd. 1, 2, 3, 4; 126.08; 121.915; 122.531 Subd. 4a, 9; 120.08 Subd. 3; 122.535 Subd. 6, 122.247, Subd. 3, 124.2725, Subd. 15; 124.4945; 122.533;

Laws of 1989, Chap. 329, Art. 13, Sec. 18;
Laws of 1992, Chap. 499, Art. 7, Sec. 16 and 17;
Laws of 1993, Chap. 224, Art. 8, Sec. 18

MDE ADMIN: 1301 Education Finance
FEDERAL: None

PURPOSE:

To provide additional property tax levy revenue to school districts to fund obligations of the district general fund, including unemployment insurance, past operating debt, the cost of judgments, state audits, and retirement, health insurance and severance for certain districts.

Most education aid programs contribute to more than one education goal. By providing school districts with authority to fund obligations of the district general fund, this program contributes to two of the Department of Education's goals:

- **Learner Achievement:** All PK-12 learners in Minnesota will demonstrate attainment of both the basic requirements and the required profiles of learning as defined by the State Board of Education, which will prepare them for responsible community participation, lifelong learning, and productive work.
- **Sufficient, Fair, and Efficient Funding:** Minnesota's education finance system will provide sufficient funding for public education while encouraging fairness, accountability, and incentives toward quality improvement.

For additional information on the goals, priorities, and performance indicators of the Department of Education, refer to the Annual MDE Performance Report, September 1994, page 139.

DESCRIPTION:

1. Unemployment Insurance (M.S. 124.912, Subd. 1). A school district may levy the amounts necessary to pay the district's obligations for unemployment insurance under M.S. 268.06, Subd. 25, and for job placement services offered to employees who may become eligible for benefits under M.S. 268.08. If the unemployment insurance fund balance exceeds \$10 per pupil unit, the levy authority is reduced by the amount of the excess.
2. Statutory Operating Debt (M.S. 124.914, Subd. 1). A school district must levy the lesser of:

- a. 1.66% of the adjusted net tax capacity of the district; or
- b. the amount needed to retire the district's statutory operating debt as of June 30, 1977.

3. Operating Debt (M.S. 124.914, Subd. 2, 3 and 4, and Laws of 1992, Chap. 499, Art. 7, Sec. 16 and 17). Under the 1983 and 1985 operating debt levies, a school district may levy the lesser of:

- a. 1.85% of the adjusted net tax capacity of the district (4.21% for I.S.D. 712, Buhl-Mountain Iron); or
- b. the greater of: the amount needed to retire the deficit in the district's operating funds as of June 30, 1983, not to exceed the district's state aid reductions in F.Y. 1983; or the amount needed to retire the deficit in the district's general fund as of June 30, 1985.

Under the 1992 operating debt levy, a school district that has filed a statutory operating debt plan and has received approval by the commissioner of education may levy the lesser of:

- a. 1.0% of the adjusted net tax capacity of the district;
- b. \$100,000; or
- c. the amount needed to retire the deficit in the district's operating funds as of June 30, 1992, reduced by any referendum revenue in the statutory operating debt plan.

I.S.D. 316 and 381 also may levy to retire the unreserved undesignated fund balance in the operating funds as of June 30, 1992. The levy must be spread over five years.

4. Judgment (M.S. 124.912, Subd. 1). A school district may levy the amounts necessary to pay the district's obligations for judgments under M.S. 127.05, including interest.
5. State Audit (M.S. 124.912, Subd. 1). A school district may levy the amounts necessary to pay the district's obligations for post audits by the state auditor under M.S. 6.62, if the audit is performed at the discretion of the state auditor pursuant to M.S. 6.51, or if the audit has been requested through a petition by eligible voters pursuant to M.S. 6.54. A school district may not levy for post audits requested by the school board under M.S. 6.55.
6. Health Insurance Levy (M.S. 124.916, Subd. 1 and Laws of 1993, Chap. 224, Art. 8, Sec. 18). A school district may levy as an early retirement incentive for health, medical, and dental expenses for certain eligible employees who retired between May 15, 1992 and July 21, 1992 and between May 17, 1993 and August 1, 1993. The levy is authorized for expenses of the retiree up to age 65.
7. Health Benefit Levy (M.S. 124.916, Subd. 2). A school district may levy for the district's obligations under the collective bargaining agreement in effect on March 30, 1992 for health insurance and unreimbursed medical expenses of retirees who retired before July 1, 1992. The levy authority is for expenses incurred in F.Y. 1993, F.Y. 1994 and F.Y. 1995 only.
8. Minneapolis Civil Service Retirement (M.S. 124.916, Subd. 3, paragraphs 1 and 2). The Minneapolis school district may levy the amount levied for retirement in 1978, reduced each year by 10% of the difference between the amount levied for retirement in 1971 and the amount levied for retirement in 1975. Beginning in 1991, the Minneapolis school district may

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
AGENCY: Education Aids

0815 MISCELLANEOUS GENERAL LEVIES (Continuation)

also levy an additional amount required for contributions to the Minneapolis Employees Retirement fund as a result of the maximum dollar amount limitation on state contributions to the fund.

9. Minneapolis and St. Paul Additional Retirement (M.S. 124.916, Subd. 3, paragraphs 3, 4, 5 and 6). The Minneapolis and St. Paul school districts may levy for the increased costs of TRA contributions due to changes in the contribution rates. The entire amount levied is recognized as revenue in the fiscal year in which the levy is certified. This levy is not considered in computing the aid reduction for the tax levy revenue recognition change under M.S. 124.155.
10. Minneapolis Health Insurance Subsidy (M.S. 124.916, Subd. 4). The Minneapolis school district may levy 0.10% of the district's adjusted net tax capacity to subsidize health insurance costs for retired teachers who were basic members of the Minneapolis Teachers Retirement Fund Association, who retired before May 1, 1974, and who are not eligible to receive the hospital insurance benefits of the federal Medicare program without payment of a monthly premium.
11. St. Paul Severance (Laws of 1989, Chap. 329, Art. 13, Sec. 18). The St. Paul school district may levy 0.21% of the district's adjusted net tax capacity.
12. Crime Levy (M.S. 124.912, Subd. 6). A school district may levy up to \$1.00 per capita to provide a drug abuse prevention program in the elementary schools, and/or to provide liaison services in the middle and secondary schools.
13. Ice Arena Levy (M.S. 124.912, Subd. 7). A school district that operates and maintains an ice arena may levy for the net operational costs of the ice arena for the previous year. The school district must demonstrate that it will offer equal sports opportunities for male and female students to use its ice arena.
14. Reorganization Operating Debt Levy (M.S. 121.915 and 122.531, Subd. 4a). A school district that reorganizes under consolidation, dissolution and attachment, or cooperation and combination may levy to retire the net negative undesignated fund balance in the operating funds. The levy must be spread over five years.
15. Severance Levies (M.S. 120.08, Subd. 3, 122.531, Subd. 9, 122.535, Subd. 6, 124.4945, and 124.2725, Subd. 15). A school district that reorganizes under dissolution and attachment, or cooperation and combination may levy for the costs of severance pay or early retirement incentives for licensed and nonlicensed employees who resign or retire early as a result of the

reorganization. A school district with a secondary agreement with another district must pay severance to licensed employees placed on unrequested leave and may levy for the expenses.

16. Consolidation/Transition Levies (M.S. 122.247, Subd. 3, 122.533, and Laws of 1992, Chap. 499, Art. 6, Sec. 35). A school district that reorganizes under dissolution and attachment, or cooperation and combination may levy for transition expenses associated with the reorganization. Joint School District 6011 may also levy \$80,000 per year for five years for costs associated with the formation of the joint district.
17. Outplacement Levy (M.S. 124.912, Subd. 8). Upon the recommendation of a school's mentoring team, a school district may levy for the costs of outplacement services for licensed teachers, including counseling and job search costs.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1993 91 PAY 92	F.Y. 1994 92 PAY 93	F.Y. 1995 93 PAY 94	F.Y. 1996 94 PAY 95	F.Y. 1997 95 PAY 96
1. Unemployment Insurance					
Net Amount Certified	\$ 5,282.5	\$ 5,569.7	\$ 5,759.1	\$ 5,388.7	\$ 5,388.7
Number of Districts	202	263	273	267	267
2. Statutory Operating Debt					
Certified Levy	\$ 126.8	\$ 134.0	\$ 131.9	\$ 53.6	\$ 38.0
Number of Districts	5	5	5	3	2
3. Operating Debt					
Certified Levy	\$ 238.5	\$ 600.9	\$ 1,176.6	\$ 1,172.3	\$ 1,225.9
Number of Districts	12	12	30	29	31
4. Judgment					
Certified Levy	\$ 542.9	\$ 246.0	\$ 259.3	\$ 443.6	\$ 373.0
Number of Districts	12	6	6	10	9
5. State Audit					
Certified Levy	\$ 12.5	\$ 14.3	\$ 0.0	\$ 0.0	\$ 0.0
Number of Districts	2	1	0	0	0
6. Health Insurance Levy					
Certified Levy	--	\$ 1,024.7	\$ 5,803.0	\$ 5,942.5	\$ 5,942.5
Number of Districts	--	61	244	243	243
7. Health Benefit Levy					
Certified Levy	--	\$ 8,392.7	\$ 7,842.6	\$ 8,006.0	\$ 0.0
Number of Districts	--	99	119	122	0
8. Minneapolis Retirement					
Certified Levy	\$ 1,759.6	\$ 3,134.9	\$ 2,364.1	\$ 1,159.2	\$ 959.1
9. Additional Retirement					
Certified Levy	--	--	\$ 1,600.0	\$ 2,350.0	\$ 3,600.0
Number of Districts	--	--	2	2	2

1996-97 Biennial Budget

PROGRAM: 08 Other Education Programs
 AGENCY: Education Aids
 0815 MISCELLANEOUS GENERAL LEVIES
 (Continuation)

(\$ in 000s)	Current Law				
	F.Y. 1993 91 PAY 92	F.Y. 1994 92 PAY 93	F.Y. 1995 93 PAY 94	F.Y. 1996 94 PAY 95	F.Y. 1997 95 PAY 96
10. Minneapolis Health Insurance					
Certified Levy	\$ 356.5	\$ 0.0	\$ 266.4	\$ 0.0	\$ 276.0
11. St. Paul Severance					
Certified Levy	\$ 410.2	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
12. Crime Levy					
Certified Levy	\$ 2,685.4	\$ 3,482.9	\$ 3,382.3	\$ 3,747.0	\$ 3,817.1
Number of Districts	121	180	192	222	222
13. Ice Arena Levy					
Certified Levy	--	\$ 167.5	\$ 205.0	\$ 217.3	\$ 217.3
Number of Districts	--	2	3	4	4
14. Reorganization Operating					
Debt Levy					
Certified Levy	\$ 150.5	\$ 289.9	\$ 414.6	\$ 623.9	\$ 813.0
Number of Districts	4	6	8	12	16
15. Severance Levies					
Certified Levy	\$ 645.6	\$ 499.6	\$ 852.1	\$ 1,052.6	\$ 1,052.6
Number of Districts	14	6	13	12	12
16. Consolidation/Transition Levies					
Certified Levy	\$ 318.0	\$ 134.8	\$ 197.4	\$ 431.1	\$ 405.0
Number of Districts	9	3	3	7	6
17. Outplacement					
Certified Levy	--	--	\$ 41.8	\$ 18.4	\$ 18.7
Number of Districts	--	--	4	1	4
Total Amount	\$ 12,529.0	\$ 23,691.9	\$ 30,296.2	\$ 30,606.2	\$ 24,126.9

^(a) Net levy authority after reductions made for excess fund balances of \$2.8 million for F.Y. 1993, \$2.6 million for F.Y. 1994, and \$2.6 million for F.Y. 1995.

BUDGET ISSUES:

A. CHALLENGES:

- The miscellaneous general levies continue to serve varied needs for Minnesota school districts. All funds generated through these levies are anticipated to be fully utilized.

B. STRATEGIES:

- Minnesota school districts will generate revenue to the extent needed for various general fund obligations in F.Y. 1996 and F.Y. 1997, thereby contributing to their overall financial health. School districts will not need to allocate general education formula funding to these identified costs. The amount received from levy will be substantially equal to the expenditure as shown on annual financial reports.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing the operating debt, ice area, and outplacement levies, and continuing the remaining miscellaneous general levies.

While the goals of this program are worthwhile, fiscal constraints require that resources be directed toward MDE highest priorities. This recommendation, along with increased flexibility with general education funds, will increase school district discretion in managing resources most effectively toward improving student performance.

DISCONTINUED/NONRECURRING PROGRAMS (11)

	<u>Page</u>
1100 State and Federal Categorical Aid Programs	A-533

DISCONTINUED/NONRECURRING PROGRAMS

1996-97 Biennial Budget

(\$ in 000s)

F.Y. 1993

F.Y. 1994

F.Y. 1995

Appropriation Basis

PROGRAM: 11 Discontinued/Nonrecurring Programs
 AGENCY: Education Aids

1100 STATE AND FEDERAL CATEGORICAL AID PROGRAMS

PURPOSE:

The budget process requires a report of discontinued education aids or grants if there is any expenditure in F.Y. 1993, F.Y. 1994, or F.Y. 1995.

(\$ in 000s)	F.Y. 1993 Expenditures	F.Y. 1994 Appropriation Basis	F.Y. 1995
A. State Aid Programs			
School District Borrowing Aid	\$ 1,175.0		
GED and Learn to Read on TV	98.0		
Education Districts	359.0		
Outcome Based Education Contracts	640.0		
Arts Planning Grants	38.0		
Teacher Education Improvement (Bd.T) (Laws 91, Chap. 265, Art. 7)	42.0		
Cooperative Desegregation Grants	200.0		
State PER Assistance	542.0		
Basic Skills Evaluation	74.0		
C&C Facilities Planning Grant Co.	100.0		
Worthington Lakeview	11.0		
Ed Courseware	29.1		
Spec. Ed. - Residential	2,522.0	2,417.3	
Regional Mgmt Information Centers	3,274.0	3,270.1	
Individualized Learning and Development	15,674.0	2,403.0	
ECSU Aid	733.0	733.0	110.0
Sec. Vocational Cooperatives	23.0	145.1	24.0
Nett Lake Insurance/Unemployment	15.0	26.0	50.0
Education in Agriculture Leadership	12.0	21.0	29.0
Environmental Projects (LCMR)	369.0	1,540.0	2.0
Spec. Ed. - Advisory Councils		15.0	
North Branch Community School		200.0	
ECFE - Home Visiting		451.6	
Local Collaboratives		4,470.0	
Library Demonstration Grant		30.0	
Coop. Sec. Facility Planning		100.0	
Facility Collaboration Planning Grant #2580		50.0	
Metro Deaf Transportation		4.5	9.7
Mountain Iron-Buhl Grant		75.0	75.0
AmerSignLang- Proficiency Evaluation		12.0	10.0
Ed Delivery System		3.0	12.0

Richfield Grant	500.0
Warroad Grant	50.0
Additional General Education Aid	15,599.6
Task Force on Disabilities	25.0
Student Suspensions and Expulsions Study	40.0
Student Survey	150.0
Violence Prevention Education (Chap. 576)	1,000.0
Violence Prevention High Risk Youths (Chap. 576)	2,200.0
Local Grass Roots Collaboration	100.0
Truancy Project (Chap. 576)	100.0
Learning Readiness (Laws 94, Chap. 576)	1,500.0
Facility Planning Grant Lakefield et. al.	100.0
Facility Planning Grant - N. St. Paul et. al.	100.0
ITV Grants - Districts in Scott/Carver Cos.	189.0
ITV Grant - Cromwell	125.0
Time and Technology Grant - Cloquet	83.0
Coalition for Education Reform and Accountability	50.0
Low Income Concentration Grant	1,000.0
Free Breakfast Grants	167.0
Nett Lake Youth Program	25.0
Red Lake Multicultural Grant	69.0
Sexuality and Family Life Survey	25.0
Burnsville Facility Grant	500.0
Spec. Ed./Abatement Deficiency Aid (Laws 94, Chap. 587)	20,000.0

B. Programs to be transferred to other agencies

Summer Health Intern Grants (Transferred to Health)	32.0		
Community Living - Disabled Youths (Transferred J&T)	245.0		250.0
Total State Programs Discontinued	\$ 26,207.1	\$ 15,966.6	\$ 24,269.3

C. Federal Flow-Through Programs

Adult Ed. English Literacy	6.0		
Homeless Adults	79.0		
Vocational Education Supplementary Grant		61.0	
Total Federal Programs Discontinued	\$ 85.0	\$ 61.0	\$ 0.0
Total Discontinued	\$ 26,292.1	\$ 16,027.6	\$ 24,269.3

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Education, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$15,600	\$15,600	\$31,200
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	(968)	(968)	(1,936)
Documented Rent/Lease Increase	39	72	111
Attorney General Costs	(28)	(28)	(56)
<u>CURRENT SPENDING</u>	\$14,643	\$14,676	\$29,319

AGENCY DECISION ITEMS:

Appropriation Cap Reduction	(2,750)	(1,465)	(4,215)
Reallocation Office of Grants and Development	66	66	132
Reallocation Communications Office	52	52	104
Reallocation Building Improvements	(118)	(118)	(236)
Utility Costs for Library Addition	7	7	14
Transfer Youth Apprenticeship Position to MDE	40	40	80

<u>AGENCY PLAN</u>	\$11,940	\$13,258	\$25,198
---------------------------	-----------------	-----------------	-----------------

GOVERNOR'S INITIATIVES

Restore base funding level	2,750	1,465	4,215
Transfer to Department of Children and Education Services	-0-	(14,723)	(14,723)
After School Enrichment Program	1,000	-0-	1,000

GOVERNOR'S RECOMMENDATIONS	\$15,690	\$-0-	\$15,690
-----------------------------------	-----------------	--------------	-----------------

Brief Explanation of Agency Plan:

- The plan removes \$968,000 of F.Y. 1995 carryover from the appropriation base each year. The carryover was generated by one-time savings from vacancies and spending restrictions.
- In accordance with budget guidelines, the plan includes base adjustments of \$39,000 in F.Y. 1996 and \$72,000 in F.Y. 1997 to reflect higher lease costs for the Capitol Square Building in the next biennium.
- The plan transfers \$28,000 earmarked for Attorney General reimbursement directly to that office.

- The plan includes an appropriation cap reduction of \$2,750,000 in F.Y. 1996 and \$1,465,000 in F.Y. 1997. These funds represent the proportion of the appropriation limits reduction (Laws 1993, Chapter 224, Article 15, Section 3) attributable to the Department of Education budget.
- The plan reallocates \$118,000, designated for building improvement during FY 95, to emerging priorities: \$66,000 each year for the Office of Grants and Development and \$52,000 each year for the Communications Office.
- The plan includes a \$7,000 transfer from the Minnesota Residential Academies for utility costs at the Minnesota Library for the Blind & Physically Handicapped. These costs were formerly paid by the Academies to the Department of Education, which will assume the direct obligation for payment on July 1, 1995.
- The plan includes a \$40,000 transfer from Minnesota Technology for a Youth Apprenticeship position already receiving work direction from the Department.

Revenue Summary:

- The plan includes a fee increase of \$5 (from \$40 to \$45) for teacher and school administrator licenses to fully recover licensure costs as required by Minnesota Statutes. The increase will generate approximately \$135,000 in revenue in F.Y. 1996 and \$137,500 in F.Y. 1997.

Affected Statutes: None.

GOVERNOR'S RECOMMENDATIONS: The Governor recommends restoring base funding to the FY 1995 level, in the amount of \$2,750.0 in FY 1996 and \$1,465.0 in FY 1997. The agency was directed to prepare their plan at the restored level, and the Governor concurs with that plan. The Governor also concurs with the agency's plan to increase the teacher and administrator licensure fee by \$5. This increase will allow for elimination of the accumulated deficit by the end of the biennium, as required by statute. The Governor further recommends the transfer of all activities and programs to the Department of Children and Education Services in FY 1997. As described in the individual activity narratives in the Education Aids budget, certain activities are recommended for transfer to the Family and Community Services function in the DCES, with other activities recommended for transfer to the Youth Career Preparation function. All remaining activities and programs in the Department of Education are recommended for transfer to the Basic Instruction function of the DCES. At the discretion of the DCES Commissioner, activities or programs may be transferred to the new department at an earlier date, if desired. The Governor also recommends an appropriation of \$1,000.0 to the Children's Cabinet in F.Y. 1996 for a grant to the Minneapolis School District and the St. Paul School District to make space available in school buildings for after school and summer drug and violence prevention programs together towards junior high and middle school student. These programs should be developed collaboratively with other community organizations.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Education, Department of

Fund: Trunk Highway

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$23	\$23	\$46
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	(2)	(2)	(4)
<u>CURRENT SPENDING</u>	\$21	\$21	\$42
<u>AGENCY PLAN</u>	\$21	\$21	\$42
<u>GOVERNOR'S INITIATIVES</u>			
Transfer to Department of Children and Education Services	-0-	(21)	21
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$21	\$-0-	\$21

Brief Explanation of Agency Plan:

The Trunk Highway Fund for the Department of Education is used for program operations and office costs for the Driver Education program. No salaries or grants are involved. The annual budget of \$21,000 has been apportioned among office, staff travel and program costs such as developing curriculum materials and conducting workshops for educators addressing current issues and concerns with young drivers.

The plan removes \$2,000 F.Y. 1995 carryover from the appropriation base for each year.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency's plan, and recommends transfer of this program to the Department of Children and Education Services in F.Y. 1997.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: DEPARTMENT OF EDUCATION

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TEACHING & LEARNING	13,601	14,029	17,997	18,992	19,105	19,105	18,992	19,105	19,105
EDUCATION RESOURCES & SUPPORT	14,209	15,457	17,255	16,546	16,480	16,480	16,579	16,513	16,513
APPROPRIATIONS LIMIT, LAWS 1993					<2,750>			<1,465>	
TOTAL EXPENDITURES BY PROGRAM	27,810	29,486	35,252	35,538	32,835	35,585	35,571	34,153	35,618
GOV'S INITIATIVES	FUND								
(A) TRSFR TO DEPT OF CHILDREN & ED. SERVICES									<14,723>
(A) TRSFR TO DEPT OF CHILDREN & ED. SERVICES									<21>
(A) TRSFR TO DEPT OF CHILDREN & ED. SERVICES									<110>
(A) TRSFR TO DEPT OF CHILDREN & ED. SERVICES									<2,456>
(A) TRSFR TO DEPT OF CHILDREN & ED. SERVICES									<16,724>
(A) TRSFR TO DEPT OF CHILDREN & ED. SERVICES									<1,393>
(A) TRSFR TO DEPT OF CHILDREN & ED. SERVICES									<191>
(B) AFTER SCHOOL ENRICHMENT PROGRAM						1,000			
						=====			=====
						1,000			<35,618>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	14,151	13,618	15,600	14,643	11,940	15,690	14,676	13,258	0
TRUNK HIGHWAY	19	19	23	21	21	21	21	21	0
STATUTORY APPROPRIATIONS:									
GENERAL	91	126	116	110	110	110	110	110	0
SPECIAL REVENUE	2,497	2,629	2,456	2,456	2,456	2,456	2,456	2,456	0
FEDERAL	10,181	11,783	15,473	16,724	16,724	16,724	16,724	16,724	0
AGENCY	783	1,167	1,393	1,393	1,393	1,393	1,393	1,393	0
GIFTS AND DEPOSITS	88	144	191	191	191	191	191	191	0
TOTAL FINANCING	27,810	29,486	35,252	35,538	32,835	36,585	35,571	34,153	0
FTE BY EMPLOYMENT TYPE:									
REGULAR	340.9	345.3	384.3		384.3			384.3	
TEMP/SEAS/PART-TIME	8.4	8.0	1.5		1.5			1.5	
OVERTIME		.6							
TOTAL FTE	349.3	353.9	385.8		385.8	385.8		385.8	0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: DEPARTMENT OF EDUCATION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	35,252	35,252	15,716	15,716	4,063	4,063	15,473	15,473
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<976>	<976>	<974>	<974>	<2>	<2>		
DOCUMENTED RENT/LEASE INC/DEC	39	72	39	72				
FEDERAL RECEIPTS	1,251	1,251					1,251	1,251
ATTORNEY GENERAL COSTS	<28>	<28>	<28>	<28>				
SUBTOTAL BASE ADJ.	286	319	<963>	<930>	<2>	<2>	1,251	1,251
CURRENT SPENDING	35,538	35,571	14,753	14,786	4,061	4,061	16,724	16,724

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Education, Department of
PROGRAM: Appropriation Limit, Laws of 1993
ACTIVITY: Appropriation Limit, Laws of 1993

ITEM TITLE: Restoration of F.Y. 1995 Adjusted Funding Base

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ 2,750	\$ 1,465	\$ 1,465	\$ 1,465

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends restoring the FY 1995 adjusted funding base, in the amounts of \$2,750 in FY 96 and \$1,465 in FY 97. Maintaining a stable level of funding will allow the efforts of the Department of Education in developing and implementing a results oriented educational system to continue. As discussed elsewhere, the Governor also recommends that the functions of the Department of Education be transferred to the Department of Children and Education Services, (DCES) beginning in FY 1997. The Commissioner of DCES will have the discretion to transfer functions or activities at an earlier date, if desired.

RATIONALE:

The F.Y. 1993 Education Bill and F.Y. 1994 amendments established appropriation limits which "capped" spending commitments for the F.Y. 1996-97 biennium. Spending limits were adopted for the state's three largest spending programs - elementary and secondary education, postsecondary education and human services - to assure that decisions from the 1993 session would not have "financial tails" that would exceed projected revenue growth for the F.Y. 1996-97 biennium.

This budget initiative is to restore the reduction that would occur under the cap since the Department of Education (MDE) cannot absorb the reduction. It is imperative that the F.Y. 1995 base funding be maintained to assure the state can fulfill its mission and responsibilities in public education.

PROGRAM OUTCOMES:

The effect of the spending limitation is quite severe. It amounts to an 18.43% (\$2,750,000) reduction in F.Y. 1996 and a 9.4% (\$1,465,000) reduction in F.Y. 1997 from the F.Y. 1995 funding base.

Restoration of the funds will allow MDE to continue required or priority programs which 1) directly support or improve the capacity of school districts and education agencies to provide maximum opportunities for learners, and 2) assure the state of Minnesota receives optimum value for its largest spending category, public education. Functions and activities supported by the F.Y. 1995 funding base include: managing a complex education funding system which involves a large number of aid categories, levy programs, funding provisions and adjustments; service and leadership in public education which offers quality learning opportunities for Minnesota residents while preparing to transform the education system into a results-oriented approach; managing and providing leadership for a variety of instructional and support services programs; and providing effective responses to school officials, policymakers, and the general public who need up-to-date information to make sound decisions or simply advice on how to capitalize on the various education opportunities now available in Minnesota schools.

LONG-TERM IMPACT:

Restoration of the MDE operating budget to the F.Y. 1995 base level is essential for state leadership and service capacity of the \$5 billion education system, which is presently in a crucial period of change. Not restoring the \$2.7 million appropriation in F.Y. 1996 would result in MDE eliminating approximately 40 positions and related program support costs.

Previous reductions, most notably the 20% reduction in F.Y. 1992 when nearly 50 state funded positions were cut, have had a serious impact on MDE's capacity to deliver service and has harmed the stability and morale of MDE staff. In many cases it has not been possible to reduce workload in proportion to staff reductions. The need and expectation from the general public, education officials and state policymakers for MDE to respond to requests for information and assistance for each respective program has been ongoing. Retaining and recruiting quality staff was difficult in the ensuing months after the 1992 reduction and, while the situation continues to improve, further cuts would set the Department back again.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Education, Department of
PROGRAM: Education, Department of
ACTIVITY: Education, Department of

ITEM TITLE: After School Enrichment

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$1,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ____ No <u>X</u>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$1,000,000 be appropriated from the General Fund to the Children's Cabinet in F.Y. 1996 to make a grant to the Minneapolis School District and the St. Paul School District to make space available in school buildings for after-school, weekend and summer recreational, instructional, cultural and artistic programs that encourage drug- and violence-free lifestyles. Programs should be targeted towards junior high and middle school students. All programs should be developed collaboratively with city government, park boards, family services collaboratives and any other community organizations offering similar programming.

The Governor also recommends that any unexpended balance in the first year carry forward to the 2nd year of the biennium, and be transferred to the Department of Children and Education Services.

RATIONALE:

With a high percentage of parents in the workforce, children are often left unsupervised after school and during the summer. Many secondary schools end the school day in the early afternoon, leaving several hours of unsupervised time. Unsupervised young people are at higher risk for drug use and other high-risk behaviors. Community organizations often are willing to provide programming for young people, but their ability to do so is hampered by the lack of facilities and supervision. School buildings are ideal facilities for such programs, but buildings often are not available after school hours, on weekends or in the summer because of lack of funds. These grant funds will allow school buildings to be used beyond normal school hours to provide facilities for youth programs.

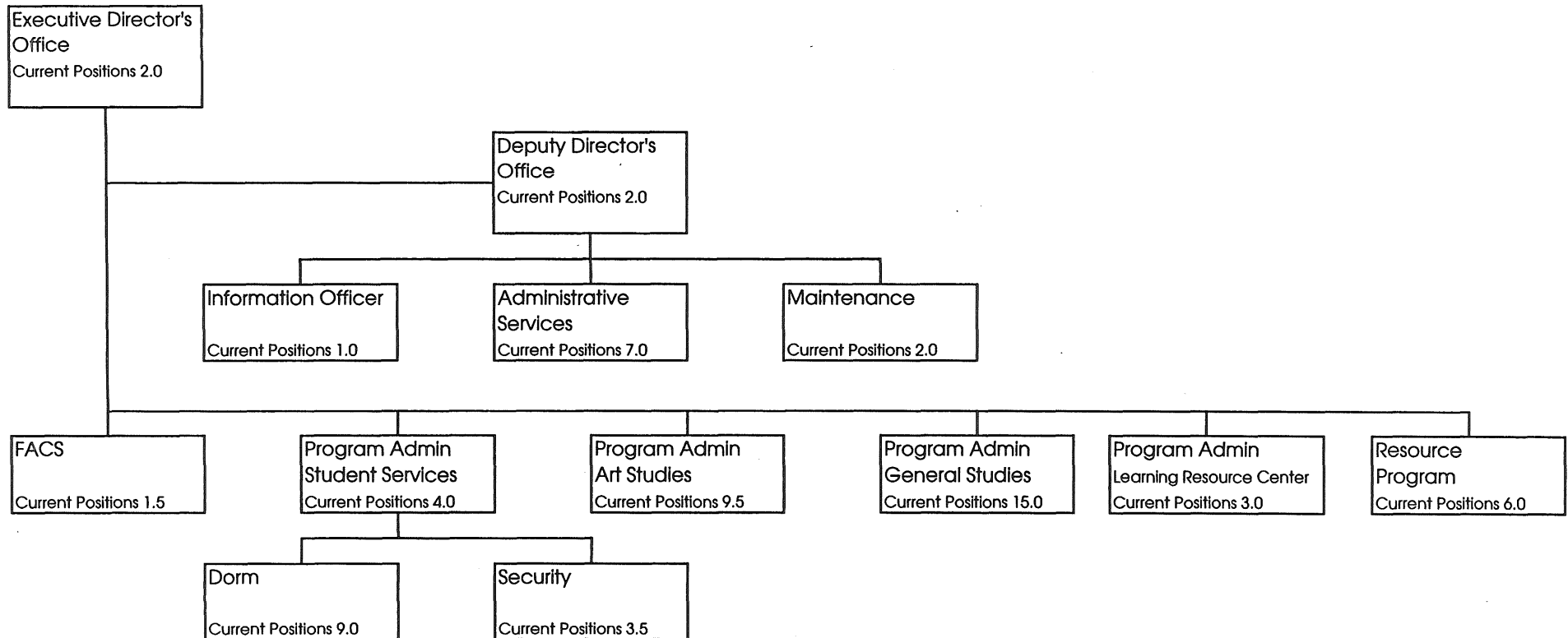
PROGRAM OUTCOMES:

An increase in the number of students in Minneapolis and St. Paul participating in recreational, instructional, cultural and artistic programs that encourage drug- and violence-free lifestyles; increased utilization of junior high and middle school buildings by community organizations; increased collaboration between schools and other community organizations.

LONG-TERM IMPACT:

Reduction in drug-related, violence-related and other high-risk behaviors by students participating in these programs; a reduction of crimes committed by juveniles in areas where the programs are offered; improved school performance by young people participating in these programs.

Minnesota Center for Arts Education Organization Chart as of 1/18/95



1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Arts Education, MN Center for

Fund: General

Summary of Agency Actions:

Brief Explanation of Agency Plan:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$5,362	\$5,362	\$10,724
<u>BASE ADJUSTMENT:</u>			
One-time Appropriations	(432)	(432)	(864)
Appropriations Carried Forward	(62)	(62)	(124)
Attorney General costs	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
<u>CURRENT SPENDING</u>	\$4,867	\$4,867	\$9,734
<u>AGENCY DECISION ITEMS:</u>			
Appropriation Cap Reduction	(908)	(470)	(1,378)
Refocus Resource Programs	135	195	330
Reduce Grants for Arts Educ. Programs	<u>(135)</u>	<u>(195)</u>	<u>(330)</u>
<u>AGENCY PLAN</u>	\$3,959	\$4,397	\$8,356
<u>GOVERNOR'S INITIATIVES:</u>			
Maintain Base Funding Level	\$908	\$470	\$1,378
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$4,867	\$4,867	\$9,734

The agency plan includes a reduction due to the appropriation caps of \$908 in F.Y. 1996 and \$470 in F.Y. 1997. These funds represent the proportion of the appropriation limits reduction passed in 1993 attributable to the Center for the Arts.

This budget plan refocuses the Resource Programs budget of the Center to accommodate a new division devoted to technical, professional and information services for teachers, other educators and artists. The new division is being developed in response to community and client demand and to meeting the responsibilities assigned to the Center by the legislature in 1993. The 1993 assignment moved leadership in arts education curriculum to the Center from the Department of Education. The new services will be paid for by reallocating funds previously used for grants to organizations for arts education programming.

The Arts High School budget will remain at the same level as in F.Y. 1994 and 1995.

The administrative budget will also remain at its current level, absorbing inflationary increases.

Revenue Summary:

With this plan, there will be no impact on staffing or revenue generation.

Affected Statutes:

The Center can accomplish its stated objectives within existing statutes.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends restoring the base funding level to F.Y. 1995 amounts, an increase of \$908 in F.Y. 1996 and \$470 in F.Y. 1997. The agency was directed to prepare their plan at the restored level, and the Governor concurs with that plan.

The Governor also recommends amending the Laws of 1993, Chapter 224, Article 8, Section 21 to allow carryforward authority from F.Y. 1994 to F.Y. 1995 for the Pass/Arts Exams.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MN CTR FOR ARTS EDUC
PROGRAM: CENTER FOR ARTS EDUC
ACTIVITY: CENTER FOR ARTS EDUC

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,656	2,778	2,971	2,971	2,971	2,971	2,971	2,971	2,971
EXPENSES/CONTRACTUAL SRVCS	1,196	1,111	1,063	987	1,122	1,122	987	1,182	1,182
MISC OPERATING EXPENSES	212	236	260	259	259	259	259	259	259
SUPPLIES/MATERIALS/PARTS	327	279	381	321	321	321	321	321	321
CAPITAL EQUIPMENT	98	71	76	76	76	76	76	76	76
OTHER	17	21	21	21	<887>	21	21	<449>	21
SUBTOTAL STATE OPERATIONS	4,506	4,496	4,772	4,635	3,862	4,770	4,635	4,360	4,830
AIDS TO INDIVIDUALS	51	27	27	27	27	27	27	27	27
LOCAL ASSISTANCE	771	1,003	1,210	852	717	717	852	657	657
TOTAL EXPENDITURES	5,328	5,526	6,009	5,514	4,606	5,514	5,514	5,044	5,514
AGENCY PLAN ITEMS:									
			FUND						
APPROPRIATION CAP REDUCTION			GEN	<908>			<470>		
REFOCUS RESOURCE PROGRAMS			GEN	135			195		
REDUCE GRANTS FOR ARTS EDUC. PROGRAMS			GEN	<135>			<195>		
				=====			=====		
TOTAL AGENCY PLAN ITEMS				<908>			<470>		
GOV'S INITIATIVES:									
			FUND						
(A) RESTORE AGENCY BASE			GEN	908			470		
				=====			=====		
TOTAL GOV'S INITIATIVES				908			470		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,075	5,174	5,362	4,867	3,959	4,867	4,867	4,397	4,867
STATUTORY APPROPRIATIONS:									
GENERAL	10	79	75	75	75	75	75	75	75
SPECIAL REVENUE	186	216	229	229	229	229	229	229	229

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MN CTR FOR ARTS EDUC
PROGRAM: CENTER FOR ARTS EDUC
ACTIVITY: CENTER FOR ARTS EDUC

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FEDERAL	14	23	287	287	287	287	287	287	287
AGENCY	37	32	49	49	49	49	49	49	49
GIFTS AND DEPOSITS	6	2	7	7	7	7	7	7	7
TOTAL FINANCING	5,328	5,526	6,009	5,514	4,606	5,514	5,514	5,044	5,514
FTE BY EMPLOYMENT TYPE:									
REGULAR	55.1	55.6	67.7		67.7			67.7	
OVERTIME	.6	.7							
TOTAL FTE	55.7	56.3	67.7		67.7	67.7		67.7	67.7

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Arts Education, Minnesota Center for
PROGRAM:
ACTIVITY:

ITEM TITLE: Operating Costs for Renovated Dormitory

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

This recommendation has been rescinded because staff at the MCAE have determined that renovation of the existing building is not feasible and shall not proceed. A request for cancellation of the in the 1994 Bonding Bill will be submitted this session.

RATIONALE:

The 1994 Legislature approved the Governor's request for the renovation of a vacant dormitory into a recreation facility for the Arts High School students. There is currently no on-site recreation or structured social space for students in which to interact and engage in activities of a nonacademic nature. The school day is longer than the traditional public high school schedule, frequently extending into the late afternoons and evenings. Extended scheduling, coupled with the large number of boarding students, has created a need for dedicated recreational space that is designed to enhance student health and create a stronger adult supervisory presence over student activities.

The building is not currently occupied for any programmatic purpose other than storage. Its mechanical and electrical operating systems have been maintained only at minimal levels to preserve the physical integrity of the structure. Bringing the building on-line will require the assumption of increased costs for utilities, grounds care, janitorial, trash and security services, repairs, supplies, and telecommunications/computer charges and fees.

Staffing costs are derived from the creation of 2.5 new positions: a recreation coordinator, a general maintenance worker and a part-time security guard. As the existing buildings will continue to be

operated at their current staffing levels, it is not possible to shift present supervisory and maintenance staff to the new facility without jeopardizing access to and physical care of other library, arts and academic spaces. Those staffing levels must remain the same in order to assure student safety and proper facilities maintenance.

PROGRAM OUTCOMES:

- Enhanced student health and improved student performance/behavior through stress reduction and structured opportunities to socialize and recreate.
- Reduction of disruptions to other students and staff by relocation of student lounge areas out of main academic/classroom buildings.
- More effective student management, both in the dormitory and classrooms.
- Alleviation of some classroom shortages through the provision of convertible spaces in Beta that can be used for instruction when not open for student recreation.
- Proper maintenance and care of physical systems so that programming functions can occur as scheduled and required.

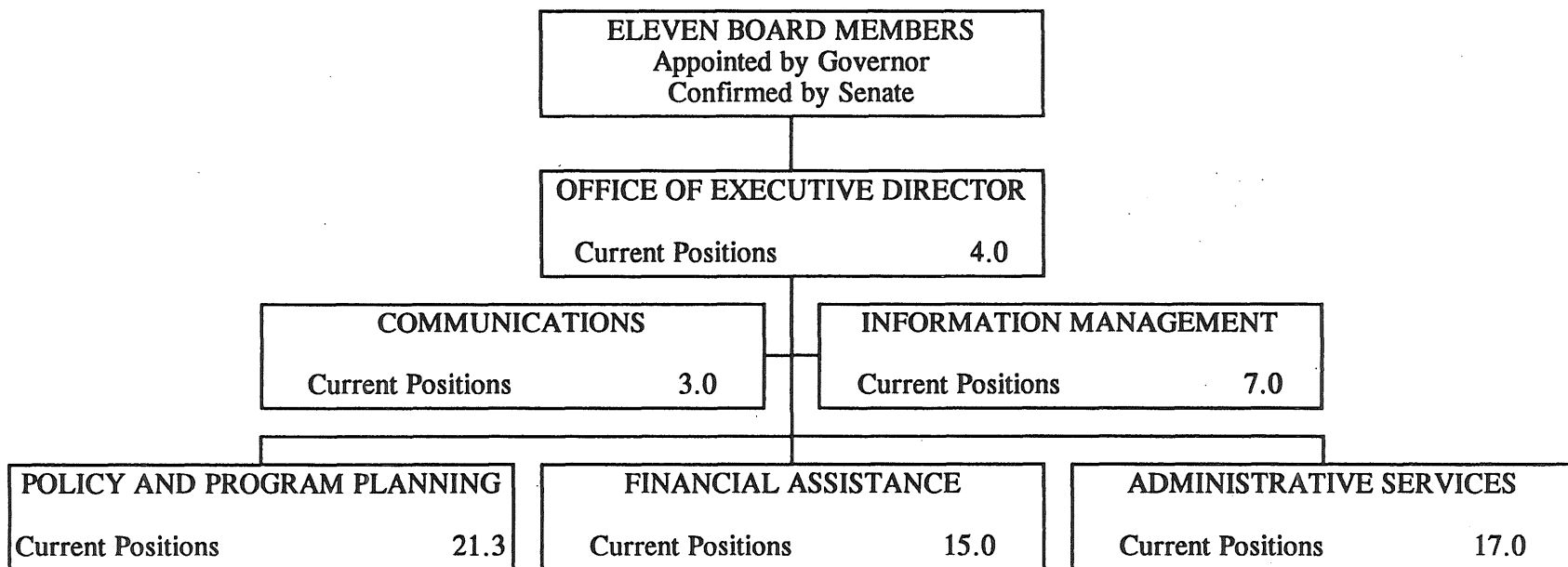
LONG-TERM IMPACT:

The creation of permanent, dedicated space for student recreation purposes that is staffed for those reasons and maintained at a high level is expected to have positive effects on students' long-term health and achievement during their enrollment at the arts high school. The addition of square footage will provide greater opportunities for augmented programming and allay parent and student concerns that the school's rigor and standards are not achieved at the expense of student health and social needs. Additional repair staffing will allow the agency to begin to move from a crisis management orientation in the physical care of its facilities to a planned maintenance approach through the investment of time and resources on a regular basis. This will result in long-term fiscal savings and the preservation of the state's physical assets.

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HIGHER EDUCATION COORDINATING BOARD

ORGANIZATIONAL CHART 7/1/94



JUNE 30, 1994 FTE EMPLOYEES: 67.3

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Higher Education Coordinating Board (HECB)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$121,628	\$121,628	\$243,256
<u>BASE ADJUSTMENT:</u>			
Biennial Appropriations	1,011	1,011	2,022
Appropriations Carried Forward	(2,812)	(2,812)	(5,624)
Documented Rent/Lease Inc.	2	2	4
Attorney General Costs	<u>(2)</u>	<u>(2)</u>	<u>(4)</u>
Current Spending	\$119,827	\$119,827	\$239,654

AGENCY DECISION ITEMS:

H.E. Cap Reduction	(2,107)	(2,107)	(4,214)
Information Campaign	130	130	260
Realloc. for Inform. Campaign	(40)	(40)	(80)
Realloc. for Inform. Campaign	(40)	(40)	(80)
Realloc. for Inform. Campaign	<u>(50)</u>	<u>(50)</u>	<u>(100)</u>

<u>AGENCY PLAN</u>	117,720	117,720	235,440
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GOVERNOR'S RECOMMENDATION:

State Grant Program	\$2,827	4,607	7,434
Summer Scholarships	235	250	485
Student/Parent Information	100	100	200
Federal Student Loan Risk Sharing	-0-	60	60
MINITEX	<u>45</u>	<u>45</u>	<u>90</u>

<u>GOVERNOR'S PLAN:</u>	\$120,927	\$122,782	\$243,709
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BRIEF EXPLANATION OF AGENCY PLAN:

- The plan calls for \$130,000 of internal reallocation per year to partially fund the board's initiative to provide more information on post-secondary education to low income persons, persons of color and to potential first generation college students.

GOVERNOR'S RECOMMENDATION:

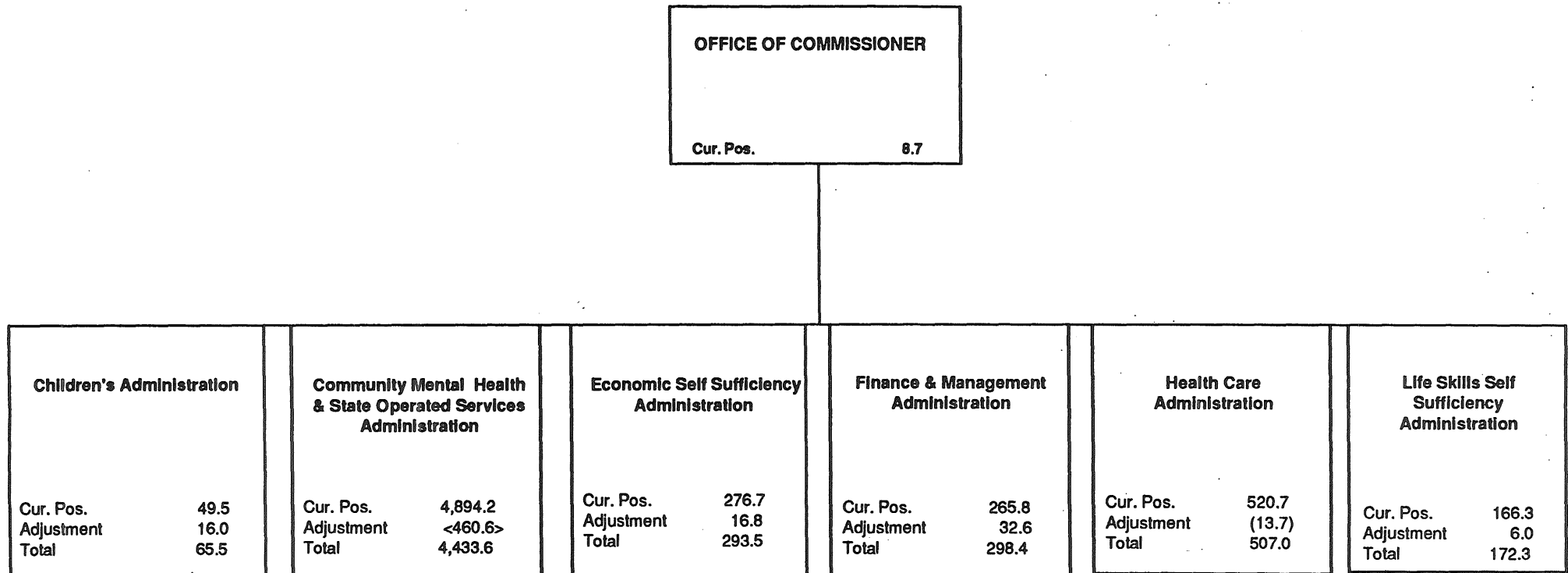
The Governor's plan increases appropriations for the State Grant Program to accommodate annual tuition and fee increases of 3% for students attending public post-secondary institutions, and a 3% increase in the Program's allowance for living and miscellaneous expenses in F.Y. 1996.

The Governor recommends an appropriation to continue and expand the Summer Scholarships for Academic Enrichment Program for low income junior and senior high school students. He also recommends funding to enhance HECB's Student/Parent Information Initiative to more effectively target families from communities of color and encourage all families to save for college.

The Governor's plan includes appropriations to cover increased document delivery demand through the MINITEX inter-library loan program by college and university libraries. A one-time appropriation is provided to cover a risk sharing fee that the federal government is charging states as part of its efforts to reduce the cost of defaults on federal student loans.

Department of Human Services

Organizational Chart 7/1/94



June 30, 1994 FTE Employees: 6030.7

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Human Services, Department of (DHS)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$2,157,124	\$2,157,124	\$4,314,248
<u>BASE ADJUSTMENT:</u>			
One Time Appropriations	(2,591)	(2,591)	(5,182)
Biennial Appropriations	(428)	(1,231)	(1,659)
Appropriations Carried FWD	(14,056)	(14,056)	(28,112)
Non-Recurring Expenditures	(1,000)	(1,000)	(2,000)
Base Transfer (Btwn Funds)	67,809	67,809	135,618
Documented Rent/Lease Inc/Dec	307	509	816
Special Legis. Adjustments	7,200	59,125	66,325
Attorney General Costs	<u>554</u>	<u>554</u>	<u>1,108</u>
<u>CURRENT SPENDING</u>	\$2,214,919	\$2,266,243	\$4,481,162
<u>AGENCY DECISION ITEMS:</u>			
Finance and Management	4,780	6,746	11,526
Life Skills Self Sufficiency	1,472	1,874	3,346
Families and Children	3,368	5,339	8,707
Economic Self Sufficiency	708	618	1,326
Health Care	8,946	42,268	51,214
Comm. Mental Health & SOS	(11,183)	(10,528)	(21,711)
Income Maintenance Adjustments	<u>147,277</u>	<u>291,337</u>	<u>438,614</u>
<u>AGENCY PLAN</u>	\$2,370,287	\$2,603,897	\$4,974,184
<u>GOVERNOR'S INITIATIVES:</u>			
Child Care-Basic Sliding Fee	6,935	13,935	20,870
Family Services Collaboratives	3,500	4,000	7,500
Care for Homeless Children	1,075	1,475	2,550
Children's Mental Health Act Funding	2,150	1,650	3,800
Mental Health Adolescent Services	600	6,500	7,100
Welfare Reform	(2,583)	2,808	225
Child Support Improvements	48	980	1,028
Transfer to Children & Ed Svs Dept	-0-	(51,614)	(51,614)
CD Treatment Rate Reduction	(1,088)	(3,567)	(4,655)
GAMC Capitation Rate Reduction	(4,791)	(7,397)	(12,188)
GAMC Dental Coverage Reduction	(2,897)	(7,989)	(10,886)
Restructure PCA & TEFRA	<u>(2,369)</u>	<u>(9,131)</u>	<u>(11,500)</u>
<u>GOVERNOR'S RECOMMENDATION</u>	\$2,370,867	\$2,555,547	\$4,926,414

Brief Explanation of Agency Plan:

The Department of Human Services (DHS) began the development of the biennial budget process by listening to what Minnesota citizens wanted for the future. The department first reviewed the Minnesota Milestone goals and used these as the context for a comprehensive public outreach effort to define more specific goals directed to human service policy. Outreach included policy symposiums, county forums, and questionnaires sent to nearly 1,000 Minnesotans who either receive, provide, or have other interests about human services issues.

Minnesota Milestones and the input received through these outreach efforts became the basis for identifying the following seven "Human Services Priorities for People":

1. health care;
2. life skills self-sufficiency;
3. economic self-sufficiency;
4. children;
5. infrastructure;
6. housing; and
7. community.

These priorities (which are more specifically discussed on the agency narrative page found later in this document) are the focus of the agency's budget plan. Four of the seven priorities have generated department budget initiatives which affect the General Fund. Items affecting the General Fund are listed below, categorized by initiative.

■ Life Skills Self-Sufficiency

1. **Quality Assurance Support System** provides resources for testing and implementing alternative quality assurance approaches for persons requiring ongoing care.
2. **Consumer Support Grants** establishes a new program of consumer grants for persons who have significant functional limitations. These grants are to be provided as an alternative to more restrictive program-based service delivery approaches.
3. **Developmental Disabilities (DD) Pilots** provides for purchasing of DD services at the local level, consolidating and streamlining regulatory requirements, and increased choices to consumers of non-traditional supports and services.
4. **DD Waiver Alternative Allocation Structure** provides a new allocation structure for the developmental disabilities waiver program to provide a more equitable allocation of resources to persons receiving these services.

Agency Budget Brief

Agency: Human Services, Department of (DHS)
(Continuation)

1996-97 Biennial Budget

Fund: General

5. **Regional Adult Mental Health Services System Improvements** develops and pilots the integration of state, county, and community mental health programs and resources as a new mental health service delivery approach.

■ **Economic Self-Sufficiency**

1. **Welfare Reform** implements ten welfare reform proposals providing emphasis on employment and families and children.
2. **Child Support Guidelines Reform** provides for the development of an Income Share model child support guideline.
3. **Child Support Contested Hearings** includes contested child support matters in the statewide administrative process.
4. **Child Support Payment and Collections Improvements** centralizes child support payments, reduces county administrative burdens, and simplifies child support withholding and reporting requirements of employees.
5. **Publishing of Delinquent Child Support Obligers** provides resources for publishing the names of delinquent child support obligers.

■ **Children**

1. **Basic Sliding Fee Child Care** provides additional resources for child care assistance to low-income parents.
2. **Adoption Assistance and Nonrecurring Adoption Expenses Reimbursement Program** expands the adoption assistance program to meet projected increases in the number of persons who are adopting children with special needs and who are eligible for this assistance.
3. **Family Services Collaboratives Funding** provides resources for the continued development of community-based family services collaboratives.
4. **Crisis Nurseries Funding** maintains and continues crisis nurseries as federal funding expires.
5. **Continuum of Care for Homeless Children** expands programs serving youth ages 16 to 21 who are homeless or at high risk of becoming homeless.
6. **Cross Cultural Training for Deaf and Hard-of-Hearing Children and their Families** provides families with deaf or hard-of-hearing children education, communication and role modeling opportunities in three separate week long cross-cultural living environments held in greater Minnesota.
7. **Social Services Information System** develops a system to provide timely and reliable client-

specific data to assist in guiding policy and meeting federal reporting requirements.

8. **Children's Mental Health Act Funding** provides resources to children's mental health collaboratives for additional mental health services to children and their families.

9. **Community Mental Health Adolescent Services** provides resources to develop community-based services in the metropolitan area tailored for adolescents who have a serious emotional disturbance and exhibit violent behavior.

■ **Infrastructure**

1. **Statewide Systems Ongoing Support** provides resources necessary to implement the components of the Statewide Systems Project and integrate the new system into the ongoing operations of the department and regional treatment centers.
2. **Diversity Initiative** provides resources for recruitment of employees of diverse populations, staff development and training in diversity, support services related to diversity issues, and accommodations of sign language interpreters, readers, or other auxiliary aids for employees and clients.
3. **Human Resources Organization and Development** provides resources for professional development and support services.
4. **Department-wide Accounts Receivable Consolidation** coordinates accounts receivable within DHS, provides systems analysis and staff resources to enhance accounts receivable operations and pursue increased collections on overdue accounts.
5. **Old Age, Survivors and Disability Health Insurance Project** provides outreach efforts to determine eligibility for social security, Retirement, Survivors, and Disability (RSDI) cash benefits for persons receiving Medical Assistance and group residential housing grants.
6. **Collaborative Funding of Legal Services** provides resources for increases in the legal services costs of the department resulting from increased rates and service needed.

In addition to department initiative items, other changes contained in the agency plan also affect the General Fund. Examples include: inflationary increases to rates for hospitals, nursing homes, and intermediate care facilities for the mentally retarded; increasing hospital rates through modified peer grouping approach; expansion of the alternative care program; increases to department operations; changing pharmacy payment rates to "best price"; regional treatment center downsizing; Faribault Regional Treatment Center closure activity; and forecast changes to income maintenance programs.

REVENUE SUMMARY:

DHS generates revenues that are deposited into the state General Fund. Most significant of these revenues are collections for the cost of care of residents of regional treatment centers (RTC) an State-Operated Services; surcharges on hospitals, physician, and long-term care facilities; and federal reimbursement of administrative costs.,

The DHS Agency Plan incorporates anticipated decreases in revenues due to downsizing of RTCs and a Welfare Reform initiative to put more disposable income into the hands of the working poor that will have a short-term cash flow effect on tax revenues.

REVISED 2-28-95

PAGE C-7

The DHS Agency Plan also includes anticipated increases in revenues due to initiatives in the accounts receivable area.

AFFECTED STATUTES:

■ M.S. 245, 245A, 245H, 252 256, 256B, 256D, 256H, 256I, and 518.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan. In addition, the Governor has identified the following items as Governor's Initiatives:

1. Basic Sliding-Fee Child Care;
2. Family Services Collaboratives Funding;
3. Continuum of Care for Homeless Children
4. Childrens Mental Health Act Funding
5. Community Mental Health Adolescent Services
6. Welfare Reform
7. Child Support Payment and Collections Improvements
8. Transfer to DCES
9. CD Treatment Rate Reduction
10. GAMC Capitation Rate Reduction
11. GAMC Dental Coverage Reduction
12. Restructure PCA and TEFRA
13. Other Health Care Reductions

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Human Services, Department of (DHS)

Fund: Health Care Access

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$83,360	\$83,360	\$166,720
<u>BASE ADJUSTMENT:</u>			
Appropriation Carried FWD	\$(1,735)	\$(1,735)	\$(3,470)
Documented Rent/Lease/Inc/Dec	<u>(166)</u>	<u>(145)</u>	<u>(311)</u>
<u>CURRENT SPENDING</u>	\$81,459	\$81,480	\$162,939
<u>AGENCY INITIATIVES:</u>			
MinnesotaCare Cashier Staff	\$ 33	\$ 129	\$ 162
Access to Quality Health Care	(3,858)	(2,670)	(16,528)
<u>OTHER ITEMS:</u>			
Federal Vaccines for Children	(148)	(169)	(317)
Revised Pharmacy Usual and Customary	(997)	(690)	(1,687)
Inpatient Hospital Peer Grouping	(552)	597	45
MinnesotaCare Forecast	<u>9,902</u>	<u>47,272</u>	<u>57,174</u>
<u>AGENCY PLAN</u>	\$85,839	\$125,949	\$211,788
GOVERNOR'S RECOMMENDATIONS	\$85,839	\$125,949	\$211,788

Brief Explanation of Agency Plan:

The department, through its health care initiative, proposes to implement a federal waiver to expand access to quality health care for low income Minnesotans, simplify the 3 major publicly funded health care programs, and increase program flexibility, so that these programs can function in Minnesota's changing market place.

The greatest affect that implementation of this federal waiver will have on the Health Care Access Fund results from allowing children (with incomes up to 275% of poverty) to utilize the medical assistance program as a funding source for their health care benefits. By accessing the medical assistance program for these persons, MinnesotaCare grants expenditures will be reduced and replaced by the federal financial participation available through the medicaid program.

In addition to the health care initiative, the Health Care Access Fund is affected by the following items contained in the agency plan:

1. "MinnesotaCare Forecast" which represents forecasted changes to MinnesotaCare expenditures for coverage of adults with incomes up to 125% of poverty, increasing enrollment, and increasing per person costs;
2. "Federal Vaccines for Children" which represents Minnesota Health Care Program providers who administer pediatric vaccines to enroll in the federal Vaccines for Children Program, and increases the allowable administration fee for immunizations;
3. "Revised Pharmacy Usual and Customary Administration" which requires pharmacies to charge Medical Assistance, General Assistance Medical Care and MinnesotaCare Programs the "best price" accepted from any other third-party payor;
4. "Inpatient Hospital Peer Grouping and Inflation Administration" substituting a modified peer grouping approach to hospital rates and funding hospital inflation at 4.3% in calendar year 1996 and 4.5% in 1997; and
5. "MinnesotaCare Cashier Staff" which provides additional cashier staff necessary to process the growing number of MinnesotaCare premium payments based on forecasted enrollment growth.

Revenue Summary:

The department generates revenues from premium payments made by MinnesotaCare clients that are deposited into the Health Care Access Fund. The department's agency plan includes anticipated increases in these revenues, as well as revenues generated by federal financial participation in administrative activities due to the Access to Quality Health Care plan.

Affected Statutes:

- M.S. 256 and 256B

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan. The Governor recommends no further expansion of benefits or eligibility levels nor any other expenditure of health care access funds beyond what is recommended in the agency plan.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Human Services, Department of (DHS)

Fund: Local Government Trust

Summary of Agency Actions:

Brief Explanation of Agency Plan:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$49,499	\$49,499	\$98,998
<u>BASE ADJUSTMENT:</u>			
Fund Change/Consolidation	\$-0-	\$(51,925)	\$(51,925)
Special Legislative Adjustments	<u>1,000</u>	<u>2,426</u>	<u>3,426</u>
<u>CURRENT SPENDING</u>	\$59,499	\$-0-	\$50,499
<u>AGENCY PLAN</u>	\$50,499	\$-0-	\$50,499
GOVERNOR'S RECOMMENDATIONS	\$50,499	\$50,499	\$50,499

The agency plan does not impact the Local Government Trust Fund beyond the provisions of current law. Current law provides for increases totaling \$3,426,000 over the 1996-97 state biennium. Current law also eliminates the Local Government Trust Fund beginning state F.Y. 1997. Beginning F.Y. 1997, the base appropriations of the Local Government Trust Fund are transferred to the General Fund to continue state funding of the Community Social Services Act.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FINANCE & MANAGEMENT PROGRAM	154,819	192,899	226,856	221,746	226,559	226,559	221,969	228,844	228,844
LIFE SKILLS SELF SUFFICIENCY PROG	199,663	202,270	223,933	223,867	232,656	231,568	221,848	238,565	235,328
CHILDREN'S PROGRAM	62,903	77,017	79,509	79,303	82,671	87,346	79,468	84,807	80,872
ECONOMIC SELF SUFFICIENCY PROGRAM	716,198	731,897	706,836	701,425	721,179	725,054	701,425	749,374	680,472
HEALTH CARE PROGRAM	2,460,991	2,835,939	3,321,228	3,315,397	3,541,435	3,530,778	3,315,320	3,863,898	3,838,681
COMM MH & STATE OPERATED SERVICES	285,942	285,202	308,914	303,845	292,662	296,437	302,995	292,467	302,142
TOTAL EXPENDITURES BY PROGRAM	3,880,516	4,325,224	4,867,276	4,845,583	5,097,162	5,097,742	4,843,025	5,457,955	5,366,339
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	55,807	50,762	49,499	50,499	50,499	50,499			
GENERAL	1,513,668	1,955,593	2,157,124	2,214,919	2,370,287	2,370,867	2,266,243	2,603,897	2,555,547
HEALTH CARE ACCESS	3,882	28,161	83,360	81,459	85,839	85,839	81,480	125,949	125,949
STATUTORY APPROPRIATIONS:									
GENERAL	524,926	251,635	273,940	273,171	285,665	285,665	273,171	303,637	303,637
HEALTH CARE ACCESS	1,723	10,357	13,758	13,758	19,155	19,155	13,758	23,414	23,414
SPECIAL REVENUE	98,573	122,371	155,437	79,145	80,014	80,014	79,145	81,211	81,091
FEDERAL	1,628,668	1,849,393	2,077,319	2,075,462	2,148,533	2,148,533	2,072,135	2,262,754	2,219,608
AGENCY	42,366	45,276	44,848	44,848	44,848	44,848	44,848	44,848	44,848
GIFTS AND DEPOSITS	288	361	597	928	928	928	851	851	851
ENDOWMENT	3	1	22	22	22	22	22	22	22
ENTERPRISE	10,612	11,314	11,372	11,372	11,372	11,372	11,372	11,372	11,372
TOTAL FINANCING	3,880,516	4,325,224	4,867,276	4,845,583	5,097,162	5,097,742	4,843,025	5,457,955	5,366,339
FTE BY EMPLOYMENT TYPE:									
REGULAR	5,971.1	5,920.4	5,823.0		5,451.9			5,461.9	
TEMP/SEAS/PART_TIME	215.8	289.2	260.0		249.5			249.5	
OVERTIME	97.5	107.2	101.5		93.9			93.9	
TOTAL FTE	6,284.4	6,316.8	6,184.5		5,795.3	5,795.3		5,805.3	5,796.8

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: HUMAN SERVICES, DPT
KIND: 1 - 9

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97
F.Y.95 FUNDING LEVEL	4,867,276	4,867,276	2,431,064	2,431,064	358,893	358,893	2,077,319	2,077,319
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<2,591>	<2,591>	<2,591>	<2,591>				
BIENNIAL APPROPRIATIONS	<428>	<1,231>	<428>	<1,231>				
APPROPRIATIONS CARRIED FWD	<16,006>	<16,006>	<14,271>	<14,271>	<1,735>	<1,735>		
NON-RECURRING EXPENDITURES	<9,586>	<9,586>	<1,028>	<1,028>	<8,558>	<8,558>		
BASE TRANSFER (BTWN FUNDS)			67,809	67,809	<67,809>	<67,809>		
FUND CHANGE/CONSOLIDATION		<51,925>				<51,925>		
DOCUMENTED RENT/LEASE INC/DEC	141	364	307	509	<166>	<145>		
SPECIAL LEGIS. ADJUSTMENTS	7,674	61,025	6,674	58,599	1,000	2,426		
FEDERAL RECEIPTS	<1,451>	<4,855>			406	329	<1,857>	<5,184>
ATTORNEY GENERAL COSTS	554	554	554	554				
SUBTOTAL BASE ADJ.	<21,693>	<24,251>	57,026	108,350	<76,862>	<127,417>	<1,857>	<5,184>
CURRENT SPENDING	4,845,583	4,843,025	2,488,090	2,539,414	282,031	231,476	2,075,462	2,072,135

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM:
ACTIVITY: Minnesota Care

ITEM TITLE: Eliminate Transfer to the General Fund from the Health Care Access Fund

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- Transfers In	\$(118)	\$(3,763)	\$(5,766)	\$(8,832)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ____ No <u>X</u>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease of \$118,000 in F.Y. 1996 and \$3,763,000 in F.Y. 1997. This eliminates the transfers to the General Fund from the Health Care Access Fund.

RATIONALE:

The Health Care Access Fund was created in 1992 when the legislature expanded the children's health plan to include adults. The intent of the fund was to ensure that MinnesotaCare plan and other components of health care reform be contained outside the General Fund, and that these activities would pay for themselves.

Also of concern were the forecasted increases in medical assistance (MA) and general assistance medical care (GAMC), brought on by new applicants found ineligible for MinnesotaCare, but eligible for MA or GAMC. As a result, the health care access fund was charged for this new cost, and a transfer has been made annually. With the exception of the Governor's line item veto in the 1994 MinnesotaCare bill, transfers have been made based on forecast amounts.

Based on the forecast, "radiation" effects in the medical programs are dropping to the point where neither fund is placed at significant risk. What is left is an increasingly difficult and volatile process for estimating transfer amounts. This process is not useful for sound financial management of either fund.

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F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Finance and Management
BUDGET ACTIVITY: Financial Management Division
ITEM TITLE: MinnesotaCare Cashier Staff

Dollars in Thousands				
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
Health Care Access Fund				
Financial Management Division	\$33	\$129	\$183	\$237
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ___ No X
If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$33,000 in F.Y. 1996 and \$129,000 in F.Y. 1997. This funding will provide the staff resources necessary to process MinnesotaCare premium checks received by the Department of Human Services (DHS) and deposit the funds into the State Treasury. Cashier staff needs are based on the caseload forecast for MinnesotaCare and the resulting projection of premium checks to be processed. This proposal is part of the department's infrastructure initiative.

RATIONALE:

One of the requirements for participation in the MinnesotaCare program is the payment by a client of a premium based on family size and income. Ongoing eligibility for the program depends on payment of this premium. Premium payments are received by the cashier unit of DHS, identified as MinnesotaCare premium payments, input into the MinnesotaCare computer system so the client will be cleared to remain eligible, and deposited into the state treasury in the Health Care Access Fund.

This request for staff is based on the DHS Reports and Forecast Division forecast of the total number of MinnesotaCare premium checks to be received each month for F.Y. 1996 and 1997. The forecasted monthly average households enrolled is used as a proxy measure for premium checks received, and is divided by 6,000 to arrive at the number of staff needed. A total of 7 FTEs will be needed in F.Y. 1996 and 9 FTEs will be needed in F.Y. 1997. Six and eight-tenths FTEs are already approved as part of current spending. The staff costs were calculated by using a gradual phase-in throughout each fiscal year.

PROGRAM OUTCOMES:

The requested staff will enable the premium payments to be processed promptly, thereby ensuring clients a smooth flow of eligibility, and will assure the Health Care Access Fund the timely receipt of revenue that has been forecast. If checks are not processed promptly, eligibility of clients may be left in question.

LONG-TERM IMPACT:

The requested staff will enable the MinnesotaCare premium component to continue to operate efficiently into the future.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Finance and Management
BUDGET ACTIVITY: Financial Management Division
DECISION ITEM TITLE: DHS Operations

PROGRAM OUTCOMES:

Approval of this request will allow the department to continue existing operations at current levels. No additional funding would result in a net reduction in resources available for ongoing administrative operations, development and implement of current initiatives, and provision of direct services in state-operated facilities and regional offices.

LONG-TERM IMPACT:

Funding anticipated increases in salary and administrative costs will allow the department to continue to maintain current operations as it progresses through priority changes and redesign of its programs.

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
Central Office Operations	\$2,069	\$4,287	\$4,287	\$4,287
RTC System-wide Operations	4,003	8,087	8,087	8,087
DD SOCS-ICF/MR	144	312	312	312
MA LTC Facilities	<u>822</u>	<u>1,597</u>	<u>1,597</u>	<u>1,597</u>
Net Expenditures	\$7,038	\$14,283	\$14,283	\$14,283
Revenues: (\$000s):				
General Fund				
Collections	\$1,939	\$3,766	\$3,766	\$3,766

Requires Statutory Change? Yes ____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends an increase in the budget base of \$7,036,000 in F.Y. 1996 and \$14,283,000 in F.Y. 1997. This proposal provides funding for the increased costs of operations department-wide resulting from normal inflationary pressures.

RATIONALE:

This request represents a 2% compounded annual growth in costs associated with department operations, including salaries, fringe benefits, and non-salary administrative expenses. Requested increases are below the current projected inflation rate of 2.7%. This additional funding is necessary to maintain existing levels of effort and support for required activities of the department. These activities represent both administrative and direct-service functions.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: LIFE SKILLS SELF SUFFICIENCY PROG

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
DEAF & HARD OF HEARING SERVICES	3,069	2,982	3,296	3,296	3,496	3,496	3,296	3,496	3,496
QUALITY SERVICES DIVISION	1,707	1,760	2,537	2,537	2,742	2,742	2,537	2,557	2,557
COMMUNITY SOCIAL SERVICES GRANT	101,957	98,079	101,042	102,042	102,042	102,042	100,521	100,521	100,851
CONSUMER SUPPORTS					175	175		1,882	1,882
DEVELOPMENTAL DISABILITIES	8,811	8,951	9,169	8,561	9,623	9,623	8,511	8,453	8,453
AGING & ADULT SERVICES	21,087	22,581	23,455	23,455	23,730	23,730	23,455	23,730	23,730
CHEMICAL DEPENDENCY	9,963	10,171	22,538	22,080	22,080	22,080	21,632	21,632	21,632
CD CONSOLIDATED TREATMENT	53,069	57,746	61,896	61,896	68,768	67,680	61,896	76,294	72,727
TOTAL EXPENDITURES BY ACTIVITY	199,663	202,270	223,933	223,867	232,656	231,568	221,848	238,565	235,328
AGENCY PLAN ITEMS:			FUND						
INCOME MAINTENANCE ADJUSTMENTS			GEN		6,448			12,777	
INCOME MAINTENANCE ADJUSTMENTS			SR		869			2,066	
CROSS CULTURAL TRAINING FOR DEAF			GEN		100			100	
FARIBAULT RC CLOSURE			GEN		162			37	
QUALITY ASSURANCE SUPPORT SYSTEM			GEN		205			20	
D & HHS INTERPRETER REFERRAL CENTER			GEN		100			100	
CCDTF TIER II REDUCTION			GEN		<445>			<445>	
REDUCE LENGTH OF CLOSING ICF/MR			GEN		75			50	
DEVELOPMENTAL DISABILITIES PILOTS			GEN		505			125	
DD WAIVER ALTER ALLOCATION STRUCTURE			GEN		220			205	
CONSUMER SUPPORT GRANTS			GEN					<525>	
GROUP RESIDENTIAL HOUSING CHANGES			GEN		100			50	
CONSUMER SUPPORT GRANTS			GEN		175			1,882	
HOMESHARING PROGRAM TRANSFER			GEN		275			275	
TOTAL AGENCY PLAN ITEMS					8,789			16,717	
GOV'S INITIATIVES:			FUND						
(B) WELFORM REFORM			GEN						330
(B) CD TREATMENT RATE REDUCTION			GEN			<1,088>			<3,567>
TOTAL GOV'S INITIATIVES						<1,088>			<3,237>

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: LIFE SKILLS SELF SUFFICIENCY PROG

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	55,807	50,762	49,499	50,499	50,499	50,499			
GENERAL	19,220	19,736	20,496	58,391	66,311	65,223	110,316	124,967	121,730
HEALTH CARE ACCESS		13	26	26	26	26	26	26	26
STATUTORY APPROPRIATIONS:									
GENERAL	662	612	612	612	612	612	612	612	612
SPECIAL REVENUE	54,174	58,835	63,742	25,327	26,196	26,196	25,327	27,393	27,393
FEDERAL	69,762	72,289	89,516	88,970	88,970	88,970	85,525	85,525	85,525
GIFTS AND DEPOSITS	38	23	42	42	42	42	42	42	42
=====									
TOTAL FINANCING	199,663	202,270	223,933	223,867	232,656	231,568	221,848	238,565	235,328
=====									
FTE BY EMPLOYMENT TYPE:									

REGULAR	133.5	129.2	132.2		138.2			138.2	
TEMP/SEAS/PART TIME	31.9	34.1	34.1		34.1			34.1	
=====									
TOTAL FTE	165.4	163.3	166.3		172.3	172.3		172.3	172.3
=====									

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: LIFE SKILLS SELF SUFFICIENCY PROG
ACTIVITY: CD CONSOLIDATED TREATMENT

MANAGEMENT ACTIVITY ALLOCATION	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
CD CONSOL. TREATMENT ENTITLEMENT	51,139	56,000	59,351	59,351	66,668	65,580	59,351	74,194	70,627
CD CONSOL. TREATMENT NON-ENTITLED	1,930	1,746	2,545	2,545	2,100	2,100	2,545	2,100	2,100
TOTAL EXPENDITURES	53,069	57,746	61,896	61,896	68,768	67,680	61,896	76,294	72,727
AGENCY PLAN ITEMS:				FUND					
INCOME MAINTENANCE ADJUSTMENTS				GEN			12,777		
INCOME MAINTENANCE ADJUSTMENTS				SR			2,066		
CCDTF TIER II REDUCTION				GEN			<445>		
TOTAL AGENCY PLAN ITEMS				6,872			14,398		
GOV'S INITIATIVES:				FUND					
(B) CD TREATMENT RATE REDUCTION				GEN			<1,088>		
TOTAL GOV'S INITIATIVES				<1,088>			<3,567>		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL				38,415	44,418	43,330	38,415	50,747	47,180
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE				23,481	24,350	24,350	23,481	25,547	25,547
TOTAL FINANCING	53,069	57,746	61,896	61,896	68,768	67,680	61,896	76,294	72,727
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

MANAGEMENT ACTIVITY: Consolidated Chemical Dependency Treatment Fund Entitlement
BUDGET ACTIVITY: Consolidated Chemical Dependency Treatment Fund
PROGRAM: Life Skills Self-Sufficiency
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

This management activity covers the entitlement portion of the Consolidated Chemical Dependency Treatment Fund (CCDTF). Tier I (entitled) clients are those that are enrolled in Medical Assistance (MA) or who meet the MA income limits.

The state is currently in a transition to managed care (prepaid plans) for public-pay clients. Current proposals call for all counties to be on prepaid plans by the end of the 1996-1997 biennium. MinnesotaCare clients will also be enrolled in prepaid plans. Chemical dependency (CD) treatment is currently a covered service under prepaid plan contracts. As prepaid plan enrollment increases, fee-for-service payments through the Consolidated Fund will decline proportionately. Two main issues remain unresolved with respect to the future of the Consolidated Fund past the end of the 1996-1997 biennium: (1) Some treatment services now covered by the fund, such as halfway house placements and extended care treatment, may not be included in the basic benefits package proposed under state health care reform. If these services are to remain available, a mechanism other than prepaid plans will have to exist to reimburse providers; (2) Clients enrolling in MA will receive services initially on a fee-for-service basis; this means some primary CD treatment may need to be reimbursed through a mechanism such as the Consolidated Fund. Currently, fully 2/3 of MA recipients in counties 100% on prepaid plans receive primary CD treatment on a fee-for-service basis through the Consolidated Fund.

BUDGET ISSUES:

The expansion of prepaid plans has had only a modest effect on CCDTF expenditures because even in those counties where the transition to managed care is complete, the majority of Medicaid clients still receive CD treatment on a fee-for-service basis. This occurs because the initial 1 to 3 months of MA eligibility is paid for as fee-for-service; furthermore, any disruption of eligibility results in disenrollment from a prepaid plan. Any anticipated offset associated with prepaid plan enrollment would also apply only to the 61% of CCDTF expenditures spent on covered services (primary treatment). The caseload has also increased over recent years, with no signs yet of leveling off; this increase is associated almost exclusively with cocaine abuse/dependence.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: LIFE SKILLS SELF SUFFICIENCY PROG
ACTIVITY: CD CONSOLIDATED TREATMENT
MACT: CD CONSOL. TREATMENT ENTITLEMENT

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	50,272	55,012	58,139	58,139	65,456	64,368	58,139	72,982	69,415
LOCAL ASSISTANCE	867	988	1,212	1,212	1,212	1,212	1,212	1,212	1,212
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	51,139	56,000	59,351	59,351	66,668	65,580	59,351	74,194	70,627
=====									
AGENCY PLAN ITEMS:			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN		6,448			12,777	
INCOME MAINTENANCE ADJUSTMENTS			SR		869			2,066	
=====					=====			=====	
TOTAL AGENCY PLAN ITEMS					7,317			14,843	
=====									
GOV'S INITIATIVES:			FUND						

(B) CD TREATMENT RATE REDUCTION			GEN			<1,088>			<3,567>
=====						=====			=====
TOTAL GOV'S INITIATIVES						<1,088>			<3,567>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL				35,870	42,318	41,230	35,870	48,647	45,080
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	51,139	56,000	59,351	23,481	24,350	24,350	23,481	25,547	25,547
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	51,139	56,000	59,351	59,351	66,668	65,580	59,351	74,194	70,627
=====									
FTE BY EMPLOYMENT TYPE:									

=====									
TOTAL FTE									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Life Skills Self-Sufficiency
BUDGET ACTIVITY: Consolidated Chemical Dependency Treatment Fund
MANAGEMENT ACTIVITY: Consolidated Chemical Dependency Treatment Fund Entitlement
ITEM TITLE: Consolidated Chemical Dependency Treatment Fund Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
Consolidated Chemical Dependency Treatment				
Fund - Entitlement	\$6,448	\$12,777	\$19,809	\$27,626
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ____ No X
If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$6,448,000 in F.Y. 1996 and \$12,777,000 in F.Y. 1997 to fully fund the forecasted cost of the Consolidated Chemical Dependency (CD) Treatment Fund entitlement under current law.

RATIONALE:

The forecasted increases in costs of the CD Treatment Fund entitlement are produced by projected increases (7% to 8% per year) in the number of placements and projected increases (4% per year) in the cost per placement.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Life Skills Self Sufficiency
BUDGET ACTIVITY: Consolidated Chemical Dependency Treatment Fund
MANAGEMENT ACTIVITY: Consolidated Chemical Dependency Treatment Fund Entitlement
ITEM TITLE: Consolidated Chemical Dependency Treatment Fund Rate
Containment

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
CCDTF Entitlement	(\$1,088)	(\$3,567)	(\$5,221)	(\$5,798)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ☐ No ☒

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in expenditures of \$1,088,000 in F.Y. 1996 and \$3,567,000 F.Y. 1997. This reduction results from capping chemical dependency treatment rates at calendar year 1995 levels.

RATIONALE:

Since 1998, treatment providers have received regular rate increases negotiated by counties. This proposal caps rates at calendar year 1995 for the next biennium.

PROGRAM OUTCOMES:

This proposal creates greater incentive to manage costs and puts chemical dependency providers under cost containment parameters similar to other health care providers.

LONG-TERM IMPACT:

Growth in the costs of chemical dependency treatment will be contained over the biennium.

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F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM(S): Children
ITEM TITLE: Transfer to the Department of Children and Education Services

The transfer of policy direction and administrative control for a number of critical programs providing services to families and children, along with the development of new funding strategies will:

- reduce existing fragmentation;
- enhance the ability of state government to help local governments and communities to flexibly design services that will work best for their communities; and
- improve the capabilities of both state and local government to focus resources on measurable outcomes to improve the well-being of children and families.

Dollars in Thousands				
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
State Operations	\$-0-	\$(84)	\$(84)	\$(84)
Grants	-0-	(6,490)	(7,225)	(7,225)
Federal Fund				
State Operations	\$-0-	\$(841)	\$(841)	\$(841)
Grants	-0-	(2,713)	(2,713)	(2,713)
Special Revenue				
State Operations	\$-0-	\$(120)	\$(120)	\$(120)
Grants	\$-0-	\$(0-)	\$(0-)	\$(0-)
Revenues: (\$000s)				
General Fund	\$-0-	\$(31)	\$(31)	\$(31)
Federal Fund	-0-	(3,554)	(3,554)	(3,554)
Special Revenue	-0-	(120)	(120)	(120)

Statutory Change? Yes X No
 If yes, statute affected: M.S. (Various)

GOVERNOR'S RECOMMENDATION:

To improve coordination and integration of services and to achieve improved outcomes for children and their families, the Governor is recommending the establishment of a Department of Children and Education Services. The Governor recommends transfer of child care system support activities, formerly services collaborative grants, and migrant child care grants to the new department in F.Y. 1997. A detailed description of the structure and services of the Department of Children and Education Services can be found in the Children and Families budget document.

1996-97 Biennial Budget

BUDGET ACTIVITY: Children's Trust Fund
PROGRAM: Children
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

The Children's Trust Fund (CTF) was created to provide funding to community-based programs that are designed to help prevent child abuse, and to provide education, leadership and resources to local prevention organizations. All of Minnesota's 1.2 million children and their families are the potential recipients of CTF programs and services. Currently, priority consideration is given to applicants serving the most vulnerable population of children, those up to the age of 5, and families experiencing poverty. The CTF operates through the following activities:

1. **Competitive Grant Process:** The program priorities established by the CTF Advisory Council for competitive grants application strives to address the needs of the most vulnerable children. The grant application process strives to educate and facilitate the service provider in providing client-sensitive and state-of-the-art services that are proactive, positive, and measurable.
2. **Leadership and Resources:**
 - The CTF provides basic information, consultation, technical assistance, and small grants to local child abuse prevention councils, to enable them to provide local leadership, maintain themselves and operate at maximum capacity.
 - Child Maltreatment prevention education, is another main thrust of the CTF. An example of this activity is the "Keeping Youth Sports Safe and Fun" initiative. The CTF, in collaboration with the Minnesota Amateur Sports Commission, launched this three year initiative in 1994. Similar to other CTF undertakings, the youth sports project is generic to all communities and lends itself to local "customizing."
 - The CTF also educates through its quarterly publication, *The Children's Fire*. This publication provides education about child development, behavior management skills, family-enhancement techniques, and features grantee programs and the activities of local child abuse prevention councils.

BUDGET ISSUES:

An extension of the current level of funding is requested for this activity.

REVENUE:

The CTF realizes special state revenues from a \$3 surcharge on birth certificates and the interest earned on a trust account. It generates federal revenue based on state dollars appropriated to the CTF and according to a child population formula.

GRANTS:

The CTF awards competitive grants biennially to qualifying private non-profit and public agencies providing primary and/or secondary child maltreatment prevention services. To assure community input, grant applications are reviewed and ranked initially by local child abuse prevention councils before being forwarded to the CTF Advisory Council for their review and final recommendations to the Commissioner. Small grant awards are also made to local child abuse prevention councils. Minnesota Statutes Sections 257.80 to 257.806 provide the legislative authority for local child abuse councils, the advisory council and the disbursement of money from the CTF.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that this activity be transferred to the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

1996-97 Biennial Budget

PROGRAM: Economic Self-Sufficiency
AGENCY: Human Services, Department of (DHS)

PROGRAM DESCRIPTION:

The Family Self-Sufficiency Administration (FSSA) manages programs that promote progress toward economic self-sufficiency for Minnesota families and individuals while providing for their basic financial needs.

The activities of this administration include the following management areas: Assistance Payments, Quality Initiatives, Self-Sufficiency Programs, Child Support Enforcement, and MAXIS. This program supervises the county administered financial aid programs of Aid to Families with Dependent Children (AFDC), Refugee Cash Assistance (RCA), General Assistance (GA), Work Readiness (WR), Minnesota Supplemental Aid (MSA), Food Stamps, Emergency AFDC (EA), Emergency General Assistance (EGA), Minnesota Family Investment Program (MFIP), AFDC Child Care and Basic-Sliding Fee (BSF) Child Care. The program supervises and supports the child support enforcement activities of the counties. This program also operates several large computer systems: the statewide automated eligibility system (MAXIS), Electronic Benefit System (EBS), and the automated Child Support Enforcement System (CSES) and administers the Telephone Assistance Plan (TAP).

The FSSA, in cooperation with the Minnesota Department of Economic Security, manages employment and training services to help public assistance recipients become self-sufficient. These services include Success Through Reaching Individual Development and Employment (STRIDE), an employment and training program for AFDC recipients; the Work Readiness and Food Stamp Employment and Training (FSET) Programs; and Refugee and Immigrant Services.

Family Self-Sufficiency has primary responsibility for the department's Economic Self-Sufficiency (welfare reform) Initiative. The initiative supports the Minnesota Milestone goal that Minnesota's children will not live in poverty. It does so by helping children's families support themselves financially. The Economic Self-Sufficiency Initiative is designed:

- To assure that economic assistance programs reward work and responsibility.
- To orient programs to help people survive economic crises and to regain or achieve their highest level of self-sufficiency.
- To improve program policies to help people hold their families together and to maximize support from extended family and community.
- To create welfare reforms that are anti-poverty, are responsive to economic realities, and help families to help themselves.

The initiative also has connections to the department's Health Care, Housing, and Children's Initiatives recognizing that health care benefits, decent housing, and child care are essential factors in economic self-sufficiency and children's well-being.

ECONOMIC SELF-SUFFICIENCY INITIATIVE:

The Economic Self-Sufficiency Initiative supports the Minnesota Milestones goal that Minnesota's children will not live in poverty.

Initiative recommendations that will be made to the 1995 Legislature include:

1. Elimination of WR cash grants with those funds reinvested in reforms that better support work and enable families to become self sufficient.
2. A tax credit joint venture helping working families with cash flow by paying the earned income and other tax credits monthly, instead of annually.
3. Child care initiatives including additional funds for the BSF Child Care Program.
4. Child support initiatives to increase collections including improvements in guidelines used to determine the amount of a child support order, expansion of the statewide administrative process to include contested matters, improvements in employers' responsibilities for new employees, and establishment of a central child support payment center.
5. Expanding the MFIP, a program that makes work pay, to Ramsey County beginning 1-96.
6. Restructuring the STRIDE program to emphasize job placement.
7. Development and implementation of Work First to reconnect applicants for AFDC and Family General Assistance (FGA) to the workforce as soon as possible.
8. Expansion of Parents' Fair Share, providing more employment and training services, as well as parenting training, to noncustodial parents of children who are recipients of AFDC.
9. State funding for the Self-Employment Investment Demonstration (SEID).
10. A minor parents initiative, requiring minor parents to live at home, with appropriate exceptions, and support for lower income families.
11. AFDC waivers to eliminate AFDC requirements that do not support work and self-sufficiency.
12. Expansion of fraud prevention and integration of fraud control.
13. Injury protection for recipients working in county community work experience programs.

PROGRAM STATUS:

The FSSA is committed to the ongoing management and implementation of existing cash public assistance and food stamp programs. Consistent on-line availability of systems (Electric Benefit System, PRISM, and MAXIS) is needed to support county staff, process caseloads promptly, and deliver benefits to effectively meet recipients' needs. The following paragraphs highlight several current efforts.

1996-97 Biennial Budget

PROGRAM: Economic Self-Sufficiency
AGENCY: Human Services, Department of (DHS)
(Continuation)

The MFIP was implemented in 7 Minnesota counties on 4-1-94. Although the first impact report will not be available until late 1997, initial impressions are consistent with the expectation that MFIP will foster employment and increased self support.

Current Child Support Enforcement efforts enhance the program's statewide computer system, implementing a statewide administrative process for establishing and modifying consent and default orders, and implement the Uniform Interstate Family Support Act. This division also provides leadership and assistance to county agencies to improve their results in the location of absent parents, the establishment of paternity, and in improving collections overall.

Child Care programs help AFDC and low income non-AFDC families in paying for child care costs when the parents are pursuing self-sufficiency through employment, job search, or education or training leading to employment.

The EBS, initially piloted by Ramsey County, has been expanded to Hennepin County. EBS replaces food stamp coupons and cash warrants with EBS cards. This card contains a magnetic strip which enables public assistance recipients to access their benefits at point of sale terminals installed at retailer checkout counters and at automated teller machines (ATMs). A request for proposals for future EBS services in Minnesota will be published in 1995. A federal initiative is underway to implement EBS nationwide for major federal and state benefit programs by 3-99.

The establishment and recovery of overpayment claims is critical in ensuring the integrity of the cash public assistance and food stamp programs. Efforts are underway to increase the use of direct recovery from former recipients who are more likely to have improved economic circumstances. A coordinated effort is planned to utilize system technologies and initiate debt collection through the Federal Tax Revenue Offset Program (FTROP) and the Minnesota Collection Enterprise.

The MSA program will be redesigned to align more closely with the Supplemental Security Income (SSI) program. This will eliminate the need to determine MSA eligibility for SSI recipients, reduce confusion and administrative burdens for people served by this program and county workers, and provide greater options for alternative housing in the community. Client dependency on Emergency Minnesota Supplemental Assistance (EMSA) will be reduced.

Minnesota has received federal approval from the Health Care Financing Administration for a project that will reinvent MA Quality Control (QC). Traditional QC efforts do not include developing and implementing program improvement activities. The reinvention project will explore alternative means of measuring program operations and assist management improvement efforts.

PLANNED RESULTS:

- Streamline existing programs and policies to more efficiently provide assistance to recipients who are unable to become self-supporting.
- Continue the implementation and expansion of the Minnesota Family Investment Program, encouraging more families to stay together and rewarding those families for work.
- Pursue additional innovative alternatives to traditional assistance programs; Working Family Credit, improved Child Support Enforcement, AFDC waivers, and Child Care.
- Increase the number of AFDC recipients who become self-sufficient due to job placement through Project STRIDE.
- Ensure the provision of Child Care assistance to all eligible AFDC families who are participating in employment, job search or education programs.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- The program plan calls for additional improvement to Child Support Enforcement Initiatives, increasing the budget base by \$540,000 in F.Y. 1996 and by \$2 million in F.Y. 1997.
- Redesigning STRIDE and expanding MFIP to support work will increase the budget base by \$2.6 million in F.Y. 1996 and by \$5.8 million in F.Y. 1997.
- Eliminating WR will result in a savings of \$8.6 million in F.Y. 1996 and \$10.4 million in F.Y. 1997 to develop and implement Welfare Reform Initiatives.
- Enhancing the Child Care Program will increase the budget base by \$7 million in F.Y. 1996 and \$13.7 million in F.Y. 1997.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan. In addition, the Governor has identified the following as Governor's initiatives: Welfare reform proposals that remove barriers for welfare recipients and create financial incentives so working families increase their income; a biennial increase of \$42.1 million for Children's Initiatives to strengthen and support families; and a biennial increase of \$1.0 million for Child Support Improvements which will simplify collections and get funds to families months earlier than under the current system.

The Governor further recommends that child care activities be transferred to the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families' budget document. These items are detailed on the following program fiscal pages.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
ASSISTANCE PAYMENTS DIVISION	6,668	6,380	8,040	8,040	8,540	8,909	8,040	8,540	8,893
QUALITY INITIATIVES DIVISION	4,530	3,464	4,386	4,386	4,386	5,312	4,386	4,386	5,512
SELF SUFFICIENCY PROGRAMS	37,862	40,906	49,956	46,612	46,074	47,714	46,612	45,274	48,083
CHILD SUPPORT ENFORCEMENT DIVISION	16,953	24,990	31,561	30,109	31,359	31,407	30,109	32,909	33,979
MAXIS OPERATIONS DIVISION	29,142	29,047	39,815	39,200	39,675	39,757	39,200	39,612	39,612
AFDC GRANTS	429,910	422,420	377,284	377,284	388,514	387,138	377,284	413,406	409,271
GA GRANTS	73,096	70,236	56,234	56,234	56,584	59,730	56,234	59,674	63,496
WORK READINESS GRANTS	19,083	21,255	16,295	16,295	12,462	1,573	16,295	14,866	
MSA GRANTS	56,476	59,110	24,997	24,997	25,858	25,858	24,997	29,593	29,593
MFIP GRANTS		1,387	41,444	41,444	45,094	48,526	41,444	32,076	42,033
CHILD CARE FUND - GRANTS	42,478	52,702	56,824	56,824	62,633	69,130	56,824	69,038	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	716,198	731,897	706,836	701,425	721,179	725,054	701,425	749,374	680,472
AGENCY PLAN ITEMS:	FUND								
-----	-----			-----			-----		
INCOME MAINTENANCE ADJUSTMENTS		GEN			13,554			35,198	
INCOME MAINTENANCE ADJUSTMENTS		FED			8,295			15,597	
CHILD SUPPORT QUIDELINES REFORM		GEN			250			300	
CSE CONTESTED HEARINGS		GEN						1,500	
CSE PUBLISH OBLIGOR		GEN			1,000			1,000	
CSE PUBLISH OBLIGOR		GEN			<758>			<861>	
ACCELERATED STATE FINANCING - E & T		GEN			261			<239>	
ACCELERATED STATE FINANCING - E & T		GEN			<799>			<1,099>	
CLAIMS & RECOVERY INITIATIVES		GEN			115			112	
AFDC - ESSENTIAL PERSONS		GEN			430			466	
PROGRAM INSTRUCTION - PRINTING		GEN			500			500	
MSA REDESIGN		GEN			71			148	
MSA REDESIGN		GEN			60				
AFDC - ESSENTIAL PERSONS		GEN			<892>			<1,017>	
ACCESS TO QUALITY HC INITIATIVE		HCA			300			300	
WELFARE REFORM - COUNTY SHARE		GEN			<3,103>			<3,764>	
MFIP NON-ENTITLED CM		GEN			470			<192>	
=====	=====			=====			=====		
TOTAL AGENCY PLAN ITEMS					19,754			47,949	

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:			FUND						
-----			-----						
(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			GEN						<45,040>
(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			FED						<39,592>
(B) CSE PAYMENT & COLLECTIONS IMPROVEMENTS			GEN			48			1,070
(B) CSE PAYMENT & COLLECTIONS IMPROVEMENTS			GEN						<90>
(B) CHILD CARE SYSTEM BASIC SLIDING FEE			GEN			175			
(B) CHILD CARE SYSTEM BASIC SLIDING FEE			GEN			6,000			12,800
(B) WELFARE REFORM			GEN			369			353
(B) WELFORM REFORM			GEN			926			1,126
(B) WELFARE REFORM			GEN			262			2,390
(B) WELFARE REFORM			GEN			<10,889>			<14,866>
(B) WELFARE REFORM			GEN			<1,376>			<4,045>
(B) WELFARE REFORM			GEN			82			
(B) WELFARE REFORM			GEN			3,252			9,877
(B) WELFARE REFORM			GEN			3,146			3,822
(B) WELFARE REFORM			GEN			<126>			<205>
(B) WELFARE REFORM			GEN			1,267			2,859
(B) WELFARE REFORM			GEN			504			404
(B) CHILD CARE SYSTEM BASIC SLIDING			GEN			235			235
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						3,875			<68,902>
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	268,140	325,656	298,067	314,015	324,254	328,129	314,015	339,536	310,226
HEALTH CARE ACCESS		142	258	258	558	558	258	558	558
STATUTORY APPROPRIATIONS:									
GENERAL	168,983	118,703	97,477	96,862	97,782	97,782	96,862	103,393	103,393
SPECIAL REVENUE	36,337	40,871	53,382	34,995	34,995	34,995	34,995	34,995	34,995
FEDERAL	242,509	246,423	257,533	255,176	263,471	263,471	255,176	270,773	231,181
AGENCY	222	6							
GIFTS AND DEPOSITS	7	96	119	119	119	119	119	119	119
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	716,198	731,897	706,836	701,425	721,179	725,054	701,425	749,374	680,472

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====									
FTE BY EMPLOYMENT TYPE:									

REGULAR	202.8	214.8	214.8		229.6			231.6	
TEMP/SEAS/PART_TIME	48.0	61.4	61.4		61.4			61.4	
OVERTIME	.3	.5	.5		.5			.5	
=====									
TOTAL FTE	251.1	276.7	276.7		291.5	291.5		293.5	291.2

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM(S): Economic Self-Sufficiency
ITEM TITLE: Transfer to the Department of Children and Education Services

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
State Operations	\$-0-	\$(119)	\$(119)	\$(119)
Grants	\$-0-	\$(45,040)	\$(48,806)	\$(52,374)
Federal Fund				
State Operations	\$-0-	\$(50)	\$(50)	\$(50)
Grants	\$-0-	\$(39,542)	\$(43,068)	\$47,245)
Revenues: (\$000s)				
General Fund	\$-0-	\$(59)	\$(59)	\$(59)
Federal Fund	\$-0-	\$(39,542)	\$(43,068)	\$(47,245)

Statutory Change? Yes X No _____
If yes, statute affected: M.S. (Various)

GOVERNOR'S RECOMMENDATION:

To improve coordination and integration of services and to achieve improved outcomes for children and their families, the Governor is recommending the establishment of a Department of Children and education Services. The Governor recommends transfer of child care fund activity, including administrative support, to the new department in F.Y. 1997. A detailed description of the structure and services of the Department of Children and Education Services can be found in the Children and Families budget document.

The transfer of policy direction and administrative control for a number of critical programs providing services to families and children, along with the development of new funding strategies will:

- reduce existing fragmentation;
- enhance the ability of state government to help local governments and communities to flexibly design services that will work best for their communities; and
- improve the capabilities of both state and local government to focus resources on measurable outcomes to improve the well-being of children and families.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: QUALITY INITIATIVES DIVISION
MACT: QUALITY INITIATIVES DIVISION

MACT SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,556	2,642	2,759	2,759	2,759	2,797	2,759	2,759	2,797
EXPENSES/CONTRACTUAL SRVCS	87	90	223	223	223	431	223	223	276
MISC OPERATING EXPENSES	176	183	217	217	217	237	217	217	242
SUPPLIES/MATERIALS/PARTS	44	26	36	36	36	38	36	36	38
CAPITAL EQUIPMENT	29	24	67	67	67	75	67	67	75
SUBTOTAL STATE OPERATIONS	2,892	2,965	3,302	3,302	3,302	3,578	3,302	3,302	3,428
LOCAL ASSISTANCE	1,638	499	1,084	1,084	1,084	1,734	1,084	1,084	2,084
TOTAL EXPENDITURES	4,530	3,464	4,386	4,386	4,386	5,312	4,386	4,386	5,512
GOV'S INITIATIVES:									
FUND									
(B) WELFORM REFORM			GEN			926			1,126
TOTAL GOV'S INITIATIVES						926			1,126
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,504	3,362	4,102	4,102	4,102	5,028	4,102	4,102	5,228
HEALTH CARE ACCESS		101	214	214	214	214	214	214	214
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	26	1	70	70	70	70	70	70	70
TOTAL FINANCING	4,530	3,464	4,386	4,386	4,386	5,312	4,386	4,386	5,512
FTE BY EMPLOYMENT TYPE:									
REGULAR	58.3	57.6	57.6		58.6			58.6	
TEMP/SEAS/PART_TIME	1.2	1.0	1.0		1.0			1.0	
TOTAL FTE	59.5	58.6	58.6		59.6	59.6		59.6	59.6

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: Quality Initiatives Division
ITEM TITLE: Claims and Recovery Initiatives

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>

Expenditures: (\$000s):

General Fund				
Quality Initiatives Division	\$115	\$112	\$112	\$112

Revenues: (\$000s):

General Fund	\$58	\$371	\$371	\$371
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Requires Statutory Change? Yes X No

If yes, statute affected: 256.73, 256D.09, 256D.01

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$115,000 in F.Y. 1996 and \$112,000 in F.Y. 1997. This funding will be used to implement new collection and recovery procedures for cash public assistance and food stamp programs. Counties and the state will have increased revenue from the Federal Tax Revenue Offset Program (FTROP) and from accounts receivable improvements. Automated debt certification and collection will be more available to county agencies that do not presently have a collection system in place. One additional FTE is requested to establish debt certification for FTROP and provide system support for collections.

RATIONALE:

Client overpayments in cash assistance and food stamp programs occur when a client or the county agency makes an error in eligibility determination or a client is overpaid due to a fraudulent act. In each circumstance, a claim is established as the means to collect the amount owed to the program. The department currently relies on the county agencies for collection activities. This process is partially supported by the state eligibility system.

This proposal provides system improvements to enhance accounts receivable and collection procedures including debt certification to the Minnesota Collection Enterprise and establishes a new recovery process, FTROP.

Cases will be targeted where claims are not established, there is no recovery effort, or that effort has proved inadequate. Established collection efforts concentrate on eligible cases where collection automatically occurs at a low rate of return over an extended period of time. Often clients go off

of assistance with outstanding overpayments. New efforts will concentrate on those most able to pay and focus on former recipients who have outstanding overpayments and are more likely to have improved economic circumstances.

PROGRAM OUTCOMES:

This proposal will result in increased revenue to the counties and the state. The revenue obtained from FTROP claim certification will be shared between the state and county agencies, reimbursing state costs and supporting county certification efforts. Practices involved in the collection of client overpayments will be more equitable and consistent.

LONG-TERM IMPACT:

Counties and the state will have increased revenues. The outstanding debt owed to the cash assistance and food stamp programs will be reduced.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: SELF SUFFICIENCY PROGRAMS

				FY 1996			FY 1997		
				Current	Agency	Governor	Current	Agency	Governor
				Spending	Plan	Recomm.	Spending	Plan	Recomm.
MANAGEMENT ACTIVITY ALLOCATION									
=====				=====	=====	=====	=====	=====	=====
SELF SUFFICIENCY ADMINISTRATION	11,079	10,440	13,780	13,534	12,735	14,177	13,534	12,435	15,125
REFUGEE AND IMMIGRANT SERVICES	8,911	9,559	11,450	9,093	9,093	9,093	9,093	9,093	9,093
STRIDE	17,403	19,251	21,823	21,758	22,019	21,893	21,758	21,519	21,314
MFIP ADMINISTRATION	469	1,656	2,903	2,227	2,227	2,551	2,227	2,227	2,551
=====				=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	37,862	40,906	49,956	46,612	46,074	47,714	46,612	45,274	48,083
AGENCY PLAN ITEMS:			FUND						
-----			-----						
ACCELERATED STATE FINANCING - E & T			GEN	261			<239>		
ACCELERATED STATE FINANCING - E & T			GEN	<799>			<1,099>		
=====				=====			=====		
TOTAL AGENCY PLAN ITEMS				<538>			<1,338>		
GOV'S INITIATIVES:			FUND						
-----			-----						
(A)	TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES		GEN				<119>		
(A)	TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES		FED				<50>		
(B)	CHILD CARE SYSTEM BASIC SLIDING FEE		GEN	175					
(B)	WELFARE REFORM		GEN	<126>			<205>		
(B)	WELFARE REFORM		GEN	1,267			2,859		
(B)	WELFARE REFORM		GEN	324			324		
=====				=====			=====		
TOTAL GOV'S INITIATIVES				1,640			2,809		
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	12,227	14,176	18,936	17,949	17,411	19,051	17,949	16,611	19,470
STATUTORY APPROPRIATIONS:									
GENERAL	5,353	3,838	5,099	5,099	5,099	5,099	5,099	5,099	5,099
SPECIAL REVENUE	56	432	400	400	400	400	400	400	400
FEDERAL	20,219	22,364	25,402	23,045	23,045	23,045	23,045	23,045	22,995
GIFTS AND DEPOSITS	7	96	119	119	119	119	119	119	119
=====				=====	=====	=====	=====	=====	=====
TOTAL FINANCING	37,862	40,906	49,956	46,612	46,074	47,714	46,612	45,274	48,083

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: SELF SUFFICIENCY PROGRAMS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
MANAGEMENT ACTIVITY ALLOCATION									
FTE BY EMPLOYMENT TYPE:									
REGULAR	23.7	23.9	23.9		30.7			29.7	
TEMP/SBAS/PART_TIME	4.5	5.7	5.7		5.7			5.7	
TOTAL FTE	28.2	29.6	29.6		36.4	36.4		35.4	33.1

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
 PROGRAM: Economic Self-Sufficiency
 BUDGET ACTIVITY: Self-Sufficiency Programs
 ITEM TITLE: Welfare Reform

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
Work Readiness Grants	\$(10,889)	\$(14,866)	\$(16,556)	\$(18,799)
General Assistance Grants	3,146	3,822	4,301	5,098
AFDC Grants	(1,376)	(4,045)	(4,085)	(3,007)
MAXIS Operation	82	-0-	-0-	-0-
Assistance Payments Division	369	353	353	353
STRIDE	(126)	(205)	(205)	(205)
Self-Sufficiency Administration	1,267	2,859	2,859	2,859
MFIP Administration	504	404	404	404
MFIP Grants	3,252	9,877	9,915	7,891
Child Care Fund Entitlement	262	2,390	3,233	4,151
Children's Services Grants	-0-	763	763	763
Community Social Services Act	-0-	330	330	330
Quality Initiatives Division	926	1,126	1,126	1,126
Net Totals:	\$(2,583)	\$2,808	\$2,438	\$964
Revenues: (\$000s):				
General Fund	\$(4,815)	\$367	\$(8,333)	\$(333)

Requires Statutory Change? Yes X No _____
 If yes, statute affected: (Various)

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$2,583,000 in F.Y. 1996 and an increase in the budget base of \$2,808,000 in F.Y. 1997. This proposal implements 10 welfare reform proposals. These include: 1) elimination of the Work Readiness (WR) program; 2) advance monthly payment of the Minnesota Working Family Credit and the Minnesota Child and Dependent Care Credit; 3) expansion of Minnesota Family Investment Plan (MFIP) to Ramsey County; 4) Success Through Reaching Individual Development and Employment (STRIDE) Redesign; 5) Work First; 6) expansion of Parents' Fair Share Project; 7) expansion of the Self-Employment Investment Demonstration Program (SEID); 8) changes to Aid to Families with Dependant Children (AFDC)

Minor Parents provisions; 9) AFDC Waivers; 10) Work Experience Injury Protection, and (11) expansion of fraud control and prevention efforts for Minnesota's cash and food stamp programs. This proposal is the Governor's and department's welfare reform initiative.

RATIONALE:

In Minnesota Milestones public hearings around the state, citizens said that they do not want Minnesota's children to live in poverty. This item implements an anti-poverty welfare reform effort by redirecting resources to make work pay, reinforcing responsibility, and strengthening families and children.

1. Eliminating the WR cash grant program redirects limited public assistance resources from single individuals to focus on improvements for children and their families. The savings generated will provide funding for the initiatives listed below.
2. Advance monthly payment of the Minnesota Working Family Credit and the Minnesota Child and Dependent Care Credit will enable low-income workers to increase their monthly take-home income, making low-wage jobs more attractive and a path to self-sufficiency more likely.
3. Expanding MFIP to Ramsey County will provide families a reward for work, supports for improving family functioning, a mutual obligation between client and agency, and a simplified welfare administration.
4. STRIDE Redesign changes the emphasis of the STRIDE program from education and training to job placement. STRIDE Redesign includes a focus on employment, performance based standards, and child care supports which will result in more recipients working.
5. Work First restructures the front-end of the welfare system for AFDC and Family General Assistance (FGA) applicants so that they enter the work force as soon as possible. Work First requirements include immediate job search, vendor payments for major needs, support services as needed, and mandatory work if employment is not achieved.
6. Expanding the Parents' Fair Share Project will enable expansion and enhancement of employment and training for child support obligors so child support is paid and non-custodial parents become more involved in their children's lives.
7. Expanding the SEID Program provides self-employment planning and training services to motivated AFDC recipients to start and operate small businesses.
8. The AFDC Minor Parents initiative proposes that minor parents will be required to live in the household of a parent, legal guardian, or other adult relative or in an adult-supervised living arrangement in order to receive AFDC, except under certain circumstances. The department will apply for federal waivers to allow a minor parent and her child to be a separate AFDC filing unit and to exclude a portion of the income of the minor parent's parents when the minor parent lives with her parents who have little income.
9. The AFDC Waivers initiative proposes that the department apply to the federal agency for waivers which would allow: 1) the elimination of the 100 hour rule, work history

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: Self Sufficiency Programs
ITEM TITLE: Welfare Reform
(continuation)

requirement, and 30-day waiting period requirement for AFDC Unemployed Parent families; 2) an increase in the allowable equity value of a motor vehicle; and 3) the exclusion of earnings of dependent children and minor caretakers who are students at least half time; and the exclusion of savings from earnings if the savings are set aside in a separate account for future education or employment needs.

10. Work Experience Injury Protection funds the management and payment of claims under an injury protection plan for persons participating in county operated work experience programs.
11. The primary components of the Fraud Control and Prevention proposal are: 1) development of a statewide fraud data system; 2) statewide expansion of the Fraud Prevention Investigation program; and 3) replacement of federal funds for existing fraud control activities.

PROGRAM OUTCOMES:

Welfare Reform initiatives will remove barriers to employment for AFDC and FGA recipients and create financial incentives so working families increase their income. The goals of the initiatives are fewer families on public assistance, shorter duration on assistance and increased numbers of recipients employed. Employment of non-custodial parents should increase child support payments. Opportunity to establish a business will be a reality for some recipients. Funding of job support services such as transportation, child care, and injury protection will further encourage employment. Fraud control and prevention efforts for cash assistance programs will be expanded and consistently applied to all applicants and recipients. Families will be strengthened and more financially stable.

LONG-TERM IMPACT:

Fewer families will be dependent on public assistance for shorter periods of time. This proposal will enable a gradual move to self-sufficiency for thousands of Minnesotans.

Welfare.Ref
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1996-97 Biennial Budget

MANAGEMENT ACTIVITY: Self-Sufficiency Administration
BUDGET ACTIVITY: Self-Sufficiency Programs
PROGRAM: Economic Self-Sufficiency
AGENCY: Human Services, Department of (DHS)

REVENUE:

This activity earns general federal administrative reimbursement at the rate of 41% of its expenditures for DHS operations.

ACTIVITY DESCRIPTION:

This activity manages initiatives in welfare reform that provide direction and supporting services to individuals and families moving toward and maintaining self-sufficiency.

It includes administrative funding for child care programs, welfare reform initiatives, job support services, and the work programs of work readiness and food stamp employment and training.

BUDGET ISSUES:

Two initiatives (Welfare Reform and Work Readiness service and STRIDE state financing acceleration) have wide ramifications:

1. Elimination of the Work Readiness program, an entitlement program for able-bodied adults. Presently, this program provides grants for 6 months and corresponding work requirements.
2. A request for resources to plan a working family credits package so that working families can get state and federal tax credits back on a monthly basis.
3. Expansion of the MFIP program to Ramsey County.
4. Restructuring of the STRIDE program emphasizing job placement.
5. Creation of the Work First Program that diverts first time welfare applicants to work positions.
6. Expansion of the Parents' Fair Share Program, an employment assistance program for persons ordered to pay child support.
7. Expansion of the Self-Employment Investment Demonstration (SEID) program.
8. A request for resources to pursue waiver of federal AFDC requirements that inhibit self-sufficiency.
9. Provision of injury protection for recipients working in county mandatory work programs.
10. Provision of child care funds for persons required to participate in the work components of welfare reform initiatives.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: SELF SUFFICIENCY PROGRAMS
MACT: SELF SUFFICIENCY ADMINISTRATION

	FY 1996			FY 1997		
	Current	Agency	Governor	Current	Agency	Governor
	Spending	Plan	Recomm.	Spending	Plan	Recomm.
MACT SUMMARY						
=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:						

DETAIL BY CATEGORY:						
STATE OPERATIONS:						
PERSONAL SERVICES	586	586	691	691	691	792
EXPENSES/CONTRACTUAL SRVCS	297	51	196	196	196	300
MISC OPERATING EXPENSES	20	20	30	30	30	35
SUPPLIES/MATERIALS/PARTS	15	4	7	7	7	12
CAPITAL EQUIPMENT	44	23	10	10	10	30
OTHER			130	130	130	120
=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	962	684	1,064	1,064	1,064	1,289
AIDS TO INDIVIDUALS						160
LOCAL ASSISTANCE	10,117	9,756	12,716	12,470	11,371	13,676
=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	11,079	10,440	13,780	13,534	12,435	15,125
AGENCY PLAN ITEMS:						

ACCELERATED STATE FINANCING - E & T				<799>		<1,099>
=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS				<799>		<1,099>
GOV'S INITIATIVES:						

(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES						<119>
(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES						<50>
(B) CHILD CARE SYSTEM BASIC SLIDING FEE					175	
(B) WELFARE REFORM					1,267	2,859
=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES					1,442	2,690
SOURCES OF FINANCING:						

DIRECT APPROPRIATIONS:						
GENERAL	5,230	4,599	7,003	6,757	5,958	8,398
STATUTORY APPROPRIATIONS:						
GENERAL	4,399	3,838	5,099	5,099	5,099	5,099

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: SELF SUFFICIENCY PROGRAMS
MACT: SELF SUFFICIENCY ADMINISTRATION

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
FEDERAL	1,443	2,003	1,678	1,678	1,678	1,678	1,678	1,678	1,628
GIFTS AND DEPOSITS	7								
TOTAL FINANCING	11,079	10,440	13,780	13,534	12,735	14,177	13,534	12,435	15,125
FTE BY EMPLOYMENT TYPE:									
REGULAR	7.9	7.4	7.4		13.7			12.7	
TEMP/SEAS/PART_TIME	3.5	4.3	4.3		4.3			4.3	
TOTAL FTE	11.4	11.7	11.7		18.0	18.0		17.0	14.7

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: CHILD SUPPORT ENFORCEMENT DIVISION
MACT: CHILD SUPPORT ENFORCEMENT DIVISION

				FY 1996			FY 1997		
			Est.						
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,513	2,808	4,198	3,741	3,786	3,786	3,741	3,786	3,891
EXPENSES/CONTRACTUAL SRVCS	4,978	6,744	10,989	10,459	11,614	11,662	10,459	12,274	13,139
MISC OPERATING EXPENSES	659	1,058	1,303	1,293	1,333	1,333	1,293	1,383	1,483
SUPPLIES/MATERIALS/PARTS	190	914	174	169	179	179	169	419	419
CAPITAL EQUIPMENT	384	1,507	1,768	1,758	1,758	1,758	1,758	1,758	1,758
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	7,724	13,031	18,432	17,420	18,670	18,718	17,420	19,620	20,690
AIDS TO INDIVIDUALS			200	200	200	200	200	200	200
LOCAL ASSISTANCE	9,229	11,959	12,929	12,489	12,489	12,489	12,489	13,089	13,089
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	16,953	24,990	31,561	30,109	31,359	31,407	30,109	32,909	33,979
=====									
AGENCY PLAN ITEMS:			FUND						

CHILD SUPPORT GUIDELINES REFORM			GEN		250			300	
CSE CONTESTED HEARINGS			GEN					1,500	
CSE PUBLISH OBLIGOR			GEN		1,000			1,000	
=====					=====			=====	
TOTAL AGENCY PLAN ITEMS					1,250			2,800	
=====									
GOV'S INITIATIVES:			FUND						

(B) CSE PAYMENT & COLLECTIONS IMPROVEMENTS			GEN			48			1,070
=====						=====			=====
TOTAL GOV'S INITIATIVES						48			1,070
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	2,264	4,643	7,499	9,785	11,035	11,083	9,785	12,585	13,655
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	7,002	11,723	15,962	12,224	12,224	12,224	12,224	12,224	12,224
FEDERAL	7,687	8,624	8,100	8,100	8,100	8,100	8,100	8,100	8,100

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: CHILD SUPPORT ENFORCEMENT DIVISION
MACT: CHILD SUPPORT ENFORCEMENT DIVISION

			Est.	FY 1996			FY 1997		
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	16,953	24,990	31,561	30,109	31,359	31,407	30,109	32,909	33,979
FTE BY EMPLOYMENT TYPE:									

REGULAR	27.5	34.3	34.3		35.3			38.3	
TEMP/SEAS/PART_TIME	8.6	32.7	32.7		32.7			32.7	
OVERTIME		.2	.2		.2			.2	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	36.1	67.2	67.2		68.2	68.2		71.2	71.2

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: AFDC GRANTS
MACT: AFDC GRANTS

					FY 1996			FY 1997		
			Est.		Current	Agency	Governor	Current	Agency	Governor
MACT SUMMARY	FY 1993	FY 1994	FY 1995		Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====										
EXPENDITURES:										

DETAIL BY CATEGORY:										
STATE OPERATIONS:										
OTHER	325	489								
=====										
SUBTOTAL STATE OPERATIONS	325	489								
AIDS TO INDIVIDUALS	399,382	394,340	351,040		351,040	361,333	359,957	351,040	384,809	380,674
LOCAL ASSISTANCE	30,203	27,591	26,244		26,244	27,181	27,181	26,244	28,597	28,597
=====										
TOTAL EXPENDITURES	429,910	422,420	377,284		377,284	388,514	387,138	377,284	413,406	409,271
=====										
AGENCY PLAN ITEMS:			FUND							

INCOME MAINTENANCE ADJUSTMENTS			GEN			8,106			22,310	
INCOME MAINTENANCE ADJUSTMENTS			FED			3,452			14,207	
CSE PUBLISH OBLIGOR			GEN			<758>			<861>	
AFDC - ESSENTIAL PERSONS			GEN			430			466	
=====										
TOTAL AGENCY PLAN ITEMS						11,230			36,122	
=====										
GOV'S INITIATIVES:			FUND							

(B) CSE PAYMENT & COLLECTIONS IMPROVEMENTS			GEN							<90>
(B) WELFARE REFORM			GEN				<1,376>			<4,045>
=====										
TOTAL GOV'S INITIATIVES							<1,376>			<4,135>
=====										
SOURCES OF FINANCING:										

DIRECT APPROPRIATIONS:										
GENERAL	131,584	153,156	138,650		138,650	143,150	141,774	138,650	152,741	148,606
STATUTORY APPROPRIATIONS:										
GENERAL	111,733	89,028	75,481		75,481	78,759	78,759	75,481	83,305	83,305
FEDERAL	186,593	180,236	163,153		163,153	166,605	166,605	163,153	177,360	177,360
=====										
TOTAL FINANCING	429,910	422,420	377,284		377,284	388,514	387,138	377,284	413,406	409,271

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: Aid to Families with Dependent Children Grants
ITEM TITLE: Aid to Families with Dependent Children Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
AFDC Grants	\$4,828	\$14,486	\$20,587	\$27,800
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Requires Statutory Change? Yes ____ No <u> X </u>				
If yes, statute affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$4,828,000 in F.Y. 1996 and of \$14,486,000 in F.Y. 1997 to fund the forecasted costs of Aid to Families with Dependent Children grants under current law.

RATIONALE:

The changes shown are increases over forecasted expenditures for F.Y. 1995. In F.Y. 1995 AFDC caseload is projected to reach the lowest level since F.Y. 1991 because of favorable employment conditions and the effect of MinnesotaCare on the single-parent AFDC caseload. After F.Y. 1995, caseload is projected to begin increasing again as the economy slows and unemployment increases from 4% in F.Y. 1995 to 5% in F.Y. 1999. This caseload growth (2% in F.Y. 1996 and 4% in F.Y. 1997) accounts for about two-thirds of the increases. The remaining one-third is the effect of phasing out the Minnesota Family Investment Program.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: GA GRANTS
MACT: GA GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	68	189							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	68	189							
AIDS TO INDIVIDUALS	56,387	55,704	45,032	45,032	45,830	48,976	45,032	48,333	52,155
LOCAL ASSISTANCE	16,641	14,343	11,202	11,202	10,754	10,754	11,202	11,341	11,341
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	73,096	70,236	56,234	56,234	56,584	59,730	56,234	59,674	63,496
=====									
AGENCY PLAN ITEMS:			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN		1,242			4,457	
AFDC - ESSENTIAL PERSONS			GEN		<892>			<1,017>	
=====					=====			=====	
TOTAL AGENCY PLAN ITEMS					350			3,440	
=====									
GOV'S INITIATIVES:			FUND						

(B) WELFARE REFORM			GEN			3,146			3,822
=====						=====		=====	
TOTAL GOV'S INITIATIVES						3,146			3,822
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	42,136	56,347	46,057	46,057	46,025	49,171	46,057	48,521	52,343
STATUTORY APPROPRIATIONS:									
GENERAL	30,960	13,889	10,177	10,177	10,559	10,559	10,177	11,153	11,153
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	73,096	70,236	56,234	56,234	56,584	59,730	56,234	59,674	63,496
=====									
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: General Assistance Grants
ITEM TITLE: General Assistance Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
GA Grants	\$860	\$3,481	\$6,143	\$8,947
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Requires Statutory Change? Yes ____ No <u>X</u>				
If yes, statute affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$860,000 in F.Y. 1996 and \$3,481,000 in F.Y. 1997 to fully fund the forecasted costs of the General Assistance grant program under current law.

RATIONALE:

Approximately one-half of the increases over the F.Y. 1995 base are for increases in payments to battered women's shelters. The remainder is for projected caseload increases of less than 1% per year.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: WORK READINESS GRANTS
MACT: WORK READINESS GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	17,684	16,436	12,600	12,600	9,325		12,600	11,310	
LOCAL ASSISTANCE	1,399	4,819	3,695	3,695	3,137	1,573	3,695	3,556	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	19,083	21,255	16,295	16,295	12,462	1,573	16,295	14,866	
AGENCY PLAN ITEMS:									

INCOME MAINTENANCE ADJUSTMENTS			GEN		<730>			2,335	
WELFARE REFORM - COUNTY SHARE			GEN		<3,103>			<3,764>	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS					<3,833>			<1,429>	
GOV'S INITIATIVES:									

(B) WELFARE REFORM			GEN			<10,889>			<14,866>
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES						<10,889>			<14,866>
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	13,784	17,562	13,149	13,149	12,462	1,573	13,149	14,866	
STATUTORY APPROPRIATIONS:									
GENERAL	5,299	3,693	3,146	3,146			3,146		
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	19,083	21,255	16,295	16,295	12,462	1,573	16,295	14,866	
FTE BY EMPLOYMENT TYPE:									

=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: Work Readiness Grants
ITEM TITLE: Work Readiness Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
Work Readiness Grants	(\$687)	\$1,717	\$3,408	\$5,651
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Requires Statutory Change?	Yes	____	No	__X__
If yes, statute affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$687,000 in F.Y. 1996 and an increase in the budget base of \$1,717,000 in F.Y. 1997 to fund the forecasted costs of the Work Readiness grant program under the current law.

RATIONALE:

Work Readiness caseload has reached the lowest level in its history in F.Y. 1995 and is projected to decline slightly in F.Y. 1996. After F.Y. 1996 caseload is projected to increase markedly (+21 % in F.Y. 1997) as the economy slows and unemployment increases from 4 % in F.Y. 1995 to 5 % in F.Y. 1999.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: MSA GRANTS
MACT: MSA GRANTS

				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MACT SUMMARY									
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	2	1							
=====									
SUBTOTAL STATE OPERATIONS	2	1							
AIDS TO INDIVIDUALS	48,657	51,647	19,724	19,724	22,503	22,503	19,724	25,721	25,721
LOCAL ASSISTANCE	7,817	7,462	5,273	5,273	3,355	3,355	5,273	3,872	3,872
=====									
TOTAL EXPENDITURES	56,476	59,110	24,997	24,997	25,858	25,858	24,997	29,593	29,593
=====									
AGENCY PLAN ITEMS:									
			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN		790			4,448	
MSA REDESIGN			GEN		71			148	
=====									
TOTAL AGENCY PLAN ITEMS					861			4,596	
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	40,838	51,040	22,038	22,038	22,493	22,493	22,038	25,757	25,757
STATUTORY APPROPRIATIONS:									
GENERAL	15,638	8,070	2,959	2,959	3,365	3,365	2,959	3,836	3,836
=====									
TOTAL FINANCING	56,476	59,110	24,997	24,997	25,858	25,858	24,997	29,593	29,593
=====									
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									
=====									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM(S): Economic Self-Sufficiency
BUDGET ACTIVITY: Minnesota Supplemental Aid
ITEM TITLE: Minnesota Supplemental Aid Redesign

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s)				
General Fund				
MSA Grants	\$71	\$148	\$220	\$290
MAXIS Operations	60	-0-	-0-	-0-
Net Total	\$131	\$148	\$220	\$290
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statute affected: M.S. 256D.33 to 256D.54

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$131,000 in F.Y. 1996 and \$148,000 in F.Y. 1997. These cost increases will result from aligning the Minnesota Supplemental Aid (MSA) program more closely with the federal Supplemental Security Income (SSI) program. Reducing MSA and SSI policy conflicts will reduce confusion for persons receiving these benefits and will simplify county and state administration.

RATIONALE:

The MSA program is a state administered supplemental payment for individuals who receive SSI or would receive SSI except for excess income. Because of policy differences between MSA and SSI, there is confusion for persons receiving these benefits and barriers to living independently in the community. In order to correct these differences this proposal: 1) adopts SSI shared household policy for a select population of MSA recipients; 2) adopts SSI income and asset exclusions; 3) creates flat standards for individuals and couples; 4) budgets income retrospectively instead of prospectively; 5) counts sponsor's income for non-citizens; 6) allows representative payee fees as a special need; 7) defines money mismanagement as use of Emergency MSA more than twice a year, and 8) prohibits MSA payments to persons ineligible for SSI due to exhausting time-limited benefits or a suspension for non-compliance with treatment.

PROGRAM OUTCOMES:

- Efforts to create alternative housing for individuals in Group Residential Housing (GRH) facilities are undermined due to the differences in MSA and SSI shared housing policy. By adopting SSI shared household policy, financial barriers will be removed for individuals who

could live independently in the community instead of living or being placed in more costly GRH facilities. The shared household policy will only be applied in situations that are cost-effective and facilitate deinstitutionalization.

- Because of differences in asset and income exclusions, county staff are required to duplicate eligibility determinations for SSI clients who apply for MSA. Adopting SSI income and asset exclusions eliminates the need to determine MSA eligibility for SSI recipients and avoids increasing MSA when SSI benefits are reduced for SSI recoupment.
- MSA has a 2-tier need standard which combines a shelter standard and a basic need standard. Clients are required to report changes in shelter costs which can result in a change in benefits. Documenting fluctuating shelter costs and reconciling benefits creates a burden on clients and adds unnecessary administrative time for workers. Creating flat standards for individuals and couples will enable all clients to receive a full standard, reduce the administrative burden on clients and agencies, create uniformity across cash assistance programs, and provide equity.
- The SSI program budgets income retrospectively and MSA budgets income prospectively. The process adds administrative complexity for workers and confusion for clients. Adopting the SSI retrospective budgeting cycle eliminates client overpayments and the need for monthly budget reconciliation.
- MSA does not consider a sponsor's income in determining eligibility for non-citizens. The SSI program deems sponsor's income for non-citizens. This means individuals who are ineligible for SSI due to the deeming of sponsor's income receive up to \$519 in MSA benefits. By adopting SSI policy in this area, a non-citizen can receive no more than \$81 in MSA benefits.
- Vulnerable clients prone to money mismanagement are at risk because there are not enough interested and/or appropriate representative payees. Allowing representative payee fees as a special need will serve as an incentive for agencies to become representative payees for SSI.
- A number of vulnerable clients repeatedly use Emergency MSA to cover ongoing basic needs. Defining money mismanagement as use of Emergency MSA more than twice a year will provide a basis for establishing and issuing protective payments for vulnerable clients.
- Effective 3/1/95 the Social Security Administration (SSA) will limit benefits to 36 months for persons whose substance abuse is material to their disability and suspend benefits for non-compliance with treatment. Current MSA language does not prohibit state supplements to these individuals. This proposal will create ineligibility for MSA for individuals who do not receive SSI benefits under this provision of the new SSA regulations.

LONG-TERM IMPACT:

This proposal will reduce the conflicts in MSA and SSI policy, simplify program administration, and establish benefit standards that are more understandable to persons receiving these benefits. In addition, this proposal improves housing access in community settings by allowing persons now in, or at risk of, institutional placement to share housing in the community without reduction in benefits.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: Minnesota Supplemental Aid - Grants
ITEM TITLE: Minnesota Supplemental Aid Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
Minnesota Supplemental Aids Grants	\$384	\$3,571	\$11,005	\$23,228

Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$384,000 in F.Y. 1996 and of \$3,571,000 in F.Y. 1997 to fully fund the forecasted cost of Minnesota Supplemental Aid (MSA) grant payments under the current law.

RATIONALE:

MSA caseload is projected to increase at about 10% per year, increasing MSA costs by approximately \$3 million per year. The shift of a substantial portion of MSA expenditures to the Group Residential Housing program has a delayed effect on state reimbursement of the county share, therefore causing little increase in F.Y. 1996. The much larger increases in F.Y. 1998 and F.Y. 1999 result from expiration in March 1998 of a 36 month time limit recently imposed by the federal government for receipt of SSI by people who are chemically dependent. Under current state law the full costs for support of an estimated 2,000 SSI recipients who are chemically dependent will then become the responsibility of MSA.

1996-97 Biennial Budget

BUDGET ACTIVITY: Minnesota Family Investment Program Grants
PROGRAM: Economic Self-Sufficiency
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

The Minnesota Family Investment Program (MFIP) is a comprehensive reform of welfare for families that replaces Aid to Families with Dependent Children, Food Stamps, Family General Assistance, and Project STRIDE. MFIP restructures the welfare system around three key values: working should be more profitable than welfare; welfare should support the family unit; the relationship of welfare to families served should be based on a social contract in which both the system and its clientele carry responsibilities.

Field trials began in 4-94 in 7 counties (3 metro and 4 rural). MFIP will be evaluated by comparing a group of families eligible for MFIP with a group of families eligible for the programs MFIP replaces.

BUDGET ISSUES:

An important component of the department's welfare reform initiative, MFIP is a relatively new program that represents a significant departure from current welfare programs. Field trials have only just begun. Grant forecasts are based on enrollment projections and experience from other programs. Over the next 6 to 12 months, actual experience with the MFIP program will provide an improved base for future cost projections. However, under current law, forecast projections indicate a decrease in resources needed to finance this program in the out years.

GRANT:

MFIP grants represent the benefits issued to families eligible for MFIP financial assistance, child care assistance for MFIP families, and case management/employment and training services provided to MFIP families. Families applying for or receiving public assistance in the field trial counties are randomly assigned to receive MFIP benefits. The number of families enrolled in the MFIP group is largely controlled by the sample sizes needed for the evaluation. The number of families receiving MFIP grants is expected to peak at 5,200 in 10-95 and decline to less than 2,000 by the end of the field trials (3-99).

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: CHILD CARE FUND - GRANTS

				FY 1996			FY 1997		
			Est.						
MANAGEMENT ACTIVITY ALLOCATION	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
CHILD CARE FUND ENTITLEMENT	21,948	28,935	31,049	31,049	36,858	37,355	31,049	43,263	
CHILD CARE FUND NON-ENTITLED	20,530	23,767	25,775	25,775	25,775	31,775	25,775	25,775	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	42,478	52,702	56,824	56,824	62,633	69,130	56,824	69,038	
AGENCY PLAN ITEMS:			FUND						
=====			=====						
INCOME MAINTENANCE ADJUSTMENTS			GEN		2,805			5,802	
INCOME MAINTENANCE ADJUSTMENTS			FED		3,004			6,412	
=====			=====		=====			=====	
TOTAL AGENCY PLAN ITEMS					5,809			12,214	
GOV'S INITIATIVES:			FUND						
=====			=====						
(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			GEN						<44,921>
(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			FED						<39,542>
(B) CHILD CARE SYSTEM BASIC SLIDING FEE			GEN			6,000			12,800
(B) WELFARE REFORM			GEN			262			2,390
(B) CHILD CARE SYSTEM BASIC SLIDING			GEN			235			235
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						6,497			<69,038>
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	18,671	22,634	23,694	23,694	26,499	32,996	23,694	29,496	
STATUTORY APPROPRIATIONS:									
FEDERAL	23,807	30,068	33,130	33,130	36,134	36,134	33,130	39,542	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	42,478	52,702	56,824	56,824	62,633	69,130	56,824	69,038	
FTE BY EMPLOYMENT TYPE:									
=====									
TOTAL FTE									

1996-97 Biennial Budget

MANAGEMENT ACTIVITY: Child Care Fund - Entitlement Program
BUDGET ACTIVITY: Child Care Fund Grants
PROGRAM: Economic Self-Sufficiency
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

The Aid to Families with Dependent Children (AFDC) Child Care Assistance program provides financial assistance to defray the child care costs of AFDC recipients who: are working and have costs above the dependent care deduction; are looking for work, and/or participating in education or training programs which are designed to lead to employment; and Non-AFDC families who are participating in the Transition Year Child Care Assistance program. The program is designed to maximize federal financial participation through the JOBS and Non-JOBS child care assistance funding sources (STRIDE and ACCESS programs in Minnesota) and the Transition Year Child Care program. The program and administrative requirements for each of the subprograms have been integrated to facilitate the movement of families to self-sufficiency. Families who are participating in the Transition Year Child Care program have moved off of AFDC due to an increase in earned income, loss of disregards, or excess hours. These families are required to make a copayment for child care services. The amount of the copayment is based on income and family size and is compatible with other non-AFDC child care funding sources.

BUDGET ISSUES:

The agency budget plan requires additional resources for entitlement child care grants as a result of forecasted changes in rates and caseload.

REVENUE:

All state funds expended for the AFDC Child Care Assistance Program including the employment, the STRIDE, the ACCESS, and the Transition Year subprograms earn FFP at a rate of 55%.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: CHILD CARE FUND - GRANTS
MACT: CHILD CARE FUND ENTITLEMENT

				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MACT SUMMARY									
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	21,948	28,935	31,049	31,049	36,858	37,355	31,049	43,263	
=====									
TOTAL EXPENDITURES	21,948	28,935	31,049	31,049	36,858	37,355	31,049	43,263	
=====									
AGENCY PLAN ITEMS:									
			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN		2,805			5,802	
INCOME MAINTENANCE ADJUSTMENTS			FED		3,004			6,412	
=====									
TOTAL AGENCY PLAN ITEMS					5,809			12,214	
=====									
GOV'S INITIATIVES:									
			FUND						

(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			GEN						<22,595>
(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			FED						<23,293>
(B) WELFARE REFORM			GEN			262			2,390
(B) CHILD CARE SYSTEM BASIC SLIDING			GEN			235			235
=====									
TOTAL GOV'S INITIATIVES						497			<43,263>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	10,895	13,108	14,168	14,168	16,973	17,470	14,168	19,970	
STATUTORY APPROPRIATIONS:									
FEDERAL	11,053	15,827	16,881	16,881	19,885	19,885	16,881	23,293	
=====									
TOTAL FINANCING	21,948	28,935	31,049	31,049	36,858	37,355	31,049	43,263	
=====									
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: Child Care Fund Grants
MANAGEMENT ACTIVITY: Child Care Fund Entitlement
ITEM TITLE: Child Care Fund Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
Child Care Fund Grants	\$2,805	\$5,802	\$8,826	\$12,394
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ____ No X
If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$2,805,000 in F.Y. 1996 and \$5,802,000 in F.Y. 1997 to fully fund the forecasted cost of the Aid to Families with Dependent Children Child Care entitlement under current law.

RATIONALE:

The forecasted increases in child care entitlement payments under the current law are produced about equally by projected increases in enrollment in the program and projected inflation of rates paid by the program.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SELF SUFFICIENCY PROGRAM
ACTIVITY: CHILD CARE FUND - GRANTS
MACT: CHILD CARE FUND NON-ENTITLED

				FY 1996			FY 1997		
			Est.						
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	20,530	23,767	25,775	25,775	25,775	31,775	25,775	25,775	
=====									
TOTAL EXPENDITURES	20,530	23,767	25,775	25,775	25,775	31,775	25,775	25,775	
=====									
GOV'S INITIATIVES:			FUND						

(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			GEN						<22,326>
(A) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			FED						<16,249>
(B) CHILD CARE SYSTEM BASIC SLIDING FEE			GEN			6,000			12,800
=====									
TOTAL GOV'S INITIATIVES						6,000			<25,775>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	7,776	9,526	9,526	9,526	9,526	15,526	9,526	9,526	
STATUTORY APPROPRIATIONS:									
FEDERAL	12,754	14,241	16,249	16,249	16,249	16,249	16,249	16,249	
=====									
TOTAL FINANCING	20,530	23,767	25,775	25,775	25,775	31,775	25,775	25,775	
=====									
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									
=====									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Economic Self-Sufficiency
BUDGET ACTIVITY: Child Care Fund
MANAGEMENT ACTIVITY: Child Care Fund Non-Entitlement
ITEM TITLE: Basic Sliding Fee Child Care

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
Self-Sufficiency Administration	\$ 175	\$ -0-	\$ -0-	\$ -0-
Families with Children Services				
Grants	450	825	825	825
Child Care Fund Entitlement	235	235	235	235
Child Care Fund Non-entitlement	6,000	12,800	12,800	12,800
Children's Services				
Administration	75	75	75	75
Net Total	\$6,935	\$13,935	\$13,935	\$13,935
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No _____

If yes, statute affected: M.S. 256H.03, 256H.12, 256H.18, 256H.20, 245H.14

GOVERNOR'S RECOMMENDATION

The Governor recommends an increase in the budget base of \$6,935,000 in F.Y. 1996 and \$13,935,000 in F.Y. 1997. This funding will provide additional resources for child care assistance to low income parents and enhance the quality of that child care and its administration. This proposal is part of the governor's Children's Initiative and the department's Children's Initiative and will be transferred to the Department of Children and Education Services in F.Y. 1999. A detailed description of the new agency can be found in the Children and Families budget document.

RATIONALE:

In public hearings around Minnesota, citizens said they wanted Minnesota's children not to live in poverty. Additionally, they said they wanted families to provide a stable environment for their children. This item responds to both goals by investing significant additional funds in child care assistance for low-income families to help them as they make their families financially secure. It also improves the quality of child care and streamlines its administration.

Since quality, affordable child care is a significant help in keeping families off welfare and out of poverty and since young children are affected by the quality of care they receive in child care settings, this item is both part of the department's economic self-sufficiency (welfare reform) initiative and the children's initiative.

Adding the proposed increase to the basic sliding fee (BSF) would enable the state to assist approximately 1,330 eligible non-Aid to Families with Dependent Children (AFDC) families in F.Y. 1996 and 2,665 eligible non-AFDC families in F.Y. 1997. These families are currently on the waiting list for child care costs while the family pursues self-sufficiency through work, education, or job search. The proposal would allow all of most families that are leaving transition-year child care and are still in need of help with child care costs to be assured of continued child care assistance and an uninterrupted move to self-sufficiency. It would also help to eliminate the need for some non-AFDC families to apply for AFDC because they cannot get BSF child care help because of waiting lists.

In addition to the child care fund increase, the following quality initiatives are proposed:

- An increase in child care resource and referral (CCR&R) services. CCR&R agencies are funded to coordinate and develop child care services in their economic development regions. Additional support would give them greater effectiveness in delivering high-quality training to child care providers.
- Establishment of cultural dynamics training for child care providers. This item would create a curriculum teaching child care providers about the dynamics of culture, the impact on children, and the process for developing culturally-appropriate child care programs. A pilot project to achieve these goals would begin at 4 sites and would train trainers and deliver training to caregivers.
- An increase in migrant child care grants address the needs of Hispanic migrant families in Minnesota. Funding for migrant child care has not increased since the mid-1980s and without additional funds to cover increased costs only an estimated 320 children will be served, down from the current 400 children served. The increased funding will maintain service for all families and add more intensive services such as health follow up, dental follow up, early prevention screening and testing, and referral services. Also, funds will be used to train bilingual child care staff.
- A reallocation process for child care ACCESS slots. ACCESS is a child care program designed to provide child care assistance for the children of AFDC caretakers who are participating in job search of education and training and are not eligible to participate in the STRIDE program. Current legislation allocates child care ACCESS slots to counties based on the 1991 caseload. Some counties are not using all available slots while other counties have waiting lists. This proposal gives the department authority to temporarily reallocate the unused child care slots to counties who have waiting lists.
- A two-part study to develop a plan for: 1) an alternative distribution of child care assistance funding that simplifies access and serves as a foundation for a comprehensive child care system; 2) integration of funding sources to enhance federal financial participation in a variety of programs such as early childhood programs or services to children of AFDC families who are

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====									
LONG TERM CARE ADMINISTRATION	35,414	38,732	102,948	102,549	115,162	115,162	102,549	126,904	126,904
HEALTH CARE DELIVERY ADMINISTRAT.	2,214	3,242	5,200	5,206	5,206	5,206	5,129	5,129	5,129
HEALTH CARE BENEFITS ADMINISTRAT.	6,290	7,718	7,317	7,191	7,738	7,738	7,191	8,003	8,003
MEDICAL ASSISTANCE GRANTS	2,205,373	2,519,652	2,860,882	2,867,971	3,030,035	3,027,066	2,867,971	3,278,762	3,268,931
GAMC GRANTS	181,147	202,018	212,421	212,421	253,791	246,103	212,421	271,345	255,959
HEALTH CARE OPERATIONS	5,014	6,341	8,391	7,491	7,491	7,491	7,491	7,491	7,491
HEALTH CARE CUSTOMER SERVICE	444	2,682	1,822	1,822	1,822	1,822	1,822	1,822	1,822
MEDICAID MGT. INFO. SYS. (MMIS)	9,304	18,927	28,300	18,534	19,034	19,034	18,534	19,434	19,434
MINNESOTA CARE	15,791	36,627	93,947	92,212	101,156	101,156	92,212	145,008	145,008
=====									
TOTAL EXPENDITURES BY ACTIVITY	2,460,991	2,835,939	3,321,228	3,315,397	3,541,435	3,530,778	3,315,320	3,863,898	3,838,681

AGENCY PLAN ITEMS:

FUND

INCOME MAINTENANCE ADJUSTMENTS	GEN	142,872
INCOME MAINTENANCE ADJUSTMENTS	FED	64,776
HOSP & NURSING FACIL ALTERN TO ML RTC	GEN	<1,292>
RTC DD DOWNSIZING	GEN	<7,616>
FARIBAULT RC CLOSURE	GEN	813
FARIBAULT RC CLOSURE	GEN	103
MOOSE LAKE MI SOCS	GEN	167
QUALITY ASSURANCE SUPPORT SYSTEM	GEN	150
REDUCE LENGTH FOR CLOSING ICF/MR	GEN	<681>
DEVELOPMENTAL DISABILITIES PILOTS	GEN	1,531
DD WAIVER ALTERN ALLOCATION STRUCTURE	GEN	3,624
EXPANSION OF OASDHI PROJECT	GEN	<17>
EXPANSION OF OASDHI PROJECT	GEN	<2,793>
CONSUMER SUPPORT GRANTS	GEN	<917>
CONSUMER SUPPORT GRANTS	GEN	<315>
ELIMINATE RULE 75 RATE SET FOR DT&H	GEN	<1,022>
EXPANSION OF ALTERNATE CARE PROGRAM	GEN	1,649
EXPANSION OF ALTERNATE CARE PROGRAM	GEN	<6,510>
MA OVERPAYMENTS/RECOVERIES	GEN	<285>
EXPANSION OF TBI WAIVER	GEN	234
INSURANCE CONTINUATION FOR HIV	GEN	427
INSURANCE CONTINUATION FOR HIV	GEN	<761>
FEDERAL VACCINES FOR CHILDREN	GEN	<279>

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FEDERAL VACCINES FOR CHILDREN		HCA			<148>			<169>	
REVISED PHARMACY USUAL & CUSTOMARY		GEN			<6,036>			<8,369>	
REVISED PHARMACY USUAL & CUSTOMARY		GEN			<1,317>			<1,843>	
REVISED PHARMACY USUAL & CUSTOMARY		HCA			<997>			<690>	
OBRA 1993 COMPLIANCE ISSUES		GEN			94			293	
HEALTH DEPARTMENT CONTRACT COLA		GEN			20			41	
INPATIENT HOSPITAL PEER GROUPING		GEN			120				
INPATIENT HOSPITAL PEER GROUPING		GEN			9,237		28,592		
INPATIENT HOSPITAL PEER GROUPING		GEN			5,669		6,593		
INPATIENT HOSPITAL PEER GROUPING		HCA			<552>		597		
LTC INFORMATION PROJECT		GEN			75		75		
INCOME & ASSET ALLOCATE FOR LTC WAIVERS		GEN			212		223		
GROUP RESIDENTIAL HOUSING CHANGES		GEN			<136>		<200>		
GROUP RESIDENTIAL HOUSING CHANGES		GEN			129		396		
MODIFIED NH RATE WITH OUTCOME INCENTIVES		GEN			11,244		33,016		
NURSING FACILITY LEVEL OF CARE CHANGE		GEN			75		75		
NURSING FACILITY LEVEL OF CARE CHANGE		GEN					1,089		
HURSING FACILITY LEVEL OF CARE CHANGE		GEN					<3,193>		
ICF/MR INFLATION		GEN			1,424		3,909		
ACCESS TO QUALITY HC INITIATIVE		HCA			3,789		5,012		
ACCESS TO QUALITY HC INITIATIVE		HCA			500		900		
ACCESS TO QUALITY HC INITIATIVE		HCA			<12,286>		<13,978>		
ACCESS TO QUALITY HC INITIATIVE		HCA			3,839		5,096		
MINNESOTACARE FORECAST		HCA			15,299		56,928		
AFDC ESSENTIAL PERSONS		GEN			159		168		
AFDC ESSENTIAL PERSONS		GEN			<345>		<363>		
DEPARTMENTWIDE OPERATIONS		GEN			822		1,597		
MENTAL HEALTH COMMITMENT ACT		GEN			58		58		
=====					=====		=====		
TOTAL AGENCY PLAN ITEMS					226,038		548,578		
GOV'S INITIATIVES:		FUND							
(B) COMM MH ADOLESCENT SERVICES		GEN							500
(B) GAMC CAPITATION RATE REDUCTION		GEN				<4,791>		<7,397>	
(B) GAMC DENTAL COVERAGE REDUCTION		GEN				<2,897>		<7,989>	
(B) RESTRUCTURE PCA & TEPRA		GEN				<2,969>		<10,331>	

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES						<10,657>			<25,217>
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	933,568	1,321,928	1,530,318	1,545,052	1,685,296	1,674,639	1,545,052	1,840,977	1,815,760
HEALTH CARE ACCESS	2,891	26,940	81,741	80,006	84,053	84,053	80,006	124,046	124,046
STATUTORY APPROPRIATIONS:									
GENERAL	350,153	124,504	156,824	156,698	168,272	168,272	156,698	180,633	180,633
HEALTH CARE ACCESS	1,723	10,357	13,758	13,758	19,155	19,155	13,758	23,414	23,414
SPECIAL REVENUE	4,313	17,042	34,716	15,606	15,606	15,606	15,606	15,606	15,606
FEDERAL	1,168,186	1,334,963	1,503,666	1,503,666	1,568,442	1,568,442	1,503,666	1,678,688	1,678,688
GIFTS AND DEPOSITS	157	205	205	611	611	611	534	534	534
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,460,991	2,835,939	3,321,228	3,315,397	3,541,435	3,530,778	3,315,320	3,863,898	3,838,681
FTE BY EMPLOYMENT TYPE:									

REGULAR	310.5	333.8	441.9		462.2			469.2	
TEMP/SEAS/PART_TIME	43.5	102.0	74.7		64.7			64.7	
OVERTIME	4.6	6.3	4.1		4.1			4.1	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	358.6	442.1	520.7		531.0	531.0		538.0	538.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Long-Term Care Services Administration
PROGRAM: Health Care
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

The Long-Term Care Services (LTCS) Administration covers the activities of several divisions and administration of grants. These management activities are LTC Facilities Division, LTC Home and Community-Based Services Division, LTC Appeals Division, the Alternative Care Program, and the Group Residential Housing (GRH) Program.

This administration also oversees the LTC Planning Committee (InterCom) in connection with the Department of Health. InterCom is responsible for interagency (DHS, Health, MN Board on Aging, and Finance) collaborative planning for state LTC services, and is responsible for administering the nursing home moratorium exception competitive process.

BUDGET ISSUES:

See specific management activities.

GRANTS:

See specific management activities.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: LONG TERM CARE ADMINISTRATION

MANAGEMENT ACTIVITY ALLOCATION	FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.
LTC FACILITIES DIVISION	9,891	9,797	12,459	12,260	12,355	12,355
LTC HOME & COMM. BASED SERV. DIV.	4,564	4,193	5,183	4,983	5,058	5,058
PROVIDER APPEALS DIVISION	562	570	604	604	604	604
ALTERNATIVE CARE GRANTS	20,397	24,172	39,361	39,361	41,010	41,010
GROUP RESIDENTIAL HOUSING GRANTS			45,341	45,341	56,135	56,135
TOTAL EXPENDITURES	35,414	38,732	102,948	102,549	115,162	115,162
AGENCY PLAN ITEMS:			FUND			
INCOME MAINTENANCE ADJUSTMENTS			GEN	10,844		18,465
FARIBAULT RC CLOSURE			GEN	103		308
EXPANSION OF OASDHI PROJECT			GEN	<17>		<731>
CONSUMER SUPPORT GRANTS			GEN			<315>
EXPANSION OF ALTERNATE CARE PROGRAM			GEN	1,649		5,548
HEALTH DEPARTMENT CONTRACT COLA			GEN	20		41
LTC INFORMATION PROJECT			GEN	75		75
GROUP RESIDENTIAL HOUSING CHANGES			GEN	<136>		<200>
NURSING FACILITY LEVEL OF CARE CHANGE			GEN	75		75
NURSING FACILITY LEVEL OF CARE CHANGE			GEN			1,089
TOTAL AGENCY PLAN ITEMS				12,613		24,355
SOURCES OF FINANCING:						
DIRECT APPROPRIATIONS:						
GENERAL	29,472	33,008	85,288	84,889	96,495	96,495
STATUTORY APPROPRIATIONS:						
GENERAL			10,786	10,786	11,793	11,793
SPECIAL REVENUE	88	144	216	216	216	216
FEDERAL	5,854	5,580	6,658	6,658	6,658	6,658
TOTAL FINANCING	35,414	38,732	102,948	102,549	115,162	115,162

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: LONG TERM CARE ADMINISTRATION

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
MANAGEMENT ACTIVITY ALLOCATION									
FTE BY EMPLOYMENT TYPE:									
REGULAR	65.8	70.8	77.8		78.8			78.8	
TEMP/SEAS/PART_TIME	11.3	13.2	14.6		14.6			14.6	
OVERTIME	.6	.1	.1		.1			.1	
TOTAL FTE	77.7	84.1	92.5		93.5	93.5		93.5	93.5

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: LONG TERM CARE ADMINISTRATION
MACT: LTC FACILITIES DIVISION

MACT SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,364	1,709	1,900	1,859	1,859	1,859	1,859	1,859	1,859
EXPENSES/CONTRACTUAL SRVCS	8,403	7,934	10,328	10,181	10,276	10,276	10,181	10,297	10,297
MISC OPERATING EXPENSES	69	78	151	148	148	148	148	148	148
SUPPLIES/MATERIALS/PARTS	42	26	42	42	42	42	42	42	42
CAPITAL EQUIPMENT	13	50	38	30	30	30	30	30	30
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	9,891	9,797	12,459	12,260	12,355	12,355	12,260	12,376	12,376
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	9,891	9,797	12,459	12,260	12,355	12,355	12,260	12,376	12,376
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:			FUND						
-----			-----						
HEALTH DEPARTMENT CONTRACT COLA			GEN		20			41	
NURSING FACILITY LEVEL OF CARE CHANGE			GEN		75			75	
=====			=====		=====			=====	
TOTAL AGENCY PLAN ITEMS					95			116	
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	4,235	4,448	6,159	5,960	6,055	6,055	5,960	6,076	6,076
STATUTORY APPROPRIATIONS:									
FEDERAL	5,656	5,349	6,300	6,300	6,300	6,300	6,300	6,300	6,300
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	9,891	9,797	12,459	12,260	12,355	12,355	12,260	12,376	12,376
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	30.9	37.5	40.5		40.5			40.5	
OVERTIME	.5								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	31.4	37.5	40.5		40.5	40.5		40.5	40.5

F. Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Long-Term Care Administration
MANAGEMENT ACTIVITY: Long-Term Care Facilities Division
ITEM TITLE: Health Department Contract Cost-of-Living Increase

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
LTC Facilities Division	\$20	\$41	\$41	\$41
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ____ No X
 If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$20,000 in F.Y. 1996 and \$41,000 in F.Y. 1997. This represents a 1.02% annual increase in the department's contract with the Department of Health for the survey of nursing homes, intermediate care facilities for the mentally retarded (ICFs/MR), and boarding care homes.

RATIONALE:

This proposal addresses the need to ensure quality and accountability in the health care services purchased for vulnerable Minnesotans.

The Department of Human Services (DHS) contracts with the Department of Health (MDH) Facility and Provider Compliance Division to carry out quality assurance services most of which are mandated by the federal government. MDH is the agency designated to inspect (survey) nursing homes, ICFs/MR, and boarding care homes to ensure quality of care and compliance with federal and state regulations.

The Health Department provides other services in this contract:

- The Case Mix Review Section (formerly Quality Assurance and Review) of the Facility and Provider Compliance Division reviews case mix ratings assigned to each nursing home resident. This information is necessary to provide an independent check on facilities' case mix

determinations and to calculate each nursing home's per diem rate by DHS.

- MDH conducts PASARR quality monitoring to ensure that facilities are in compliance with this federal requirement to ensure that people with mental illness or developmental disabilities residing in nursing homes are appropriately placed and receiving the services they need.
- MDH certifies and decertifies facilities to participate in the Medical Assistance (MA) program.
- MDH is responsible for maintaining the Nursing Assistant Registry to list those nursing assistants who are trained, certified and those who have allegations of abuse or neglect substantiated against them. MDH also develops the nursing assistant competency evaluation, approves training sites, and arranges for the administration of the competency evaluation. The Facility and Provider Compliance Division's Office of Health Facility Complaints is responsible for investigating all allegations of abuse or neglect filed against certified nursing assistants. All of these activities are federally mandated as part of the Nursing Home Reform Act of 1987.
- At DHS request, MDH conducts up to 16 facility reviews annually to determine if Medicaid-certified nursing homes should be declared institutions for mental diseases, or have such designations revoked. This is required by federal Medicaid regulations, and failure to make such designation on a timely basis could put the state at risk for having to repay improperly drawn federal funds.

PROGRAM OUTCOMES:

Most of the activities in this contract are required by the federal government as part of the MA program. In 1992, Medicaid paid for 65% of nursing home resident days and 99% of ICF/MR resident days.

LONG-TERM IMPACT:

Funding of this request will ensure continued compliance with federal and state regulations regarding quality assurance activities in nursing facilities, ICFs/MR, and board and care homes.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: LONG TERM CARE ADMINISTRATION
MACT: ALTERNATIVE CARE GRANTS

				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MACT SUMMARY									
EXPENDITURES:									
DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	18,140	21,752	36,719	36,719	38,368	38,368	36,719	43,041	43,041
LOCAL ASSISTANCE	2,257	2,420	2,642	2,642	2,642	2,642	2,642	2,642	2,642
TOTAL EXPENDITURES	20,397	24,172	39,361	39,361	41,010	41,010	39,361	45,683	45,683
AGENCY PLAN ITEMS:			FUND						
CONSUMER SUPPORT GRANTS			GEN					<315>	
EXPANSION OF ALTERNATE CARE PROGRAM			GEN		1,649			5,548	
NURSING FACILITY LEVEL OF CARE CHANGE			GEN					1,089	
TOTAL AGENCY PLAN ITEMS					1,649			6,322	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	20,397	24,172	35,505	35,505	37,154	37,154	35,505	41,827	41,827
STATUTORY APPROPRIATIONS:									
GENERAL			3,856	3,856	3,856	3,856	3,856	3,856	3,856
TOTAL FINANCING	20,397	24,172	39,361	39,361	41,010	41,010	39,361	45,683	45,683
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Long-Term Care Administration
MANAGEMENT ACTIVITY: Alternative Care Program
ITEM TITLE: Expansion of Alternative Care Program

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
Alternative Care	\$1,649	\$5,548	\$5,548	\$5,548
MA Long-term Care Facilities	(1,546)	(4,832)	(5,137)	(4,437)
MA Long-term Care Facilities	(4,964)	(5,472)	-0-	-0-
Net Total:	(\$4,861)	(\$4,756)	\$411	\$1,111
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ☒ No ☐
 If yes, statute affected: Rider

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$4,861,000 in F.Y. 1996 and \$4,756,000 in F.Y. 1997. This proposal increases expenditures in the Alternative Care (AC) program, and this results in savings to Medical Assistance (MA) by reducing the number of individuals requiring nursing home services. The AC caseload is projected to increase from 5,200 in F.Y. 1995 to 6,200 in F.Y. 1997.

RATIONALE:

In public hearings about the needs of older Minnesotans, a recurring theme is that most seniors, if given the choice, would rather remain as independent as possible in their own homes and communities than go into a nursing home. This proposal increases funding in a program that provides those choices.

The services provided by the AC Program reduce the number of people receiving Medicaid in nursing homes, allowing MA nursing home savings. Statistical models used by the Department of Human Services to forecast nursing home caseload indicate that for 100 people receiving AC services, MA nursing home caseload is reduced by 50 (+/- 13) persons.

To assure that sufficient AC funding is available, the projected need for AC funding is increased by 15% over what is required for forecasted caseload. The value of this 15% increase is anticipated to cancel to the MA grants account. If more than anticipated is spent on AC, a smaller amount will cancel to the MA account. However, increased nursing home savings would balance the difference in AC spending.

PROGRAM OUTCOMES:

Additional people will have access to the AC program and have more options about where they live. In turn, the state will see savings in the Medicaid account.

LONG-TERM IMPACT:

Expansion of the AC program assists in maintaining the nursing facility bed moratorium by partially meeting the demand for long-term care through an array of alternative community-based services.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: LONG TERM CARE ADMINISTRATION
MACT: GROUP RESIDENTIAL HOUSING GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
MACT SUMMARY									
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS			41,876	41,876	48,325	48,325	41,876	54,202	54,202
LOCAL ASSISTANCE			3,465	3,465	7,810	7,810	3,465	8,981	8,981
=====									
TOTAL EXPENDITURES			45,341	45,341	56,135	56,135	45,341	63,183	63,183
=====									
AGENCY PLAN ITEMS:			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN		10,844			18,465	
FARIBAULT RC CLOSURE			GEN		103			308	
EXPANSION OF OASDHI PROJECT			GEN		<17>			<731>	
GROUP RESIDENTIAL HOUSING CHANGES			GEN		<136>			<200>	
=====									
TOTAL AGENCY PLAN ITEMS					10,794			17,842	
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL			38,411	38,411	48,198	48,198	38,411	54,244	54,244
STATUTORY APPROPRIATIONS:									
GENERAL			6,930	6,930	7,937	7,937	6,930	8,939	8,939
=====									
TOTAL FINANCING			45,341	45,341	56,135	56,135	45,341	63,183	63,183
=====									
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									
=====									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Long-Term Care Administration
MANAGEMENT ACTIVITY: Group Residential Housing
ITEM TITLE: Group Residential Housing Changes

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
Group Residential Housing Grants	(\$136)	(\$200)	\$230	\$ 660
MA Grants	129	396	396	396
DD Administration	100	50	25	-0-
Net Total	\$ 93	\$246	\$651	\$1,056
Revenues: (\$000s):				
General Fund	\$50	\$25	\$12	\$-0-

Requires Statutory Change? Yes X No _____
 If yes, statute affected: M.S. 256I

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$93,000 in F.Y. 1996 and \$246,000 in F.Y. 1997. This proposal removes the Group Residential Housing (GRH) moratorium on board and lodging beds and changes the funding source for difficulty of care (DOC) from GRH to waived services for developmentally disabled (DD) persons residing in family foster care and receiving waived services.

RATIONALE:

The first component of this proposal lifts the moratorium put in place by the 1990 Legislature on new GRH beds other than foster care beds. GRH provides payment for room and board in: 1) facilities licensed as board and lodging facilities; and 2) homes licensed under foster care. The moratorium has remained in place for the development of board and lodging facilities. Since 1990 the legislature has made major changes to the negotiated rates program (now called GRH). These changes include: 1) a requirement that all settings be licensed; and 2) room and board rates for new settings (except for settings otherwise authorized in law) limited to an amount equivalent to what persons in the community receive from the Minnesota Supplemental Aid program, adjusted for food stamps.

A lifting of the moratorium at this time does not present the same concerns about state costs as when it was enacted. New rate restrictions are in place to control expenditures and other factors, such as the availability of service funding, reducing the potential cost of GRH funded sites. It is evident, however, that non-institutional options are needed to continue the policy of supporting persons in least restrictive and cost effective settings.

The state costs of lifting the moratorium are offset by the second component of the proposal which shifts the difficulty of care costs from GRH to Medical Assistance (MA) for persons with developmental disabilities who are receiving family foster care and waived services. This replicates what the legislature has already approved for persons receiving corporate foster care and waived services.

Minnesota Statutes allow GRH rates to be paid by the Department of Human Services for individuals who live in licensed foster care and receive waived services. Currently, DOC costs may be included in group residential housing rates for eligible persons in family foster care. Through amendments to the federally approved waiver plan, the DD waivers may be an allowable funding source for DOC costs, thus reducing state funding for such costs. Administrative funds are necessary to cover the costs of tracking and shifting individual amounts, making necessary system changes, and providing assistance to counties in making the necessary local changes.

PROGRAM OUTCOMES:

Lifting the GRH moratorium while maintaining current restrictions to room and board rates will allow the department to require appropriate licensure for GRH settings, control rates, develop appropriate community-based alternatives to institutions, and further department efforts to appropriately fund housing in specific settings.

In addition, this proposal reduces state expenditures by appropriately using federal funds for allowable costs under the DD waivers. Individuals who receive services through the DD waivers will not see any change in the funding level for services as a result of this proposal, nor will families who provide family foster care and waived services see any change in the portion of their foster care reimbursement rate that was attributable to DOC. Pending federal Health Care Financing Administration approval, this proposal allows funding for waived service foster care, and will allow counties to absorb the portion of the foster care rate that was attributable to DOC under their average reimbursement rate. However, the DD waiver program does not cover room and board costs. Any remaining room and board payments for current and future recipients that are not federally-approved for payment by MA will continue to be covered by GRH.

LONG-TERM IMPACT:

This proposal is a major step in developing and coordinating a system of housing supports for very low income persons who are unable to live independently in the community due to crisis, illness, or incapacity in order to avoid institutionalization.

F.Y. 1996 - 97 BUDGET INITIATIVES

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Long-Term Care Administration
MANAGEMENT ACTIVITY: Group Residential Housing
ITEM TITLE: Group Residential Housing Grants Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
Group Residential Housing Grants	\$ 9,836	\$16,456	\$23,216	\$30,137
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$9,836,000 in F.Y. 1996 and \$16,456,000 in F.Y. 1997 to fully fund the forecasted amount of Group Residential Housing grant payments under current law.

RATIONALE:

Forecasted increases in GRH expenditures result primarily from forecasted caseload increases ranging from 15% for F.Y. 1996 to 10% for F.Y. 1999. Most of this caseload increase is expected from additional development of GRH settings with adult foster care licenses.

1996-97 Biennial Budget

BUDGET ACTIVITY: Health Care Delivery Administration
PROGRAM: Health Care
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

This activity manages the coordination of and access to services under the Medical Assistance (MA); the General Assistance Medical Care (GAMC) and MinnesotaCare programs in compliance with state and federal laws. This activity develops rules and policies on managed health care delivery, Long-Term Care Options Project, and eligibility. It oversees the utilization, quality improvement, and federal relations functions of health care administration.

Responsibilities include initiation and administration of major managed care capitation contracts under which contractors provide health services for a monthly per person rate paid on a prospective basis; development and implementation of new and innovative delivery systems; eligibility policy development and management; quality improvement and data analysis program management; integration of the MA/GAMC/MinnesotaCare programs; promulgation of appropriate administrative rules; preparing and maintaining the MA state plan as required by the federal government, providing technical assistance in securing federal MA waivers and monitoring outcomes, and communication of these policies to health plans, counties, enrollees, advocates, and other interested parties.

The following groups of recipients are enrolled in prepaid capitation programs:

Prepaid MA Program (PMAP)

Dakota County - aged, AFDC
Hennepin County - aged, AFDC
Itasca County - aged, AFDC
Ramsey County - aged, AFDC
Anoka County - aged, AFDC
Carver County - aged, AFDC
Scott County - aged, AFDC
Washington County - aged, AFDC

Prepaid GAMC Program (PGAMC)

Dakota County
Hennepin County
Itasca County
Lake County
Ramsey County
Anoka County
Carver County
Scott County
Washington County

MA Voluntary - Lake County - aged, AFDC

The following prepaid capitation expansions are scheduled to occur during the latter part of the 1994-95 biennium:

PMP/PGAMC Expansion - Aged, AFDC, and GAMC recipients in the following counties are slated for enrollment in the PMAP: Benton, Sherburne, Stearns, and the Northeast Region (St. Louis and surrounding counties which include Aitkin, Carlton, Cook, Koochiching, and Lake).

Dental Managed Care Delivery Project: MA and GAMC recipients who are not in PMAP or PGAMC are scheduled for enrollment in a dental prepaid capitation project in the following counties: Becker, Clay, Goodhue, Mahnomon, Norman, Olmsted, Polk, Wabasha, Winona, and

PMP counties.

During the 1996-97 biennial period, plans are underway to enroll the following groups of recipients in prepaid capitation programs:

PMP/PGAMC Expansion: All counties in which the PMP/PGAMC has not yet been implemented.

Long-Term Care Options: All PMP counties - Aged MA Medicare Population (offered as an option under PMAP).

Itasca County Disabled - Itasca County - All MA recipients under age 65 who are disabled.

MinnesotaCare - All counties - MinnesotaCare population.

Pilot Project for Persons with Developmental Disabilities - Blue Earth and Olmsted Counties - All MA recipients with developmental disabilities.

Dental Managed Care Mandatory Project - The mandatory dental managed care project will be expanded statewide over the biennium.

Managed Care Pilot Project for Recipients with Disabilities - Plans to enroll MA disabled populations in managed care pilot projects are being pursued. Targeted counties will be identified as plans progress.

BUDGET ISSUES:

1. To assure the implementation of federal mandates.
2. To assure consistency with the interpretation regarding the status of Veterans Administration Aid and Attendance Benefits.
3. To assure consistency of application of the third party liability requirements as applied to the General Assistance and Minnesota Supplemental Assistance Programs.

REVENUE:

This activity earns general federal administrative reimbursement at the rate of 43% of expenditures for DHS operations.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Health Care Benefits Administration
ITEM TITLE: Revised Definition of Pharmacy Usual and Customary Administration

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
MA Managed Care and Fee for Service	(\$6,036)	(\$8,369)	(\$9,697)	(\$11,377)
GAMC Grants	(1,317)	(1,843)	(1,770)	(1,797)
Health Care Access Fund				
MinnesotaCare Grants	(997)	(690)	(849)	(1,017)
Net Total:	(\$8,407)	(\$10,906)	(\$12,298)	(\$14,177)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No _____
 If yes, statute affected: M.S. § 256B.0625, subd 13(c)

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$7,353,000 in F.Y. 1996 and \$10,212,000 in F.Y. 1997 in the general fund and a decrease of \$997,000 in F.Y. 1996 and \$690,000 in F.Y. 1997 in the health care access fund. This proposal decreases state expenditures by making payment to pharmacies at the "best price" accepted for the product and dispensing fee from any other third-party payor.

RATIONALE:

The department should pay competitive prices for health care services. In this proposal, pharmacies would be paid the "best price" that is accepted from any other third-party payor. The lowest price currently known under contract is the average wholesale price, minus 13%, plus a \$2.35 dispensing fee. The average wholesale price is the suggested price set by the manufacturer or the price commonly charged by wholesalers.

The payment formula used by the Department of Human Services (DHS) for pharmacy services is the highest known in the state, currently at the average wholesale price minus 7.6% plus a \$4.10 dispensing fee. This proposal would equalize DHS payment for pharmacy services with that of other third-party payors. Pharmacies have asserted that the higher DHS payment rate is necessary to offset high write-offs due to unstable claims processing and spenddown problems. The new Medicaid Management Information System (MMIS II) Point-of-Sale has eliminated these payment problems, and provided state-of-the-art claims processing for pharmacy providers. This revised payment policy is also consistent with the "best price" model in the Omnibus Budget Reconciliation Act 1990 Medicaid Drug Rebate program. This model implements the public policy that Medicaid programs should get the "best price" any pharmacy is willing to accept from other third-party payors.

PROGRAM OUTCOMES:

This proposal will bring the department's pharmacy payments to line with the best market price.

LONG-TERM IMPACT:

This proposal will result in long-term savings by reducing costs of Medical Assistance, General Assistance Medical Care, and MinnesotaCare grants.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Health Care Benefits Administration
ITEM TITLE: Inpatient Hospital Peer Grouping and Inflation Administration

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
Health Care Benefits Administration	\$ 120	\$-0-	\$-0-	\$-0-
MA Managed Care and Fee for Service	9,237	28,592	40,259	42,985
GAMC Grants	5,669	6,593	6,072	6,484
Health Care Access Fund				
MinnesotaCare Grants	<u>(552)</u>	<u>597</u>	<u>1,120</u>	<u>1,291</u>
Net Total	\$14,474	\$35,782	\$47,451	\$50,740
Revenues: (\$000s):				
General Fund	\$50	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No

If yes, statute affected: M.S. 256.969, subd. 1 and subd. 24

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$15,026,000 in F.Y. 1996 and \$35,185,000 in F.Y. 1997 in the general fund and a decrease of \$552,000 in F.Y. 1996 and an increase of \$597,000 in F.Y. 1997 in the Health Care Access fund. This funding buys back the 1993 savings of 10% under Medical Assistance (MA) and 15% under General Assistance Medical Care (GAMC) and instead substitutes a modified peer grouping reduction of 1.9% under MA and 3.3% under GAMC. In addition, MA and MinnesotaCare operating rates are increased 4.3% and 4.5% in calendar years 1996 and 1997 respectively to fund inflation.

RATIONALE:

The proposal increases inpatient hospital operating rates for inflation based on the expected growth in hospital costs.

The proposal includes a substitute peer grouping system of payment for inpatient hospital services based on the comparable costs of similar services in other hospitals. Savings projected for the 1993 legislative peer grouping change have been adjusted to recognize that this change in the rate system

could not be implemented through rule making before 7-95. Savings have also been affected by forecast changes regarding expansion of managed care. Peer grouping costs on this page represent the cost of buying back the remaining savings held in the forecast with an offset for the savings under a less restrictive peer grouping system.

Peer grouping rates would be based on the comparable costs of similar services in other hospitals and a limit on allowable cost would be imposed. Hospitals would be paid the lesser of their cost or the limit. The 1993 system that is bought back has limits established at the median of each peer group. Under the proposal, the limits would instead be established at the median of the peer group plus 80% of the difference under MA and 64% of the difference under GAMC. Rehabilitation hospitals would have limits at 139% of the median. The limits vary based on urban and rural location, teaching status and children's and rehabilitation hospital designation.

The proposal also funds audits of hospitals that do not file cost reports with Medicare. These reports contain aggregate cost information for the hospital and MA, GAMC and MinnesotaCare rates are based on the data that pertains to these programs.

PROGRAM OUTCOMES:

Rates are currently based on the cost of an individual hospital and thus, payments for the same service can vary greatly. The proposal establishes a prudent buying mechanism by limiting payments to hospitals with higher cost services. Higher cost hospitals will have payment reductions after increases for inflation.

LONG-TERM IMPACT:

The growth in expenditures will continue to be slowed somewhat, and payments will begin to reflect a more competitive environment; however, the more significant negative effects on some hospitals that would result from current state law would be avoided.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MEDICAL ASSISTANCE GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MANAGEMENT ACTIVITY ALLOCATION	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
MA LONG TERM CARE FACILITIES	2,205,373	2,519,652	1,296,802	1,303,891	1,248,593	1,248,593	1,303,891	1,297,064	1,297,064
MA LTC WAIVERS & HOME CARE			438,085	438,085	455,413	452,444	438,085	508,538	498,207
MA MANAGED CARE & FEE FOR SERVICE			1,125,995	1,125,995	1,326,029	1,326,029	1,125,995	1,473,160	1,473,660
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,205,373	2,519,652	2,860,882	2,867,971	3,030,035	3,027,066	2,867,971	3,278,762	3,268,931

AGENCY PLAN ITEMS:

FUND

INCOME MAINTENANCE ADJUSTMENTS	GEN	94,665	204,590
INCOME MAINTENANCE ADJUSTMENTS	FED	64,776	175,022
HOSP & NURSING FACIL ALTERN TO ML RTC	GEN	<1,292>	<1,292>
RTC DD DOWNSIZING	GEN	<7,616>	<10,433>
FARIBAULT RC CLOSURE	GEN	813	845
MOOSE LAKE MI SOCS	GEN	167	167
QUALITY ASSURANCE SUPPORT SYSTEM	GEN	150	350
REDUCE LENGTH FOR CLOSING ICF/MR	GEN	<681>	<947>
DEVELOPMENTAL DISABILITIES PILOTS	GEN	1,531	
DD WAIVER ALTERN ALLOCATION STRUCTURE	GEN	3,624	7,854
EXPANSION OF OASDHI PROJECT	GEN	<2,793>	<6,076>
CONSUMER SUPPORT GRANTS	GEN		<917>
ELIMINATE RULE 75 RATE SET FOR DT&H	GEN	<1,022>	<1,624>
EXPANSION OF ALTERNATE CARE PROGRAM	GEN	<6,510>	<10,304>
MA OVERPAYMENTS/RECOVERIES	GEN	<285>	<300>
EXPANSION OF TBI WAIVER	GEN	234	<703>
INSURANCE CONTINUATION FOR HIV	GEN	<761>	<1,790>
FEDERAL VACCINES FOR CHILDREN	GEN	<279>	<341>
REVISED PHARMACY USUAL & CUSTOMARY	GEN	<6,036>	<8,369>
OBRA 1993 COMPLIANCE ISSUES	GEN	94	293
INPATIENT HOSPITAL PEER GROUPING	GEN	9,237	28,592
INCOME & ASSET ALLOCATE FOR LTC WAIVERS	GEN	212	223
GROUP RESIDENTIAL HOUSING CHANGES	GEN	129	396
MODIFIED NH RATE WITH OUTCOME INCENTIVES	GEN	11,244	33,016
HURSING FACILITY LEVEL OF CARE CHANGE	GEN		<3,193>
ICF/MR INFLATION	GEN	1,424	3,909
AFDC ESSENTIAL PERSONS	GEN	159	168
DEPARTMENTWIDE OPERATIONS	GEN	822	1,597
MENTAL HEALTH COMMITMENT ACT	GEN	58	58

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MEDICAL ASSISTANCE GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MANAGEMENT ACTIVITY ALLOCATION	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS					162,064			410,791	
GOV'S INITIATIVES:			FUND						
(B) COMM MH ADOLESCENT SERVICES			GEN						500
(B) RESTRUCTURE PCA & TEFRA			GEN			<2,969>			<10,331>
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						<2,969>			<9,831>
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	725,833	1,082,399	1,238,091	1,245,180	1,335,163	1,332,194	1,245,180	1,463,742	1,453,911
STATUTORY APPROPRIATIONS:									
GENERAL	317,724	108,414	126,447	126,447	133,752	133,752	126,447	143,654	143,654
FEDERAL	1,161,816	1,328,839	1,496,344	1,496,344	1,561,120	1,561,120	1,496,344	1,671,366	1,671,366
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,205,373	2,519,652	2,860,882	2,867,971	3,030,035	3,027,066	2,867,971	3,278,762	3,268,931
FTE BY EMPLOYMENT TYPE:									
=====									
TOTAL FTE									

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MEDICAL ASSISTANCE GRANTS
MACT: MA LONG TERM CARE FACILITIES

MACT SUMMARY				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	2,110,580	2,415,980	1,244,548	1,251,637	1,191,987	1,191,987	1,251,637	1,238,594	1,238,594
LOCAL ASSISTANCE	94,793	103,672	52,254	52,254	56,606	56,606	52,254	58,470	58,470
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,205,373	2,519,652	1,296,802	1,303,891	1,248,593	1,248,593	1,303,891	1,297,064	1,297,064
AGENCY PLAN ITEMS:			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN	<17,029>			2,788		
INCOME MAINTENANCE ADJUSTMENTS			FED	<34,646>			<15,967>		
RTC DD DOWNSIZING			GEN	<7,616>			<10,433>		
FARIBAUT RC CLOSURE			GEN	<109>			<759>		
QUALITY ASSURANCE SUPPORT SYSTEM			GEN	150			350		
REDUCE LENGTH FOR CLOSING ICF/MR			GEN	<681>			<947>		
DEVELOPMENTAL DISABILITIES PILOTS			GEN	1,531					
EXPANSION OF OASDHI PROJECT			GEN	<2,761>			<5,508>		
ELIMINATE RULE 75 RATE SET FOR DT&H			GEN	<1,022>			<1,624>		
EXPANSION OF ALTERNATE CARE PROGRAM			GEN	<6,510>			<10,304>		
MA OVERPAYMENTS/RECOVERIES			GEN	<285>			<300>		
OBRA 1993 COMPLIANCE ISSUES			GEN	61			152		
GROUP RESIDENTIAL HOUSING CHANGES			GEN	129			396		
MODIFIED NH RATE WITH OUTCOME INCENTIVES			GEN	11,244			33,016		
HURSING FACILITY LEVEL OF CARE CHANGE			GEN				<3,193>		
ICF/MR INFLATION			GEN	1,424			3,909		
DEPARTMENTWIDE OPERATIONS			GEN	822			1,597		
=====				=====			=====		
TOTAL AGENCY PLAN ITEMS				<55,298>			<6,827>		
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	725,833	1,082,399	557,978	565,067	546,544	546,544	565,067	574,538	574,538
STATUTORY APPROPRIATIONS:									
GENERAL	317,724	108,414	58,309	58,309	56,180	56,180	58,309	57,978	57,978
FEDERAL	1,161,816	1,328,839	680,515	680,515	645,869	645,869	680,515	664,548	664,548

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MEDICAL ASSISTANCE GRANTS
MACT: MA LONG TERM CARE FACILITIES

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
MACT SUMMARY									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,205,373	2,519,652	1,296,802	1,303,891	1,248,593	1,248,593	1,303,891	1,297,064	1,297,064
FTE BY EMPLOYMENT TYPE:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long-Term Care Facilities
ITEM TITLE: Elimination of Authority to Implement Rule 75/Targeted Rate Setting for Day Training and Habilitation Services

PROGRAM OUTCOMES:

DT&H services will continue to bill vendor- and site-specific average daily rates for clients with the addition of an hourly job-coach rate to be used instead of partial day rates for eligible clients.

LONG-TERM IMPACT:

Elimination of the mandate to implement Rule 75 for targeted rate setting will relieve counties, vendors and the department of an administrative burden that no longer fits with current needs.

Dollars in Thousands				
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
MA Long-Term Care Facilities	(\$1,022)	(\$1,624)	(\$1,624)	(\$1,624)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No _____
If yes, statute affected: M.S. 252.46 and 252.47.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$1,022,000 in F.Y. 1996 and \$1,624,000 in F.Y. 1997. This proposal eliminates the authority for the department to implement a targeted rate setting system for Day Training and Habilitation (DT&H) services, statewide, by 7-1-95. The piloting of this system has not demonstrated that it provides adequate purchasing incentives and accountability for costs.

RATIONALE:

The department was directed to implement rules governing hourly rates for DT&H services effective in 1989. The department was required by the legislature to run a pilot project implementing the rules. The pilot study began in 1989 and continues with the original vendors and counties. Since 1989 there have been additional legislatively mandated delays in statewide implementation. Although the pilot has demonstrated some success in meeting its objectives, the rate method has not provided adequate incentives to purchase wisely and to be accountable for costs, particularly for service costs of clients eligible for Medical Assistance reimbursement. Cost accountability is essential as the department moves toward integrated purchasing models of long-term care services, including DT&H services.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long-Term Care Facilities
ITEM TITLE: Modified Nursing Facility Rates with Outcome Incentives

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
MA Long-Term Care Facilities	\$11,244	\$33,016	\$37,205	\$39,464
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No _____
 If yes, statute affected: M.S. 256B.431

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$11,244,000 in F.Y. 1996 and \$33,016,000 in F.Y. 1997 by providing annual inflation adjustments to nursing facilities each year of the biennium. It also reduces payment rates for non-economical nursing facilities, modifies and restores the efficiency incentives, and provides a framework for phasing in payments for various performance incentives and outcomes.

RATIONALE:

The following nursing facility reimbursement changes are necessary to transition reimbursement policy from a principally cost-based system to an outcome incentive-based system.

F.Y. 1996 and 1997:

- Grants full inflation to each nursing facility's allowed costs using the method specified by law.
- Modifies and restores the efficiency incentive by funding and using the methodology proposed by the legislature in the 1994 session.
- Establishes an overall operating cost limit for nursing facility rates above .5 and 1 standard deviation for their geographic grouping and facility type adjusted for case mix.
- Eliminates the up-front funding for federal mandates as the cost of the Hepatitis B vaccinations are included in the cost base.

The effect on MA expenditures is summarized as follows:

	Dollars in Thousands	
	F.Y. 1996	F.Y. 1997
MA LTC Facilities		
Modify and restore eff inc	\$ 600	\$ 615
Reduce NH rates above @ .5 and 1 Std Dev @ 2% and 3% respectively	(3,525)	(4,181)
Eliminate mandated funding	(365)	(429)
Inflation adjustment	14,534	37,011
Net Total	\$11,244	\$33,016

(These amounts are estimates due to the interactive effects of these proposals.)

F.Y. 1998 and beyond:

- Create outcome-based measures and incentives which if achieved result in additional reimbursement for the nursing facility. Establish nursing facility rates that do not exceed the maximum standard rate within each facility grouping and determine and incorporate outcome-based incentive payments for those nursing facilities which qualify.
- Establish nursing facility rates that do not exceed the maximum standard rate within each facility grouping; determine and incorporate outcome-based incentive payments for those nursing facilities which qualify.

PROGRAM OUTCOMES:

This reform proposal will require all nursing facilities, and especially higher cost facilities, to become more cost effective and economical.

LONG-TERM IMPACT:

This reform proposal will slow the growth in nursing facility expenditures while creating financial incentives for more cost-effective services in the highest cost nursing facilities. By the next biennium, some portion of a nursing facility's reimbursement will be based on achieving certain outcomes.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long-Term Care Facilities
ITEM TITLE: Inflation for Intermediate Care Facilities for the Mentally Retarded

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
MA Long-Term Care Facilities	\$1,424	\$3,909	\$4,726	\$4,634
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ☒ No ☐
 If yes, statute affected: MS 256B.501

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$1,424,000 in F.Y. 1996 and \$3,909,000 in F.Y. 1997 by inflating payment rates for all facilities each year of the biennium. This proposal also creates an overall rate limit, introduces reimbursement reform, phases in the reform, and develops payments for various outcomes.

RATIONALE:

This proposal incorporates reforms that are necessary to move reimbursement policy from a principally cost-based system to an outcome, incentive-based system. These reforms would be applied to intermediate care facilities for persons with mental retardation (ICFs/MR).

F.Y. 1996 and F.Y. 1997:

- Grants full inflation to each ICF/MR facility's allowed costs using the inflation factor specified in law.
- Adopts the client assessment system similar to nursing home case mix.
- Establishes an overall operating cost limit for ICF/MR rates above .5 and 1 standard deviation for facility groupings adjusted for geographic location, licensure classification, and client needs using the new client assessment system.

The effect on MA expenditures is summarized as follows:

	F.Y. 1996	F.Y. 1997
MA LTC Facilities		
Inflation	\$1,706	\$4,362
Overall limits @ .5 and 1 std. Dev. @ 2% and 3% respectively	(282)	(453)
Net Total	\$1,424	\$3,909

F.Y. 1998 and beyond:

- Create outcome-based measures and incentives, which if achieved, result in additional reimbursement for the ICF/MR.
- Establish ICF/MR rates not to exceed a maximum standard rate within each facility grouping; determine and incorporate outcome-based incentive payments for those ICFs/MR which qualify.

PROGRAM OUTCOMES:

This reform proposal will require all facilities, especially higher cost facilities, to become more cost effective and economical.

LONG-TERM IMPACT:

As a result of these reforms, in the next biennium some portion of ICF/MR reimbursement will be based on achieving specified outcomes. The growth in Medical Assistance program expenditures should slow over time, while promoting greater efficiencies in the delivery of care in the higher cost ICF/MR facilities.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long-Term Care Facilities
ITEM TITLE: Medical Assistance Overpayments Recoveries

LONG-TERM IMPACT:

This proposal will streamline the collection of MA overpayments from providers who operate from multiple corporate bases, and it will simplify accounting procedures regarding federal collections of overpayments.

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
MA Long-Term Care Facilities	(\$285)	(\$300)	(\$300)	(\$300)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No ____
If yes, statute affected: M.S. 256B.0641

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$285,000 in F.Y. 1996 and \$300,000 in F.Y. 1997. This proposal streamlines the collection of overpayments from Medical Assistance (MA) providers. Under this proposal the department may collect from related entities when a long-term care provider entity, subject to overpayment collection, no longer exists.

RATIONALE:

Payments are made to long-term care providers on the basis of cost reports submitted to the Department of Human Services (DHS). The final review (field audit) of these reports determine whether collection of MA overpayments is required. Provider entities which have ceased to serve as long-term care providers by the time final review is completed and collection is implemented, but which may still provide services to MA or long-term care through a related entity, may significantly delay or prevent collection.

This proposal creates authority for DHS to collect directly from such commonly owned enterprises.

PROGRAM OUTCOMES:

This proposal will not have a direct impact on the MA program.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long Term Care Facilities
ITEM TITLE: Nursing Facility Level of Care Change

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
Long-Term Care Facilities Division	\$75	\$ 75	\$ -0-	\$ 0-
MA Long Term Care Facilities	-0-	(3,193)	(8,038)	(13,033)
Alternative Care	-0-	(1,089)	(3,035)	(4,527)
Net Totals:	\$75	(\$2,029)	(\$5,003)	(\$ 8,506)
Revenues: (\$000s):				
General Fund	\$38	(\$288)	(\$960)	(\$1,447)

Requires Statutory Change? Yes X No
If yes, statute affected: M.S. 256B.913-917 and M.S. 144.0721

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$75,000 in F.Y. 1996 and a decrease in the budget base of \$2,029,000 in F.Y. 1997. This proposal is to seek a federal waiver to change Minnesota's level of care criteria for admission to a nursing facility (NF) and boarding care home. This waiver would also alter the state's eligibility criteria for the Elderly Waiver, the Alternative Care (AC) program, and the Community Alternatives for the Disabled Individuals Waiver, and expand the availability of other community-based services.

RATIONALE:

A recurring theme in public meetings about aging is that Minnesota seniors would rather live in their own homes and communities than in institutions like nursing facilities. Yet Minnesota has one of the highest rates of institutionalization of seniors in the nation.

Seniors who are more functionally independent are capable of being served by less costly alternatives to nursing facilities. These approaches are community-based and often result in individuals living in close proximity to their families and friends. This proposal puts strong emphasis on the development of alternatives for seniors by limiting nursing facility placements to those who most

need them.

This proposal would not affect anyone currently in a nursing facility, receiving Alternative Care Services, or on any waiver service.

PROGRAM OUTCOMES:

For consumers the proposal would:

- Create a High Function Class A level of care and make persons in that category ineligible for admission to a nursing facility (NF).
- Create a service allowance available effective 7-1-96 under AC funding for which High Function Class A persons are eligible.
- Exempt persons choosing the service allowance options from client premiums in the AC program.
- Exempt funding available under the service allowance option from certain standards and limit the average monthly per person amount to \$225.
- Allow, under extraordinary circumstances, screeners to authorize an admission for a short-term NF stay not to exceed 30 days in a year.
- Allow the commissioner of health, in cooperation with the commissioner of human services, to adopt emergency rules for admissions exceptions criteria and an appeals process.
- Require facilities to report in accordance with the new criteria for the cost report year ending 9-30-96.

This proposal would reduce NF occupancy overall, and may create market pressures that lead some NFs to move to other service opportunities. The proposal includes funding for transition rates as facilities cease to operate as NFs, and funding for technical assistance to help NFs transition to other operations.

LONG-TERM IMPACT:

This proposal should expand community-based, consumer-driven alternatives to NF care. Institutional settings will be targeted to people with higher care needs.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long-Term Care Facilities
ITEM TITLE: Medical Assistance Long-Term Care Facilities Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
MA Long-Term Care Facilities	(\$14,900)	\$3,120	\$22,624	\$49,833
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ☐ No ☒

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$14,900,000 in F.Y. 1996 and an increase in the budget base of \$3,120,000 in F.Y. 1997 to fully fund the forecasted Medical Assistance expenditures for long-term care facilities.

RATIONALE:

F.Y. 1996 shows a decrease in comparison to a F.Y. 1995 expenditure which included 13 months worth of long term care payments. The actual increase in costs from F.Y. 1995 to F.Y. 1996 was approximately \$21 million.

The principal factor in increasing costs in this activity is the forecasted increase in nursing facility payments. This increase is produced about one-quarter by caseload increase and three-quarters by increase in the cost per day for nursing facility care.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MEDICAL ASSISTANCE GRANTS
MACT: MA LTC WAIVERS & HOME CARE

MACT SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS			420,489	420,489	435,011	432,042	420,489	485,797	475,466
LOCAL ASSISTANCE			17,596	17,596	20,402	20,402	17,596	22,741	22,741
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES			438,085	438,085	455,413	452,444	438,085	508,538	498,207
=====									
AGENCY PLAN ITEMS:			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN		8,598			33,554	
INCOME MAINTENANCE ADJUSTMENTS			FED		3,603			29,239	
FARIBAUT RC CLOSURE			GEN		922			1,604	
MOOSE LAKE MI SOCS			GEN		167			167	
DD WAIVER ALTERN ALLOCATION STRUCTURE			GEN		3,624			7,854	
EXPANSION OF OASDHI PROJECT			GEN		<32>			<568>	
CONSUMER SUPPORT GRANTS			GEN					<917>	
EXPANSION OF TBI WAIVER			GEN		234			<703>	
INCOME & ASSET ALLOCATE FOR LTC WAIVERS			GEN		212			223	
=====					=====			=====	
TOTAL AGENCY PLAN ITEMS					17,328			70,453	
=====									
GOV'S INITIATIVES:			FUND						

(B) RESTRUCTURE PCA & TEFRA			GEN			<2,969>			<10,331>
=====						=====			=====
TOTAL GOV'S INITIATIVES						<2,969>			<10,331>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL			190,278	190,278	203,424	200,455	190,278	228,651	218,320
STATUTORY APPROPRIATIONS:									
GENERAL			19,187	19,187	19,766	19,766	19,187	22,028	22,028
FEDERAL			228,620	228,620	232,223	232,223	228,620	257,859	257,859
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING			438,085	438,085	455,413	452,444	438,085	508,538	498,207

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long-Term Care Waivers and Home Care
ITEM TITLE: Income and Asset Allocation for Long Term Care Waivers

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
Medical Assistance Long-Term Care				
Waivers and Home Care	\$212	\$223	\$223	\$223
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No
If yes, statute affected: M.S. 256B.092 and 256B.49

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$212,000 in F.Y. 1996 and \$223,000 in F.Y. 1997. This proposal allows Community Alternative Care (CAC), Community Alternative for Disabled Individuals (CADI) and Traumatic Brain Injury (TBI) waiver recipients to allocate a portion of their income to a spouse or a dependent child and disregard this amount as income for the purposes of Medical Assistance eligibility. Because this policy already applies to institutionalized long-term care recipients, this proposal removes financial incentives to institutionalize disabled individuals rather than seek community-based care.

RATIONALE:

The CADI, CAC and TBI Medicaid waiver recipients are at risk of institutional placement. Medicaid eligibility for these recipients is determined by considering all of the disabled person's income and assets as available to the recipient. Currently these waivers do not have a provision to allow the client to allocate a portion of income to a spouse and/or dependent child, thus creating financial incentives to institutionalize the disabled client.

This proposal would affect approximately 400 waiver recipients.

Currently, the Medicare Catastrophic Coverage Acts of 1988 dependent spousal provisions apply to persons in nursing homes, ICFs-MR, medical institutions, and the Elderly Waiver. It is likely that the use of these provisions will become mandatory for married persons receiving services under home- and community-based waivers.

PROGRAM OUTCOMES:

This proposal will standardize eligibility requirements in the four Medicaid home and community based waiver services programs managed by the department's Home- and Community-Based Services Division. It will allow disabled married persons receiving waiver services to remain at home and provide a level of support to family members who have previously depended on them.

LONG-TERM IMPACT:

Disabled individuals will be more likely to remain at home or in a community setting rather than seek placement in an institution.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long Term Care Waivers and Home Care
ITEM TITLE: Restructuring the Personal Care Attendant Service (PCA) and Tax Equity & Fiscal Responsibility Act (TEFRA) Option

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
General Fund				
MA Grants	(\$2,969)	(\$10,331)	(\$11,234)	(\$12,002)
MA LTC Waivers and Home Care				
MA Managed Care and Fee For Service				
Mental Health Grants Adults	600	1,200	1,200	1,200
NET	(\$2,369)	(\$9,131)	(\$10,034)	(\$10,802)

Revenues: (\$000s):
 General Fund

Requires Statutory Change? Yes X No ____
 If yes, statute affected: M.S. 256D.03, Subd. 4(c)

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$2,969,000 in F.Y. 1996 and \$10,331,000 in F.Y. 1997. This proposal restructures the Personal Care Attendant (PCA) Service and TEFRA programs in the following ways:

- Establishes ability to self-direct one's care as a criteria for receiving proposal care services.
- Requires assessment by county public health nursing for personal care services.
- Diverts funds to home and community based waived services.
- Removes the TEFRA option for disabled children.
- Readjusts home care limits to 1.5 and 2.25 times the direct care hours in nursing facilities.
- Ensures minimum standards of care for personal care provider organizations and personal care attendants.

These changes are effective January 1, 1996.

RATIONALE:

Personal care attendant (PCA) services are provided under the Medical Assistance (MA) Program. Current forecasts estimate that expenditures for F.Y. 1996 and F.Y. 1997 will be approximately \$250 million total. PCA expenditures for F.Y. 1995 are expected to be 10 times greater than 1988

expenditures.

This proposal will restructure the PCA program, returning it more to its original purpose as a program to assist individuals who can direct their own care. It will re-direct adults who cannot direct their own care and are at risk of institutionalization and children who meet level of care requirements to the home and community-based waivers program.

The proposal also adjusts the limits of the PCA program to bring benefit levels more in line with the state-wide average nursing facility costs for persons with similar needs. Minimum standards are also introduced for PCA's and PCA organizations. Chief among these are that PCA's must be at least 18 years old and that owners of PCA organizations undergo criminal background checks.

The TEFRA program also has grown substantially from serving 1,280 children in 1988 to 3,900 children in 1994. Of the 3,900 children, a significant number are receiving PCA services. This proposal would restructure TEFRA-PCA services, diverting children who meet the level of care requirements to the home and community-based waivers program.

For some low-income children, who do not meet the level of care requirements for the waiver program, services may be available through other MA options.

Home and community-based waiver expansion will be necessary for both the PCA and TEFRA changes and will be sought from the federal government.

Since a portion of the growth in PCA services has included care for emotionally disturbed children, a "safety net" for children who do not meet the restructure's criteria will be created. Some savings from this proposal will be transferred to other mental health service programs.

PROGRAM OUTCOMES:

Restructuring the PCA and TEFRA programs will help return those programs to their original mission and more effectively contain rapid growth in these service costs. Some persons with emotional disturbance who may not be eligible for services under restructured programs would receive assistance through increases in other mental health services. Adults and children previously served through the PCA program, and who are not at risk of institutional placement will be served primarily through the expansion of the home and community based waiver programs.

LONG-TERM IMPACT:

As with the original program intent, individuals who can direct their own care will continue to receive PCA services. Many of the individuals who cannot direct their own care would receive case management, PCA services and other assistance through the waiver program.

These changes would reduce the growth in costs associated with the PCA and TEFRA programs. The effective date for changes would be January 1, 1996.

Counties will see an impact of these changes through increased activity in the Pre-Admission Screening Program.

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F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Long-Term Care Waivers and Home Care
ITEM TITLE: Medical Assistance Long-Term Care Waivers and Home Care Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
MA Long-Term Care Waivers & Home Care	\$8,019	\$30,713	\$53,738	\$77,707
Revenues: (\$000s):	\$-0-	\$-0-	\$-0	\$-0-
General Fund				

Requires Statutory Change? Yes ____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$8,019,000 in F.Y. 1996 and \$30,713,000 in F.Y. 1997 to fully fund the forecasted Medical Assistance expenditures for long-term waivers and home care.

RATIONALE:

Projected increases in the costs of this activity are driven mainly by caseload increase in the waivers for the developmentally disabled (about 50% of growth) and increase in the personal care caseload (about 25% of growth).

It should be noted that increase in developmentally disabled waiver caseload permits decreases in state facility developmentally disabled services and little increase in community ICF/MR costs. These 2 services are part of the long-term care facilities budget activity.

1996-97 Biennial Budget

MANAGEMENT ACTIVITY: Medical Assistance Managed Care and Fee for Service
BUDGET ACTIVITY: Medical Assistance Grants
PROGRAM: Health Care
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

There are 2 ways that the department provides for the delivery of health care under the Medical Assistance (MA) Program; the traditional fee-for-service delivery system and the managed care options.

The department has MA managed-care contracts with 7 provider organizations and a contract for services with 1 county. More than 140,000 people are served through these managed care contracts. Presently, there are plans to expand managed care into 6-9 additional counties by the spring of 1995, bringing the total of MA recipients enrolled in managed care to 25% of the total MA recipients.

There are several groups of persons not enrolled in managed care programs; for example, children in out-of-home placement, persons who are disabled, persons who are terminally ill, etc. These people are served by a network of approximately 20,000 providers of health services.

The remaining recipients receive their health care services through the fee-for-service delivery system. A recipient has the freedom of choice of providers and may receive services through any enrolled MA provider.

BUDGET ISSUES:

The decision pages that impact this activity are:

1. HIV Continuation Insurance
2. Federal Vaccine Program
3. Inpatient Hospital Peer Grouping and Inflation
4. Pharmacy usual and customary
5. Omnibus Budget Reconciliation Act 1993 Compliance issues
6. MA Managed Care and Fee for Service Forecast

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MEDICAL ASSISTANCE GRANTS
MACT: MA MANAGED CARE & FEE FOR SERVICE

	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MACT SUMMARY									
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS			1,077,709	1,077,709	1,262,207	1,262,207	1,077,709	1,402,610	1,403,110
LOCAL ASSISTANCE			48,286	48,286	63,822	63,822	48,286	70,550	70,550
=====									
TOTAL EXPENDITURES			1,125,995	1,125,995	1,326,029	1,326,029	1,125,995	1,473,160	1,473,660
=====									
AGENCY PLAN ITEMS:									

INCOME MAINTENANCE ADJUSTMENTS					103,096			168,248	
INCOME MAINTENANCE ADJUSTMENTS					95,819			161,750	
HOSP & NURSING FACIL ALTERN TO ML RTC					<1,292>			<1,292>	
INSURANCE CONTINUATION FOR HIV					<761>			<1,790>	
FEDERAL VACCINES FOR CHILDREN					<279>			<341>	
REVISED PHARMACY USUAL & CUSTOMARY					<6,036>			<8,369>	
OBRA 1993 COMPLIANCE ISSUES					33			141	
INPATIENT HOSPITAL PEER GROUPING					9,237			28,592	
AFDC ESSENTIAL PERSONS					159			168	
MENTAL HEALTH COMMITMENT ACT					58			58	
=====									
TOTAL AGENCY PLAN ITEMS					200,034			347,165	
=====									
GOV'S INITIATIVES:									

(B) COMM MH ADOLESCENT SERVICES									500
=====									
TOTAL GOV'S INITIATIVES									500
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL			489,835	489,835	585,195	585,195	489,835	660,553	661,053
STATUTORY APPROPRIATIONS:									
GENERAL			48,951	48,951	57,806	57,806	48,951	63,648	63,648
FEDERAL			587,209	587,209	683,028	683,028	587,209	748,959	748,959
=====									
TOTAL FINANCING			1,125,995	1,125,995	1,326,029	1,326,029	1,125,995	1,473,160	1,473,660
=====									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: Medical Assistance Grants
MANAGEMENT ACTIVITY: Medical Assistance Managed Care and Fee for Service
ITEM TITLE: Medical Assistance Managed Care and Fee for Service
Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>

Expenditures: (\$000s):

General Fund				
MA Managed Care and Fee For Service	\$94,241	\$153,552	\$252,075	\$336,031

Revenues: (\$000s):

General Fund	\$-0-	\$-0-	\$-0-	\$-0-
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Requires Statutory Change? Yes ____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$94,241,000 in F.Y. 1996 and \$153,552,000 in F.Y. 1997 to fully fund the forecasted Medical Assistance expenditures for managed care and fee-for-service (acute) care.

RATIONALE:

Projected increases for this activity are driven mainly by expenditure increases averaging 10% to 11% per year. These increases are produced by forecasted enrollment increases of about 4% per year and increases in the average cost per enrollee averaging 6% per year.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: GAMC GRANTS
MACT: GAMC GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	164,543	184,342	194,653	194,653	231,280	223,592	194,653	246,231	230,845
LOCAL ASSISTANCE	16,604	17,676	17,768	17,768	22,511	22,511	17,768	25,114	25,114
=====									
TOTAL EXPENDITURES	181,147	202,018	212,421	212,421	253,791	246,103	212,421	271,345	255,959
=====									
AGENCY PLAN ITEMS:			FUND						

INCOME MAINTENANCE ADJUSTMENTS			GEN	37,363			54,537		
REVISED PHARMACY USUAL & CUSTOMARY			GEN	<1,317>			<1,843>		
INPATIENT HOSPITAL PEER GROUPING			GEN	5,669			6,593		
AFDC ESSENTIAL PERSONS			GEN	<345>			<363>		
=====				=====			=====		
TOTAL AGENCY PLAN ITEMS				41,370			58,924		
=====									
GOV'S INITIATIVES:			FUND						

(B) GAMC CAPITATION RATE REDUCTION			GEN			<4,791>			<7,397>
(B) GAMC DENTAL COVERAGE REDUCTION			GEN			<2,897>			<7,989>
=====						=====		=====	
TOTAL GOV'S INITIATIVES						<7,688>			<15,386>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	148,718	185,948	192,956	192,956	231,064	223,376	192,956	247,161	231,775
STATUTORY APPROPRIATIONS:									
GENERAL	32,429	16,070	19,465	19,465	22,727	22,727	19,465	24,184	24,184
=====									
TOTAL FINANCING	181,147	202,018	212,421	212,421	253,791	246,103	212,421	271,345	255,959
=====									
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: General Assistance Medical Care Grants
ITEM TITLE: General Assistance Medical Care Grants Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
GAMC Grants	\$34,102	\$49,818	\$71,818	\$93,913
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ___ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$34,102,000 in F.Y. 1996 and \$49,818,000 in F.Y. 1997 to fully fund the forecasted amount of General Assistance Medical Care grant payments under current law.

RATIONALE:

The projected increases result primarily from forecasted increases in the average per-person cost of medical care (averaging 9% per year) and secondarily to projected increases in enrollment. Projected increase in the per-person costs include rate increases only to the extent that they are provided under current law.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Health Care
BUDGET ACTIVITY: General Assistance Medical Care
MANAGEMENT ACTIVITY: General Assistance Medical Care
ITEM TITLE: General Assistance Medical Care Capitation Rate Reduction

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
GAMC	(\$4,791)	(\$7,397)	(\$9,060)	(\$10,367)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No _____
If yes, statute affected: M.S. 256D.03, Subd. 4(c)

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the budget base of \$4,791,000 in F.Y. 1996 and \$7,397,000 in F.Y. 1997 for the General Assistance Medical Care (GAMC) capitation.

RATIONALE:

This proposal will maintain an appropriate discount from GAMC Fee For Service. It will also maintain a comparable relationship with the Medical Assistance capitation discount.

PROGRAM OUTCOMES:

This action will not materially affect the program.

LONG-TERM IMPACT:

Long-term savings will result from reductions in capitation rates.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Health Care
BUDGET ACTIVITY: General Assistance Medical Care
MANAGEMENT ACTIVITY: General Assistance Medical Care
ITEM TITLE: General Assistance Medical Care Adult Dental Coverage Reduction

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
General Fund				
GAMC	(\$2,897)	(\$7,989)	(\$8,585)	(\$9,220)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No _____
If yes, statute affected: M.S. 256D.03, Subd. 4(a)(14)

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the budget base of \$2,897,000 in F.Y. 1996 and \$7,989,000 in F.Y. 1997. This decrease will result from reductions in dental coverage for adult General Assistance Medical Care (GAMC) recipients.

RATIONALE:

As a result of this proposal, GAMC adult dental benefits will be similar to those which are available through MinnesotaCare.

PROGRAM OUTCOMES:

Except for recipients who reside in an institution for mental disease, GAMC adult dental benefits will be limited to preventative and emergency services. Preventive services will include examinations, X-rays, and routine cleaning. GAMC recipients who reside in an institution for mental disease will retain current levels of benefits. For GAMC fee for service expenditures, the effective date is July 1, 1995. For GAMC managed care contracts, the effective date will be July 1, 1996.

LONG-TERM IMPACT:

GAMC adult dental benefits will be limited, and as a result, costs associated with this program will be reduced.

1996-97 Biennial Budget

MANAGEMENT ACTIVITY: MinnesotaCare Administration
BUDGET ACTIVITY: MinnesotaCare
PROGRAM: Health Care
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

The activity exists to provide the administrative structure for extending health coverage to uninsured Minnesotans under the Minnesota Health Right Act of 1992. Administrative functions include:

- Determining eligibility of applicants.
- Processing applications and application renewals within a 30-day processing standard.
- Processing premium payments of enrollees.
- Paying providers for services rendered.
- Developing rules for program administration.
- Managing spending for health care services to maintain a minimum 5% reserve.
- Performing random audits to verify reported income and eligibility.
- Publicizing the plan to get information to potential enrollees.
- Operating a toll-free information number about the program.
- Coordinating administration with the Medical Assistance (MA) policy, Department of Health, Legislative Oversight Committee and counties.
- Identifying and referring applicants and enrollees eligible for MA/General Assistance Medical Care and other programs.
- Enrolling clients into managed care plans.

MinnesotaCare can begin to prepare for an integration of health care programs by streamlining eligibility and developing alternate points of entry into the program, such as regional offices or community-based offices.

BUDGET ISSUES:

An extension of the current level of funding for this activity is requested.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MINNESOTA CARE

MANAGEMENT ACTIVITY ALLOCATION	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
MINNESOTACARE ADMINISTRATION	2,973	3,378	9,632	7,897	7,897	7,897	7,897	7,897	7,897
MINNESOTACARE GRANTS	12,818	33,249	84,315	84,315	85,631	85,631	84,315	127,003	127,003
MINNESOTACARE WAIVER ADMIN.					3,789	3,789		5,012	5,012
MINNESOTACARE MA GRANTS					3,839	3,839		5,096	5,096
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	15,791	36,627	93,947	92,212	101,156	101,156	92,212	145,008	145,008
AGENCY PLAN ITEMS:			FUND						
=====			=====						
FEDERAL VACCINES FOR CHILDREN			HCA		<148>			<169>	
REVISED PHARMACY USUAL & CUSTOMARY			HCA		<997>			<690>	
INPATIENT HOSPITAL PEER GROUPING			HCA		<552>			597	
ACCESS TO QUALITY HC INITIATIVE			HCA		3,789			5,012	
ACCESS TO QUALITY HC INITIATIVE			HCA		<12,286>			<13,978>	
ACCESS TO QUALITY HC INITIATIVE			HCA		3,839			5,096	
MINNESOTACARE FORECAST			HCA		15,299			56,928	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS					8,944			52,796	
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	11,473								
HEALTH CARE ACCESS	2,595	26,270	80,189	78,454	82,001	82,001	78,454	121,594	121,594
STATUTORY APPROPRIATIONS:									
HEALTH CARE ACCESS	1,723	10,357	13,758	13,758	19,155	19,155	13,758	23,414	23,414
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	15,791	36,627	93,947	92,212	101,156	101,156	92,212	145,008	145,008
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	21.6	21.4	56.9		73.9			79.9	
TEMP/SEAS/PART_TIME	16.9	29.8	29.8		19.8			19.8	
OVERTIME	2.0	3.3	3.3		3.3			3.3	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	40.5	54.5	90.0		97.0	97.0		103.0	103.0

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: MinnesotaCare
MANAGEMENT ACTIVITY: MinnesotaCare Grants
ITEM TITLE: Access to Quality Health Care Initiative

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s):				
Health Care Access Fund				
MinnesotaCare Waiver Admin	\$3,789	\$5,012	\$5,012	\$5,012
MMIS	500	900	900	900
MAXIS Operations	300	300	300	300
MinnesotaCare - MA Grants	3,839	5,096	5,875	6,884
MinnesotaCare Grants	(12,286)	(13,978)	(15,568)	(17,560)
Net Expenditures	(3,858)	(2,670)	(3,481)	(4,464)
Revenues: (\$000s):				
Health Care Access Fund	\$3,475	\$3,351	\$3,188	\$3,079

Requires Statutory Change? Yes X No _____
 If yes, statute affected: M.S. 256B

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$3,858,000 in F.Y. 1996 and \$2,670,000 in F.Y. 1997. This item proposes to implement a series of strategies designed to implement and administer a federal waiver to expand access to quality health care for low income Minnesotans, simplify the 3 major publicly funded health care programs, and increase program flexibility so these programs can function in a changing market place in Minnesota. This proposal contains key strategies from the MinnesotaCare Waiver submitted to the Health Care Financing Administration (HCFA) July 1994. Some of the strategies require action by Congress or a waiver from HCFA. This proposal constitutes the department's health care initiative.

RATIONALE:

In Minnesota Milestones public meetings across the state, citizens said they want our state's people to be healthy. As one of the biggest purchasers of health care services in Minnesota with over \$2.5 billion in health care purchases for roughly 550,000 Minnesotans each year, the Minnesota Department of Human Services (DHS) has a big role to play in achieving that goal.

The purpose of this budget change is to improve DHS's publicly funded health care programs. With or without federal health care reform or any more changes at the state level, these programs must be modified so DHS can be a sophisticated purchaser on behalf of taxpayers while at the same time providing access to affordable, quality health care services. The strategies outlined in this item would benefit Minnesotans:

1. By improving access to quality health care for more low income Minnesotans;
2. By simplifying the 3 major DHS health care programs (Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare) for program enrollees and medical providers. Currently, there are over 60 eligibility categories for MA alone. MA and GAMC particularly have become so complicated and compartmentalized they are difficult for administrators to understand let alone the vulnerable people who depend upon them for their care; and
3. By increasing program flexibility so publicly funded programs can adapt to a changing marketplace in Minnesota. During the past 5 years, changes in Minnesota's health care system have occurred with the creation of new delivery systems. The market place has reached a point where DHS has little choice but to adapt to these realities or risk being party to the creation of 2 systems of care, one for publicly funded enrollees and another for private pay. DHS also needs the flexibility to expand use of health care delivery strategies like prepaid plans that help control costs while providing access and quality.

These benefits would be achieved over the next 3 years through implementation of state plan amendments, M.S.1115 and M.S.1915(b) waivers and federal law changes as necessary.

At the beginning of this process, access to health care services would be improved and integration and simplification of MA/GAMC/MinnesotaCare would begin with the goal of creating 1 coherent program by 1997. Changes would include:

- Children (with incomes up to 275% of federal poverty) currently on the state-funded MinnesotaCare program would continue to pay premiums on a sliding scale basis, but the funding source for their benefits would become the federal/state funded MA Program. The program would still be called MinnesotaCare and MinnesotaCare policies would remain in place as barriers to prevent employers from dropping private coverage so their employees would be picked up by the public sector.
- Infants born while their mother was on MA would get automatic MA eligibility up to age 2, and income guidelines for MA children up to age 2 would also be at 275% of federal poverty.
- The MA/GAMC asset test for eligible relative caretakers of children under 21 would be removed allowing a greater likelihood of coordination of care for a family. Currently, it is possible for each member of a household to be in a separate DHS program.
- MA recipients enrolled in managed care will receive 1 month of extended eligibility necessary to accommodate administrative and access complexities associated with recipients losing and regaining eligibility in the same month.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MINNESOTA CARE
MACT: MINNESOTACARE GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS	12,798	33,249	84,315	84,315	85,631	85,631	84,315	127,003	127,003
LOCAL ASSISTANCE	20								
=====									
TOTAL EXPENDITURES	12,818	33,249	84,315	84,315	85,631	85,631	84,315	127,003	127,003
=====									
AGENCY PLAN ITEMS:			FUND						

FEDERAL VACCINES FOR CHILDREN			HCA		<148>			<169>	
REVISED PHARMACY USUAL & CUSTOMARY			HCA		<997>			<690>	
INPATIENT HOSPITAL PEER GROUPING			HCA		<552>			597	
ACCESS TO QUALITY HC INITIATIVE			HCA		<12,286>			<13,978>	
MINNESOTACARE FORECAST			HCA		15,299			56,928	
=====									
TOTAL AGENCY PLAN ITEMS					1,316			42,688	
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	10,831								
HEALTH CARE ACCESS	264	22,892	70,557	70,557	66,476	66,476	70,557	103,589	103,589
STATUTORY APPROPRIATIONS:									
HEALTH CARE ACCESS	1,723	10,357	13,758	13,758	19,155	19,155	13,758	23,414	23,414
=====									
TOTAL FINANCING	12,818	33,249	84,315	84,315	85,631	85,631	84,315	127,003	127,003
=====									
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									
=====									

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: MinnesotaCare
MANAGEMENT ACTIVITY: MinnesotaCare Grants
ITEM TITLE: Access to Quality Health Care Initiative
(Continuation)

- Actuarial activities
- System redesign, to establish an eligibility module in the payment system
- Grievance or appeal mechanisms for enrollees
- Training for local agencies (counties) on policy and procedural changes

This proposal also provides funds to counties, for administration associated with prepayment. The grants are based on an allocation supplemented by a fixed rate cost per average monthly eligible enrollee per year. If counties manage efficiently, they retain the unexpended portion of the grant. These funds defray costs at the local level. Reduction in the funds will require prepayment implementation in fewer counties, ultimately prolonging fee-for-service costs.

PROGRAM OUTCOMES:

The strategies described would result in significant, positive changes in the way that Minnesota's 3 health care programs operate.

- MA/GAMC and MinnesotaCare would become more integrated achieving much needed simplification for enrollees and providers.
- Access to quality health care would improve for more Minnesotans.
- Access to dental care would improve in areas of the state where enrollees have been unable to find a dentist willing to accept new MA patients.
- Health care costs would be easier to manage. For example, by paying the prepaid plan a capitated rate for the delivery of services, the financial risk for the cost and use of these services will be transferred from the state to the prepaid plan.
- Innovative pilot programs would be established for special populations who have not yet been included in prepayment models. These pilots would identify how best to serve these individuals and how to incorporate that information into additional prepayment strategies.
- To achieve these benefits this item would increase activity at the state level as a result of administering and tracking enrollee services for a estimated 4,000 additional applications per month.

LONG-TERM IMPACT:

The long-term impact of this proposal would be a healthier Minnesota. Enrollees would have access to a simpler and more coherent publicly funded health plan. Access to services would increase through the use of provider networks. Movement would begin away from placing enrollees into programs by categorical funding streams that create confusion when eligibility changes require movement to other DHS programs. Enrollees would see a more seamless, less complicated program and at the same time find more quality assurance features built into their health care.

How to provide quality services to people with disabilities under different prepayment models would be explored and understood. Prepayment, in its many forms, is the direction that public and private health care service delivery is going in Minnesota. It is essential that people with disabilities are not left out of the system but their special needs be appropriately addressed.

Without this proposal, Minnesotans who are enrolled in MA, GAMC or MinnesotaCare would potentially find their choices severely limited, and access to services would likely deteriorate. By not allowing public programs the chance to adapt to current realities, a reasonable fear is that poor, elderly, and disabled Minnesotans would be left with a different and lower level of care than Minnesotans covered by private insurance. Even without future integrated service networks, large provider networks are a reality right now. Public-funded programs need to be able to respond to that reality so publicly-funded enrollees can see the same doctors, dentists, and other health care professionals as everyone else.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Health Care
BUDGET ACTIVITY: MinnesotaCare
MANAGEMENT ACTIVITY: MinnesotaCare Grants
ITEM TITLE: Access to Quality Health Care Initiative
(Continuation)

The initial changes envisioned would enable DHS to adapt its programs to the realities of changes in the health care delivery system so public program enrollees are not left behind.

- Access to services would be improved through expansion of the Prepaid Medical Assistance Program (PMAP) and GAMC Managed Care Program to all but 11 counties by the end of the biennium. MA recipients who prepay would be allowed to prepay spend down so they could enroll in managed care.
- The innovative Itasca Medical Care program would be expanded to include people with disabilities.
- New strategies to assist families and children in getting access to dental care would be implemented. First a prepaid dental care program for MA and GAMC enrollees (who are not enrolled in the PMAP and GAMC Managed Care) would be created beginning in F.Y. 1995 as a demonstration project in 10 rural counties. During the spring of 1995, MA disabled individuals residing in PMAP counties would be enrolled. In F.Y. 1996, the dental program would add 33 additional rural counties. In F.Y. 1997, DHS would replace the dental program in some of these counties with PMAP which offers dental services as part of a comprehensive benefit package. (Authority in M.S. 256B.037)
- To be better purchasers of care through prepaid plans, new capitation rate setting methodologies would be created. In the past, capitation rates have been calculated using the actual, historical fee-for-service costs. This data no longer exists in some geographic areas. In addition, a new methodology is needed to address utilization differences between fee-for-service and prepaid care.
- As the 3 programs are integrated into 1, federal law requiring an independent quality assurance audit will be applied to the entire integrated program. This would provide tools for DHS to more actively monitor the quality of care, assure that the quality of care purchased through prepaid plans equals or exceeds that provided through fee-for-service and that plans follow through on correcting any deficiencies identified.

In Phase 2:

Plans for future changes are more conceptual. Program enrollees, service providers, advocates, counties, and other affected groups would be very active in charting DHS's course in integrating and streamlining MA, GAMC, and MinnesotaCare eligibility, service delivery, and benefits.

- The integration of MA/GAMC/MinnesotaCare eligibility and the transition from fee-for-service to alternative forms of health care delivery that are appropriate to the needs of particular groups of enrollees would be completed.
- Innovative prepaid pilot projects would be established to provide essential information to DHS about how to deliver services to people with disabilities in appropriate, tailored, and quality ways. At least 2 prepaid projects would benefit people with developmental disabilities, at least 1 would benefit people with mental illness, and at least 1 would benefit people with physical disabilities. Currently, most people with disabilities are excluded from participation in PMAP. Furthermore, long-term care and many of the specialized services required by persons with disabilities are not part of the current PMAP benefit package.

In planning the developmental disabilities pilot projects, DHS is currently working with 2 counties: Blue Earth and Olmsted. (NOTE: The activity funded through this decision point must be viewed in conjunction with the strategies and activities described under the decision item with the title of "Developmental Disabilities Collaborative Planning Grants and the Development of Quality Care Strategies"). For the mental health projects, DHS is currently working with 2 multi-county regions. DHS is not formally working with any county on a physically disabled project, although a county has recently expressed interest.

- Discussion will begin on ways to address cost shifting and the rate of premium increases for seniors and the disabled as part of clarifying the role of Medicare in Minnesota's changing delivery system. A prime interest under the waiver is to make sure Minnesota seniors receive their fair share of Medicare dollars so they don't have to pay more than seniors in other states for the same amount of coverage. Right now, the federal government's reimbursement for Medicare services provided through managed care plans is about half the amount others states receive. That means Minnesota's seniors pay the same Medicare premiums as everyone else in the country but have to pay more to make up the difference in their Medicaid (Medicare Supplemental Insurance) coverage.
- New strategies will be developed for capitating rates for inpatient hospital care, outpatient services, physician services and home care where capitation rates that include all services are not available.

Administration:

While this decision item shows a net cost reduction, there will be some increased costs in administration. The administrative costs result from additional resources needed to process and review an added 54,000 MinnesotaCare applications, to expand service delivery to more than 540,000 public program enrollees, to integrate the policy and enrollment for these 3 extremely large programs, and create or enhance the following functions:

- Quality assurance/improvement
- Eligibility and enrollment
- Contract development and management with various health plans or other managed care models

1996-97 Biennial Budget

MANAGEMENT ACTIVITY: MinnesotaCare Waiver Administration
BUDGET ACTIVITY: MinnesotaCare
PROGRAM: Health Care
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

This activity is the administrative structure for expanding access to quality health care and implementing the 1994 MinnesotaCare Health Care Reform Waiver.

These administrative functions include:

- implementing approved portions of the 1994 MinnesotaCare Health Care Reform Waiver,
- integrating the Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare programs (as required by the Minnesota Health Right Act of 1992),
- administering enrollment activities,
- simplifying the eligibility process,
- expanding the managed care service delivery system,
- developing new delivery system model pilots, and
- working with stakeholder groups to develop phase II under the waiver.

BUDGET ISSUES:

To expand access to quality health care by implementing the 1994 Minnesota Health Care Reform Waiver.

REVENUES:

Approval of the federal waiver permits this activity to earn federal administrative reimbursement at the rate of approximately 50%.

F.Y. 1996 - 97 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Health Care
BUDGET ACTIVITY: MinnesotaCare
MANAGEMENT ACTIVITY: MinnesotaCare Grants
ITEM TITLE: MinnesotaCare Grants Forecast

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s):				
Health Care Access Fund				
MinnesotaCare Grants	\$9,902	\$47,272	\$62,023	\$91,786
Revenues: (\$000s):				
Health Care Access Fund	\$5,397	\$9,656	\$13,927	\$18,342

Requires Statutory Change? Yes ____ No X

If yes, statute affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase to the budget base of \$9,902,000 in F.Y. 1996 and \$47,272,000 in F.Y. 1997 to fully fund the forecasted amount of MinnesotaCare grant payments.

RATIONALE:

About \$10 million per year of the forecasted increases is for increasing enrollment of MinnesotaCare families with children. The balance is for coverage of MinnesotaCare adults up to 125% of the federal poverty guideline.

1996-97 Biennial Budget

MANAGEMENT ACTIVITY: MinnesotaCare-Medical Assistance Grants
BUDGET ACTIVITY: MinnesotaCare
PROGRAM: Health Care
AGENCY: Human Services, Department of (DHS)

ACTIVITY DESCRIPTION:

This activity exists to identify the increased costs to the Medical Assistance (MA) program which are generated by the implementation of the 1994 MinnesotaCare Health Care Reform Waiver.

MinnesotaCare-MA grants are funded with approximately 54% federal dollars and 46% state and local dollars. The federal matching dollar amount is recalculated on 10-1 of each year.

BUDGET ISSUES:

To expand access to quality health care by implementing the 1994 MinnesotaCare Health Care Reform Waiver.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MINNESOTA CARE
MACT: MINNESOTACARE WAIVER ADMIN.

	FY 1993	FY 1994	Est. FY 1995	FY 1996	FY 1997				
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MACT SUMMARY									
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES				1,000	1,000		1,250	1,250	
EXPENSES/CONTRACTUAL SRVCS				789	789		762	762	
=====									
SUBTOTAL STATE OPERATIONS				1,789	1,789		2,012	2,012	
LOCAL ASSISTANCE				2,000	2,000		3,000	3,000	
=====									
TOTAL EXPENDITURES				3,789	3,789		5,012	5,012	
=====									
AGENCY PLAN ITEMS:			FUND						

ACCESS TO QUALITY HC INITIATIVE			HCA	3,789			5,012		
=====									
TOTAL AGENCY PLAN ITEMS				3,789			5,012		
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
HEALTH CARE ACCESS				3,789	3,789		5,012	5,012	
=====									
TOTAL FINANCING				3,789	3,789		5,012	5,012	
=====									
FTE BY EMPLOYMENT TYPE:									

REGULAR				25.0			31.0		
=====									
TOTAL FTE				25.0	25.0		31.0	31.0	
=====									

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1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE PROGRAM
ACTIVITY: MINNESOTA CARE
MACT: MINNESOTACARE MA GRANTS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
MACT SUMMARY									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
AIDS TO INDIVIDUALS					3,839	3,839		5,096	5,096
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES					3,839	3,839		5,096	5,096
AGENCY PLAN ITEMS:			FUND						
-----			-----						
ACCESS TO QUALITY HC INITIATIVE			HCA		3,839			5,096	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS					3,839			5,096	
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
HEALTH CARE ACCESS					3,839	3,839		5,096	5,096
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING					3,839	3,839		5,096	5,096
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: COMM MH & STATE OPERATED SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MENTAL HEALTH PROGRAMS	36,605	41,001	48,855	47,095	48,787	52,562	47,048	50,890	60,565
RESIDENTIAL FACILITIES MANAGEMENT	1,592	1,255	1,975	1,775	2,058	2,058	1,775	2,058	2,058
RESIDENTIAL TREATMENT CENTER FACIL	241,567	235,011	246,937	243,828	228,824	228,824	243,025	226,358	226,358
DD SOCS	6,178	7,935	8,863	8,863	9,007	9,007	8,863	9,175	9,175
MI SOCS			2,284	2,284	3,986	3,986	2,284	3,986	3,986
TOTAL EXPENDITURES BY ACTIVITY	285,942	285,202	308,914	303,845	292,662	296,437	302,995	292,467	302,142
AGENCY PLAN ITEMS:				FUND					
HOSP & NURSING FACIL ALTERN TO ML RTC			GEN		1,292			1,292	
REGIONAL ADULT MH SERV SYST IMPROVE			GEN		150			2,500	
RTC DD DOWNSIZING			GEN		<15,626>			<21,291>	
FARIBAULT RC CLOSURE			GEN		14			<1,129>	
FARIBAULT RC CLOSURE			GEN		200				
MOOSE LAKE MI SOCS			GEN		727			727	
MOOSE LAKE MI SOCS			GEN		975			975	
DD WAIVER ALTERN ALLOCATION STRUCTURE			GEN		<3,395>			<2,334>	
DEPARTMENTWIDE OPERATIONS			GEN		4,003			8,087	
DEPARTMENTWIDE OPERATIONS			GEN		144			312	
MI CRISIS HOUSING ASSISTANCE			GEN		50			50	
MENTAL HEALTH COMMITMENT ACT			GEN		283			283	
TOTAL AGENCY PLAN ITEMS					<11,183>			<10,528>	
GOV'S INITIATIVES:				FUND					
(B) COMM MH ADOLESCENT SERVICES			GEN			600			6,000
(B) CARE FOR HOMELESS ADOLESCENTS			GEN			425			825
(B) CHILDREN'S MH ACT FUNDING			GEN			2,000			1,500
(B) CHILDREN'S MH ACT FUNDING			GEN			150			150
(B) RESTRUCTURE PCA & TEFRA			GEN			600			1,200
TOTAL GOV'S INITIATIVES						3,775			9,675

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: COMM MH & STATE OPERATED SERVICES

			Est.	FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	262,241	254,121	267,178	262,347	251,164	254,939	261,544	251,016	260,691
STATUTORY APPROPRIATIONS:									
GENERAL	5,084	7,767	18,979	18,951	18,951	18,951	18,951	18,951	18,951
SPECIAL REVENUE	676	647	860	860	860	860	860	860	860
FEDERAL	2,792	6,716	5,538	5,403	5,403	5,403	5,356	5,356	5,356
AGENCY	4,491	4,611	4,828	4,828	4,828	4,828	4,828	4,828	4,828
GIFTS AND DEPOSITS	43	25	137	62	62	62	62	62	62
ENDOWMENT	3	1	22	22	22	22	22	22	22
ENTERPRISE	10,612	11,314	11,372	11,372	11,372	11,372	11,372	11,372	11,372
TOTAL FINANCING	285,942	285,202	308,914	303,845	292,662	296,437	302,995	292,467	302,142
FTE BY EMPLOYMENT TYPE:									
REGULAR	5,035.7	4,951.7	4,741.1		4,288.6			4,288.6	
TEMP/SEAS/PART_TIME	58.6	58.0	56.6		56.1			56.1	
OVERTIME	92.1	100.0	96.5		88.9			88.9	
TOTAL FTE	5,186.4	5,109.7	4,894.2		4,433.6	4,433.6		4,433.6	4,433.6

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: COMM MH & STATE OPERATED SERVICES
ACTIVITY: MENTAL HEALTH PROGRAMS

MANAGEMENT ACTIVITY ALLOCATION	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MENTAL HEALTH PROGRAM ADMINISTRAT.	1,245	1,145	1,338	1,338	1,338	1,488	1,338	1,338	1,488
STATE MENTAL HEALTH GRANTS - CHILD	3,860	4,475	4,734	4,109	4,109	7,134	4,109	4,109	12,434
STATE MENTAL HEALTH GRANTS - ADULT	28,863	28,837	37,419	36,419	38,111	38,711	36,419	40,261	41,461
FEDERAL MENTAL HEALTH GRANTS	2,637	6,544	5,364	5,229	5,229	5,229	5,182	5,182	5,182
TOTAL EXPENDITURES	36,605	41,001	48,855	47,095	48,787	52,562	47,048	50,890	60,565
AGENCY PLAN ITEMS:				FUND					
HOSP & NURSING FACIL ALTERN TO ML RTC			GEN		1,292			1,292	
REGIONAL ADULT MH SERV SYST IMPROVE			GEN		150			2,500	
FARIBAULT RC CLOSURE			GEN		200				
MI CRISIS HOUSING ASSISTANCE			GEN		50			50	
TOTAL AGENCY PLAN ITEMS					1,692			3,842	
GOV'S INITIATIVES:				FUND					
(B) COMM MH ADOLESCENT SERVICES			GEN			600			6,000
(B) CARE FOR HOMELESS ADOLESCENTS			GEN			425			825
(B) CHILDREN'S MH ACT FUNDING			GEN			2,000			1,500
(B) CHILDREN'S MH ACT FUNDING			GEN			150			150
(B) RESTRUCTURE PCA & TEFRA			GEN			600			1,200
TOTAL GOV'S INITIATIVES						3,775			9,675
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	33,932	34,439	43,362	41,812	43,504	47,279	41,812	45,654	55,329
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	36	18	50	50	50	50	50	50	50
FEDERAL	2,637	6,544	5,364	5,229	5,229	5,229	5,182	5,182	5,182
GIFTS AND DEPOSITS			79	4	4	4	4	4	4
TOTAL FINANCING	36,605	41,001	48,855	47,095	48,787	52,562	47,048	50,890	60,565

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: COMM MH & STATE OPERATED SERVICES
ACTIVITY: MENTAL HEALTH PROGRAMS

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
MANAGEMENT ACTIVITY ALLOCATION	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	25.6	27.3	30.3		28.8			28.8	
TEMP/SEAS/PART_TIME	4.6	5.0	5.0		4.5			4.5	
OVERTIME	.2	.4	.4		.4			.4	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	30.4	32.7	35.7		33.7	33.7		33.7	33.7

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: COMM MH & STATE OPERATED SERVICES
ACTIVITY: MENTAL HEALTH PROGRAMS
MACT: STATE MENTAL HEALTH GRANTS - ADULT

MACT SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	61	96	146	146	146	146	146	146	146
EXPENSES/CONTRACTUAL SRVCS	105	147	399	199	199	199	199	199	199
MISC OPERATING EXPENSES	35	49	51	51	51	51	51	51	51
SUPPLIES/MATERIALS/PARTS	4	7	7	7	7	7	7	7	7
CAPITAL EQUIPMENT		5							
SUBTOTAL STATE OPERATIONS	205	304	603	403	403	403	403	403	403
AIDS TO INDIVIDUALS					50	50		50	50
LOCAL ASSISTANCE	28,658	28,533	36,816	36,016	37,658	38,258	36,016	39,808	41,008
TOTAL EXPENDITURES	28,863	28,837	37,419	36,419	38,111	38,711	36,419	40,261	41,461
AGENCY PLAN ITEMS:			FUND						
HOSP & NURSING FACIL ALTERN TO ML RTC			GEN		1,292			1,292	
REGIONAL ADULT MH SERV SYST IMPROVE			GEN		150			2,500	
FARIBAULT RC CLOSURE			GEN		200				
MI CRISIS HOUSING ASSISTANCE			GEN		50			50	
TOTAL AGENCY PLAN ITEMS					1,692			3,842	
GOV'S INITIATIVES:			FUND						
(B) RESTRUCTURE PCA & TEFRA			GEN			600			1,200
TOTAL GOV'S INITIATIVES						600			1,200
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	28,863	28,837	37,415	36,415	38,107	38,707	36,415	40,257	41,457
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS			4	4	4	4	4	4	4

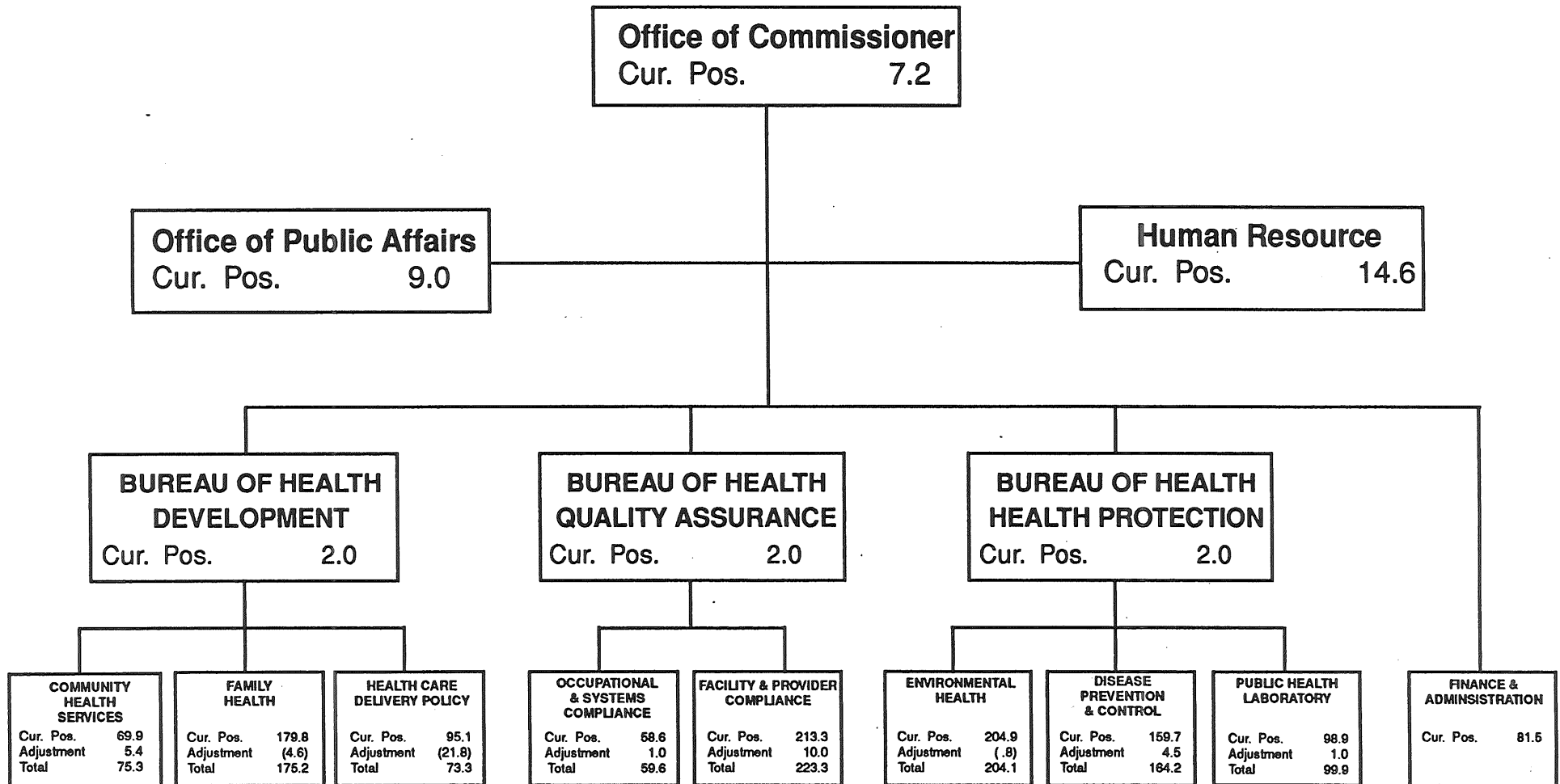
1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: COMM MH & STATE OPERATED SERVICES
ACTIVITY: MENTAL HEALTH PROGRAMS
MACT: STATE MENTAL HEALTH GRANTS - ADULT

			Est.	FY 1996			FY 1997		
MACT SUMMARY	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	28,863	28,837	37,419	36,419	38,111	38,711	36,419	40,261	41,461
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	.7	1.7	2.7		1.7			1.7	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	.7	1.7	2.7		1.7	1.7		1.7	1.7

Department of Health Organization Chart

11/1/94



1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Health, Department of (MDH)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$38,343	\$38,343	\$76,686
<u>BASE ADJUSTMENT:</u>			
One-Time Appropriations	(230)	(230)	(460)
Appropriations Carried Forward	(266)	(266)	(532)
Non-Recurring Expenditures	(150)	(150)	(300)
Documented Rent/Lease Increase/Decrease	6	123	129
Special Legislative Adjustments	35	35	70
Attorney General Costs	<u>129</u>	<u>129</u>	<u>258</u>
<u>CURRENT SPENDING</u>	\$37,867	\$37,984	\$75,851
<u>AGENCY DECISION ITEMS:</u>			
Vital Statistics Redesign and Elec. Birth Cert.	<u>355</u>	<u>235</u>	<u>590</u>
<u>AGENCY PLAN</u>	\$38,222	\$38,219	\$76,441
<u>GOVERNOR'S INITIATIVES:</u>			
Transfer to Department of Children	-0-	(597)	(597)
Women's Health Initiative	260	260	520
Occupational Policy Analysis	(56)	(56)	(112)
Interagency Board Coordination	(54)	(54)	(108)
Environmental Radiation Monitoring	<u>(100)</u>	<u>(100)</u>	<u>(200)</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$38,272	\$37,672	\$75,944

Brief Explanation of Agency Plan:

Recently, management staff of the agency reviewed all current activities carried out by the department in preparing a reorganization plan and a special report to the 1995 legislature on core public health activities. This work was also beneficial in determining the budget strategy for the 1996-97 biennial budget. Decisions reached after the review of activities were to:

- request \$590,000 for the biennium to reengineer the state's vital records system, including the expansion of the electronic birth certificate;
- fund current grants to local agencies at the current level, approximately 65%, of the agency's General Fund budget;
- fund current operations at the current level; and
- maintain a 4% vacancy rate to cover the cost of unfunded salary obligation including workers' and unemployment compensations, overtime, parttime and seasonal positions.

The budget also includes funding for the partnership agreement between the department and the Attorney General's (AG) Office. This agreement provides for the department to purchase services from the AG Office and to reimburse the AG Office for the full cost of services.

Revenue Summary:

There is no impact on revenues of the General Fund included in this plan.

Affected Statutes:

There are no statutory changes that need to be made to adopt this plan. However, the department will be reviewing the use of advisory bodies to the Commissioner and proposing to streamline this process, this review may affect those statutes pertaining to advisory bodies.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends a biennial General Fund appropriation of \$75,944,000 for the agency plan which includes funding for reengineering the state's Vital Records System, including the expansion of the Electronic Birth Certificate System.

The Governor recommends the establishment of a Department of Children and Education Services to improve coordination and integration of services, and to achieve improved outcomes for children and their families. \$597,000 is recommended to transfer to the new department in F.Y. 1997. It is also the intent of the Governor to transfer the Women, Infant, Children (WIC) funding and the Maternal Child Health (MCH) funding. This will be done after Congress approves the Department of Children and Education Services as the designated agency to receive such funds or the federal government changes the nature of federal funding and allows states flexibility with block grant monies.

The Governor recommends funding of \$520,000 to establish a women's health center to promote and improve the health status of women of all ages and to provide a focal point for women's health advocacy, research and dissemination of information.

The Governor recommends a decrease of \$420,000 in the Occupational Policy Analysis activity, Interagency Board Coordination and Environmental Radiation Monitoring.

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Health, Department of (MDH)

Fund: State Government Special Revenue

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$14,814	\$14,814	\$29,628
<u>BASE ADJUSTMENT:</u>			
Attorney General Costs	218	218	436
<u>CURRENT SPENDING</u>	\$15,032	\$15,032	\$30,064
<u>AGENCY DECISION ITEMS:</u>			
Non-Dedicated Fee Spending (up to 3%)	178	349	527
Health Facilities Licensure Program	300	644	944
Home Care Licensure Program Increase	115	125	240
Laboratory Certification Program	58	58	116
<u>AGENCY PLAN</u>	\$15,683	\$16,208	\$31,891
GOVERNOR'S RECOMMENDATIONS	\$15,683	\$16,208	\$31,891

Brief Explanation of Agency Plan:

The department reviewed all of the activities funded from this fund when preparing the most recent Departmental Earnings Report. This review indicated a need to allocate additional resources to several programs. The management team of the department reviewed all requests and only those requests that currently generated sufficient revenue to support the increase were approved to be included in the budget. Those program increases submitted as part of this plan include Health Care Facilities Licensure, Home Care Licensure, and Laboratory Certification. Additional information pertaining to these requests can be found next to the activity narrative within the budget document. The department also included an increase in supplies and expense of 3% per year for all revenue generating programs to cover inflation for the next 2 years.

Revenue Summary:

In 1995, the department will generate approximately \$18,650,000 through license and user fees. There are 3 decision items included in this plan that will affect this total. The first item is to decrease the current fees charged to hospitals and nursing homes for state licensure. This will be

done because the past under-recovery of costs has now been collected and the fees can be returned to a level more in line with the current level of services. This will result in a reduction of \$2,755,000 in F.Y. 1996 and \$3,758,000 in F.Y. 1997. The second item is an increase in fees for the Food, Beverage and Lodging Program to collect revenue to recover past under-recovered cost. The current shortfall is about \$900,000 and the department will need to increase fees about \$175,000 per year for the next 4 years. The third item, packaged as part of the Reengineering of the Vital Records System, is to eliminate all exemptions to the vital record copying charge. Currently, some state agencies, local agencies, and armed services agencies are exempt from paying the \$11 fee. By eliminating this exemption, an additional \$33,000 per year will be collected for this fund.

Affected Statutes:

- M.S. 144.53 and M.S. 144A.07 will have to be changed to allow the decrease in the nursing home and hospital license fees. In addition, M.S. 144.226 will have to be changed to allow the elimination of the exemption for the vital record fee.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$31,891,000 which includes a decrease in the fees charged to hospitals and nursing homes for licensure and an increase in the fees supporting the Food, Beverage, and Lodging Inspection Program to recover its operating deficit.

The Governor concurs with the agency plan regarding proposed appropriation increases for state licensed home care, licensed health care facilities, and laboratory certification. Current revenue from these fee generating activities is sufficient to cover the increases.

The Governor concurs with the agency plan to allow nonsalary inflation increases where existing revenue is sufficient to cover the increased costs in the nongeneral fund fee related activities.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Health, Department of (MDH)

Fund: Health Care Access

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$9,977	\$9,977	\$19,954
<u>BASE ADJUSTMENT:</u>			
One-Time Appropriations	(325)	(325)	(650)
Appropriations Carried Forward	(699)	(766)	(1,465)
Non-Recurring Expenditure	(1,440)	(1,682)	(3,122)
Sunset Program/Agency	-0-	(616)	(616)
Special Legislative Adjustments	-0-	77	77
Attorney General Costs	<u>50</u>	<u>50</u>	<u>100</u>
<u>CURRENT SPENDING</u>	\$7,563	\$6,715	\$14,278
<u>AGENCY DECISION ITEMS:</u>			
Suspension of RAPO Enforcement Activities	<u>(348)</u>	<u>(356)</u>	<u>(704)</u>
<u>AGENCY PLAN</u>	\$7,215	\$6,359	\$13,574
GOVERNOR'S RECOMMENDATIONS	\$7,215	\$6,359	\$13,574

Brief Explanation of Agency Plan:

The department, in preparing the plan for this fund, followed the tracking sheet prepared by legislative staff pertaining to the MinnesotaCare legislation of 1993 and 1994. Adjustments were made for start-up costs for work stations, computer equipment, and temporary positions or contracted services to prepare reports. Other adjustments were made for the sunset of the Health Care Commission, on 6-30-96, and its related activities such as the Regional Coordinating Board. In addition to these adjustments, the agency has decided to suspend the activities related to the implementation and enforcement of the Regulated All-Payer Option (RAPO) System. This action reduces the need for resources from this fund by \$704,000 for the biennium.

Revenue Summary:

There is no impact on revenue of this fund as a result of this plan.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that responsibility for the development and implementation of comparative performance measurement of health plan companies, hospitals, provider organizations, and care delivery systems be transferred to the Minnesota Health Data Institute (MHDI). These activities will be funded by providing MHDI a grant from MDH using funds allocated for hospital quality indicators, practice parameters, and condition specific outcome studies.

The Governor also recommends repeal of the statutory authority for state approved practice parameters and the Practice Parameter Advisory Committee (PPAC).

1996-97 Biennial Budget

AGENCY: Health, Department of (MDH)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Health (MDH) is to protect, maintain, and improve the health of the citizens of Minnesota under M.S. 144.

To achieve this end, the MDH conducts public health studies and investigations; collects and analyzes health and vital data; identifies and describes health problems; designs, implements and supports programs and services for reducing morbidity and mortality; establishes and enforces health standards; provides education and technical assistance; coordinates local, state and federal health programs and services; assesses and evaluates the effectiveness of health service systems and public health program efforts; and advises the Governor and the legislature on matters relating to the public's health.

The responsibilities of MDH have grown significantly over the past several years with the designation of the department as the lead agency in health care reform. These activities have, in turn, led to corollary responsibilities for defining and facilitating the achievement of new roles for public health in a reformed health system.

During 1994 a major agency reorganization was accomplished which resulted in a better integration of health care reform activities with other systems development activities within the department and the establishment of a health care policy focus within the agency. Programmatic areas within the department are: 1) Health Protection; 2) Health Systems Development; 3) Health Quality Assurance; and, 4) Health Support Services.

AGENCY CHALLENGES:

The department's dual responsibility for health care reform and public health provides an opportunity to develop a health system which builds on the strengths of both the health care and the public health sectors. Two primary challenges of health care reform are to contain the rising costs of health care and improve citizens access to quality care. Geographic access to health services has also emerged as a critical issue in rural areas of Minnesota. Minnesota is moving to meet these challenges through insurance reform and the implementation of MinnesotaCare laws. Reform of the health care system will continue to be a major focus of department activity in the upcoming biennium.

As Minnesota moves forward with health care reform, it is anticipated that health plans will provide a more comprehensive set of services to a greater number of people. This will allow the public health system to place a greater emphasis on core public health activities which serve to protect and improve the health of all Minnesotans. The department, in collaboration with a variety of partners and stakeholders, is working to complete the Public Health System Development report required by the 1994 MinnesotaCare Act. As directed by the legislature, this report will articulate both the ongoing and newly evolving responsibilities of public health in the context of health reform and estimate resource needs for meeting those requirements.

AGENCY STRATEGIES:

The agency budget plan is constructed to achieve the following outcomes:

- to develop strategies for improving local capacity to fulfill public health responsibilities;
- to prevent and control the transmission of communicable disease in Minnesota;
- to reduce the occurrence and severity of acute and chronic disease;
- to reduce the occurrence of disease and conditions that are environmentally induced, occupationally induced, and influenced by lifestyle choices and cultural norms;
- to safeguard and promote the health and safety of persons receiving services from health care providers;
- to assure efficient and effective coordination of health related activities and services from health care providers;
- to improve decision making and health related planning and research at all levels of government and in the public sector; and
- to reduce the rate of increase in health care expenditures in Minnesota.

The annual Performance Report, dated September 1994 describes agency results and outcomes.

Public health strategies focus on the core functions of assessment; policy development and planning; and assurance.

Assessment consists of regularly and systematically collecting, assembling, and analyzing information on the health of populations, factors affecting people's health, and the health system itself.

Policy Development & Planning involves leading communities in the development of public health priorities and collaborative strategies to improve population health, and assisting in the development of sound, comprehensive policies in matters related to health.

Assurance entails working both independently and with partners to assure that the appropriate activities to protect and improve public health are carried out. This has often involved the direct delivery of services to individuals not served by the private health care providers.

Supporting MDH programs and local public health agencies in health assessment and policy development is an important agency priority at this time. Although many public health activities represent long-standing government responsibilities, health reform provides new opportunities and makes new demands on MDH and local public health agencies. Strengthening state and local government capacity to perform the core functions is a prerequisite to true reform of the health system. For example, assessment activities such as surveillance, assessment of health status, and outcomes monitoring, undertaken on a population-wide basis, are essential to the development and implementation of sufficient and appropriate policies and services to protect and improve the public's health. The information obtained through assessment activities is used in the development of local and statewide public health priorities as well as programs and strategies to address health problems. Both the assessment and policy development functions are essential in guiding the efforts of health plans, community organizations and others interested in creating healthy communities.

1996-97 Biennial Budget

AGENCY: Health, Department of (MDH)
(Continuation)

REVENUE SUMMARY:

Revenue generated through fees and charges by the department are deposited in the state Government Special Revenue Fund, are estimated to be \$14.8 million in 1995 and represent about 8% of the total budget. The department has numerous inter-agency agreements for the delivery of various services such as certification of long term care facilities and the provision of laboratory services for the Pollution Control Agency. Revenues from these sources are deposited in the Special Revenue Fund and represent 13% of the agency's resources. The department very actively seeks grants from the federal government for public health activities. We are awarded an estimated 40 separate grants totalling over \$100 million annually which represents an estimated 52% of the total budget. The General Fund appropriation to the department is an estimated 19.8% or \$38.3 million.

This budget proposes numerous changes in revenue in order to fully support licensing and other fee supported activities. It also proposes a major decrease in fee charges for licensing of health care facilities.

SUMMARY OF BUDGET REQUEST:

The budget plan includes a request for:

- additional General Fund appropriations of \$590,000 to plan a complete re-design of the state's vital records system,
- fee supported State Government Special Revenue Funds of \$116,000 to improve Environmental Laboratory Proficiency testing,
- fee supported State Government Special Revenue Funds of \$240,000 for increased home care regulation,
- fee supported State Government Special Revenue Funds of \$944,000 for expansion of the health facility license program and a reduction in fees for licensed health care facilities,
- a 3% increase to fee supported activities of \$527,000 for inflation increases for nonsalary items.
- a decrease of \$704,000 related to suspension of activities surrounding RAPO.

The 1994 legislature created a new system for funding legal services provided by the Attorney General's Office. The plan also includes a base adjustment of \$258,000 from the General Fund, \$436,000 from the state Government Special Revenue Fund, and \$100,000 from the Health Care Access Fund for Attorney General Office support.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund biennial appropriation of \$75,944,000 for the agency plan which includes funding for reengineering the state's Vital Records System, including the expansion of the Electronic Birth Certificate System.

The Governor recommends the establishment of a Department of Children and Education Services to improve coordination and integration of services, and to achieve improved outcomes for children and their families. \$597,000 is recommended to transfer to the new department in F.Y. 1997. It is the intent of the Governor to transfer the Women, Infant, Children (WIC) funding and the Maternal Child Health (MCH) funding. This will be done after Congress approves the Department of Children and Education Services as the designated agency to receive such funds or the federal government changes the nature of federal funding and allows states flexibility with block grant monies.

The Governor recommends funding of \$520,000 to establish a women's health center to promote and improve the health status of women of all ages and to provide a focal point for women's health advocacy, research and dissemination of information.

The Governor recommends that responsibility for the development and implementation of comparative performance measurement of health plan companies, hospitals, provider organizations, and care delivery systems be transferred to the Minnesota Health Data Institute (MHDI). These activities will be funded by providing MHDI a grant from MDH using funds allocated for hospital quality indicators, practice parameters, and condition specific outcome studies.

The Governor also recommends repeal of the statutory authority for state approved practice parameters and the Practice Parameter Advisory Committee (PPAC).

The Governor recommends a \$420,000 reduction in the areas of occupation policy analysis, interagency board coordination and environmental radiation monitoring.

The Governor recommends a decrease in the fees charged to hospitals and nursing homes for licensure and an increase in the fees supporting the Food, Beverage, and Lodging Inspection Program to recover its operating deficit.

The Governor recommends appropriation increases for state licensed home care, licensed health care facilities, and laboratory certification. Current revenue from these fee generating activities is sufficient to cover the increases.

The Governor concurs with the agency plan to allow nonsalary inflation increases where existing revenue is sufficient to cover the increased costs in the nongeneral fund fee related activities.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
HEALTH SYSTEMS DEVELOPMENT	88,485	98,787	110,965	108,442	108,450	108,710	107,669	107,550	107,213
HEALTH QUALITY ASSURANCE	18,999	19,660	23,725	23,399	23,827	23,717	23,407	24,197	24,087
HEALTH PROTECTION	29,989	33,860	38,537	39,084	39,263	39,163	39,019	39,317	39,217
MANAGEMENT AND SUPPORT SERVICES	13,544	17,286	19,093	19,063	19,106	19,106	19,119	19,205	19,205
TOTAL EXPENDITURES BY PROGRAM	151,017	169,593	192,320	189,988	190,646	190,696	189,214	190,269	189,722
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	47,515	37,571	38,343	37,867	38,222	38,272	37,984	38,219	37,672
STATE GOVT SPEC REV	523	13,812	14,814	15,032	15,683	15,683	15,032	16,208	16,208
HEALTH CARE ACCESS	2,210	4,695	9,977	7,563	7,215	7,215	6,715	6,359	6,359
SPECIAL REVENUE			8	8	8	8	8	8	8
TRUNK HIGHWAY	1,478	1,477	1,513	1,513	1,513	1,513	1,513	1,513	1,513
METRO LANDFILL CONTN	115	140	248	193	193	193	193	193	193
OPEN APPROPRIATIONS:									
STATE GOVT SPEC REV	5	6							
STATUTORY APPROPRIATIONS:									
GENERAL	1,161	487	682	682	682	682	682	682	682
STATE GOVT SPEC REV		50	50	50	50	50	50	50	50
HEALTH CARE ACCESS		1							
SPECIAL REVENUE	15,728	23,614	25,495	25,495	25,495	25,495	25,495	25,495	25,495
FEDERAL	81,146	87,096	99,795	100,190	100,190	100,190	100,147	100,147	100,147
AGENCY	377	22							
GIFTS AND DEPOSITS	759	622	1,395	1,395	1,395	1,395	1,395	1,395	1,395
TOTAL FINANCING	151,017	169,593	192,320	189,988	190,646	190,696	189,214	190,269	189,722
FTE BY EMPLOYMENT TYPE:									
REGULAR	887.1	912.2	1,150.3		1,148.0			1,143.9	
TEMP/SEAS/PART_TIME	75.3	94.3	47.9		49.0			49.0	
OVERTIME	1.1	1.7	.3		.3			.3	
TOTAL FTE	963.5	1,008.2	1,198.5		1,197.3	1,194.8		1,193.2	1,186.7

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: HEALTH, DEPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	192,312	192,302	39,025	39,025	53,500	53,500	99,787	99,777
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<555>	<555>	<230>	<230>	<325>	<325>		
APPROPRIATIONS CARRIED FWD	<1,008>	<1,075>	<266>	<266>	<742>	<809>		
NON-RECURRING EXPENDITURES	<1,640>	<1,882>	<150>	<150>	<1,440>	<1,682>	<50>	<50>
SUNSET PROGRAM/AGENCY		<616>				<616>		
DOCUMENTED RENT/LEASE INC/DEC	6	123	6	123				
SPECIAL LEGIS. ADJUSTMENTS	23	100	35	35	<12>	65		
FEDERAL RECEIPTS	453	420					453	420
ATTORNEY GENERAL COSTS	397	397	129	129	268	268		
SUBTOTAL BASE ADJ.	<2,324>	<3,088>	<476>	<359>	<2,251>	<3,099>	403	370
CURRENT SPENDING	189,988	189,214	38,549	38,666	51,249	50,401	100,190	100,147

1996-97 Biennial Budget

PROGRAM: Health Systems Development
AGENCY: Health, Department of (MDH)

PROGRAM DESCRIPTION:

Community Health Services, Family Health, and Health Care Delivery Policy are the activities of this program.

The issues associated with these activities are:

- Health reform in Minnesota is having a significant influence on state and local responsibilities. The health department, in collaboration with other health reform stakeholders, is completing the public health "systems development" recommendations (required by Article 7 of the 1994 MinnesotaCare Act). The department will need to translate the core public health functions of "assessment, policy development and planning, and assurance" into operational terms and estimate the funding needs of meeting these operational requirements. It must also develop and implement strategies for improving local capacity for meeting those requirements and further develop strategies for ensuring future financing and delivery of personal care services.
- Insuring optimal options for children, families, and communities is of paramount importance to Minnesotans. The MDH carries out its responsibilities through the promotion and protection of the health of individuals, especially women and children by preventing chronic disease, injury and other adverse health outcomes through community health and individual approaches, as well as comprehensive, coordinated, and family centered systems of care.
- The lack of congressional action on health care reform makes it imperative that Minnesota continue with its current efforts relating to cost containment and improving access to quality health care while carefully examining which activities assigned to the department are most effective in achieving the goals of access, quality and cost containment. Experience gained in Minnesota, as well as other states proceeding with health care reform initiatives, will provide direction for future attempts at national reform and enable Minnesota to continue to positively impact the health status of all individuals.

PROGRAM STATUS:

The mission of this bureau is to promote optimal health outcomes for all Minnesotans through the development of a comprehensive and integrated health system. This health system is based on policy analysis and development, data analysis, and health planning, all of which are the basis of the state's health care reform efforts.

Minnesota's health care reform efforts must be consistent with the proven effective state and local cooperative partnership. That partnership ensures that Minnesota's communities and local governments are able to meet their public health responsibilities under state law, that Minnesota's communities and local governments systematically assess health status and establish plans in order to improve public health, that Minnesota supports cooperative partnerships with cities, counties and local health organizations, and that Minnesota supports joint state and local disease prevention, health promotion and health service delivery programs and strategies addressing not only the general

population, but also the specific gap in health status between minorities and non-minorities.

The agency budget plan recognizes that in view of a reforming health system, there will be a greater emphasis on public accountability for new activities that impact all segments of our population. Funding is requested to support the reengineering of the vital records system (a key building block in public health surveillance and assessment) in order to better provide information and data related to core public health functions.

The importance of lifestyle factors, such as diet, physical activity, non-smoking, elimination or moderation of chemical use, and appropriate utilization of health services are recognized to reduce premature mortality and morbidity. Increased interest in and knowledge of how lifestyle choices affect overall health and well being and recognition of effective prevention strategies allow programs targeted at high risk populations to effectively improve the health status of Minnesotans.

The goals of Minnesota's health care reform efforts include: controlling the rate of growth of health care spending; improving the quality of health care services; and improving access to health care services. Many of the activities within this program are specifically designed to work toward the achievement of our state health care reform goals. These program activities must continue at requested funding levels if Minnesota's health care reform efforts are to proceed on schedule.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1994 Annual Report to be accomplished or accelerated as follows:

- Strengthen and support a system of cooperative partnerships among local, regional, and state organizations committed to protecting and promoting the health of the general population (by providing increased capacity for agencies to provide core public health functions). This shift in emphasis will be reflected in level or declining numbers of local agency home care and family health visits.
- Implementing public health reform in a manner consistent with Minnesota's health care reform efforts, particularly as those efforts relate to core public health functions.
- By the end of F.Y. 1997, adult smoking rates will be reduced to 17.5%. Currently, approximately 22% of adults in Minnesota smoke. Smoking related diseases, which account for more than 6,000 deaths each year, represent the leading cause of preventable mortality in Minnesota. The department will continue activity directed at smoking cessation.
- Women who have early, continuous, risk appropriate prenatal care as a group have better pregnancy outcomes than those who do not. Currently, 82% of pregnant women begin prenatal care during the first trimester of pregnancy. The department will continue activities to increase the number of pregnant women receiving early and appropriate care.
- By the end of F.Y. 1997, the annual rate of growth of health care costs will be reduced to 6.7%. This performance measure is consistent with the annual performance report and requires a decrease in the rate of growth of health care costs by 10% per year in order to reach the 1997 target.
- By the end of F.Y. 1997, 8 additional community health centers and outreach projects will be established in medically underserved areas of the state. This performance measure is consistent with the annual performance report and assumes continued base funding levels for grants to community health centers and rural health outreach programs.

1996-97 Biennial Budget

PROGRAM: Health Systems Development
AGENCY: Health, Department of (MDH)
(Continuation)

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- The agency plan includes requested funding for planning the complete reengineering of the statewide vital records system, including the continued expansion of the Electronic Birth Certificate (EBC), a system by which hospitals provided computerized birth certificates directly to the department.
- Several reports with fiscal impact are called for by the 1994 MinnesotaCare Act. Article 7 (Minn. Laws 1994, Ch. 625, Art. 7, §1) requires a report by 1-15-95, to include recommendations on: implementing and financing local government public health functions and a series of other recommendations culminating in a recommended level of "dedicated funding" for local public health.
- The department is requesting a review of the distribution of funds currently available to the MDH and to the Department of Human Services for the Traumatic Brain and Spinal Cord Injury (TBI/SCI) fund to assure continued support for the TBI/SCI surveillance and service registry.
- The Family Health activity must respond to the need for a balanced budget for F.Y. 1996 and F.Y. 1997. The resulting reductions will affect the program's ability to respond to the needs of children and their families and to fully participate in children's systems and health care reform initiatives.
- The agency plan includes a base reduction in the health care access fund in F.Y. 1997 because the statutory authority for the Health Care Commission and the Regional Coordinating Boards will expire at the end of the F.Y. 1996.
- The agency plan includes a 3% inflation increase for each year of the biennium for all fee generating activities within this program for nonsalary items.
- The agency plan includes a suspension of regulated all payor option systems activities related to rate setting systems.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$590,000 for reengineering the state's Vital Records System, including the expansion of the Electronic Birth Certificate System. Release of the F.Y. 1997 funding should be contingent upon receipt by IPO of the required planning tasks identified in its 1996-97 Information Systems Funding Recommendations.

The Governor recommends the establishment of a Department of Children and Education Services to improve coordination and integration of services, and to achieve improved outcomes for children and their families. \$597,000 is recommended to transfer to the new department in F.Y. 1997. This transfer includes the Home Visiting Program, the School Health Program, and the Dental Health Program. It is the intent of the Governor to transfer the Women, Infant, Children (WIC) funding and the Maternal Child Health (MCH) funding. This will be done after Congress approves the

Department of Children and Education Services as the designated agency to receive such funds or the federal government changes the nature of federal funding and allows states flexibility with block grant monies.

The Governor recommends funding of \$520,000 to establish a women's health center to promote and improve the health status of women of all ages and to provide a focal point for women's health advocacy, research and dissemination of information.

The Governor recommends that responsibility for the development and implementation of comparative performance measurement of health plan companies, hospitals, provider organizations, and care delivery systems be transferred to the Minnesota Health Data Institute (MHDI). These activities will be funded by providing MHDI a grant from MDH using funds allocated for hospital quality indicators, practice parameters, and condition specific outcome studies.

The Governor also recommends repeal of the statutory authority for state approved practice parameters and the Practice Parameter Advisory Committee (PPAC).

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH SYSTEMS DEVELOPMENT

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
COMMUNITY HEALTH SERVICES	17,111	17,213	17,663	17,605	17,961	17,961	17,605	17,842	17,842
FAMILY HEALTH	68,955	76,902	83,997	83,653	83,653	83,913	83,653	83,653	83,316
HEALTH CARE DELIVERY POLICY	2,419	4,672	9,305	7,184	6,836	6,836	6,411	6,055	6,055
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	88,485	98,787	110,965	108,442	108,450	108,710	107,669	107,550	107,213
AGENCY PLAN ITEMS:			FUND						
=====	=====	=====	=====						
NON-DEDICATED FEE SPENDING (UP TO 3%)			SGS		1			2	
VITAL STATISTICS REDESIGN AND EBC			GEN		355			235	
SUSPENSION OF RAPO ENFORCEMENT ACTIVITY			HCA		<348>			<356>	
=====	=====	=====	=====		=====			=====	
TOTAL AGENCY PLAN ITEMS					8			<119>	
GOV'S INITIATIVES:			FUND						
=====	=====	=====	=====						
(A) WOMEN'S HEALTH INITIATIVE			GEN			260			260
(P) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			GEN						<597>
=====	=====	=====	=====			=====		=====	
TOTAL GOV'S INITIATIVES						260			<337>
SOURCES OF FINANCING:									
=====	=====	=====	=====						
DIRECT APPROPRIATIONS:									
GENERAL	24,785	26,955	27,509	27,128	27,483	27,743	27,128	27,363	27,026
STATE GOVT SPEC REV		478	428	428	429	429	428	430	430
HEALTH CARE ACCESS	1,896	3,925	8,199	6,065	5,717	5,717	5,292	4,936	4,936
STATUTORY APPROPRIATIONS:									
GENERAL	220	381	378	378	378	378	378	378	378
HEALTH CARE ACCESS		1							
SPECIAL REVENUE	781	765	889	889	889	889	889	889	889
FEDERAL	60,562	65,825	73,025	73,017	73,017	73,017	73,017	73,017	73,017
GIFTS AND DEPOSITS	241	457	537	537	537	537	537	537	537
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	88,485	98,787	110,965	108,442	108,450	108,710	107,669	107,550	107,213

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH SYSTEMS DEVELOPMENT

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	183.7	207.7	317.4		303.1			294.0	
TEMP/SEAS/PART_TIME	27.9	45.4	27.3		29.7			29.7	
OVERTIME	.4	.4	.1		.1			.1	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	212.0	253.5	344.8		332.9	333.4		323.8	320.3

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH SYSTEMS DEVELOPMENT
ACTIVITY: FAMILY HEALTH

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	5,908	6,227	7,752	7,700	7,700	7,828	7,700	7,700	7,575
EXPENSES/CONTRACTUAL SRVCS	2,061	2,034	2,497	2,294	2,294	2,389	2,294	2,294	2,372
MISC OPERATING EXPENSES	383	450	393	393	393	410	393	393	396
SUPPLIES/MATERIALS/PARTS	594	310	715	630	630	640	630	630	635
CAPITAL EQUIPMENT	236	178	60	60	60	70	60	60	70
OTHER	<67>			3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	9,115	9,199	11,417	11,080	11,080	11,340	11,080	11,080	11,051
AIDS TO INDIVIDUALS	40,871	45,095	48,751	48,744	48,744	48,744	48,744	48,744	48,744
LOCAL ASSISTANCE	18,969	22,608	23,829	23,829	23,829	23,829	23,829	23,829	23,521
TOTAL EXPENDITURES	68,955	76,902	83,997	83,653	83,653	83,913	83,653	83,653	83,316
GOV'S INITIATIVES:			FUND						
(A) WOMEN'S HEALTH INITIATIVE			GEN			260			260
(P) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES			GEN						<597>
TOTAL GOV'S INITIATIVES						260			<337>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	8,534	11,339	11,848	11,512	11,512	11,772	11,512	11,512	11,175
STATUTORY APPROPRIATIONS:									
GENERAL	220	381	378	378	378	378	378	378	378
SPECIAL REVENUE	310	349	519	519	519	519	519	519	519
FEDERAL	59,891	64,824	71,202	71,194	71,194	71,194	71,194	71,194	71,194
GIFTS AND DEPOSITS		9	50	50	50	50	50	50	50
TOTAL FINANCING	68,955	76,902	83,997	83,653	83,653	83,913	83,653	83,653	83,316

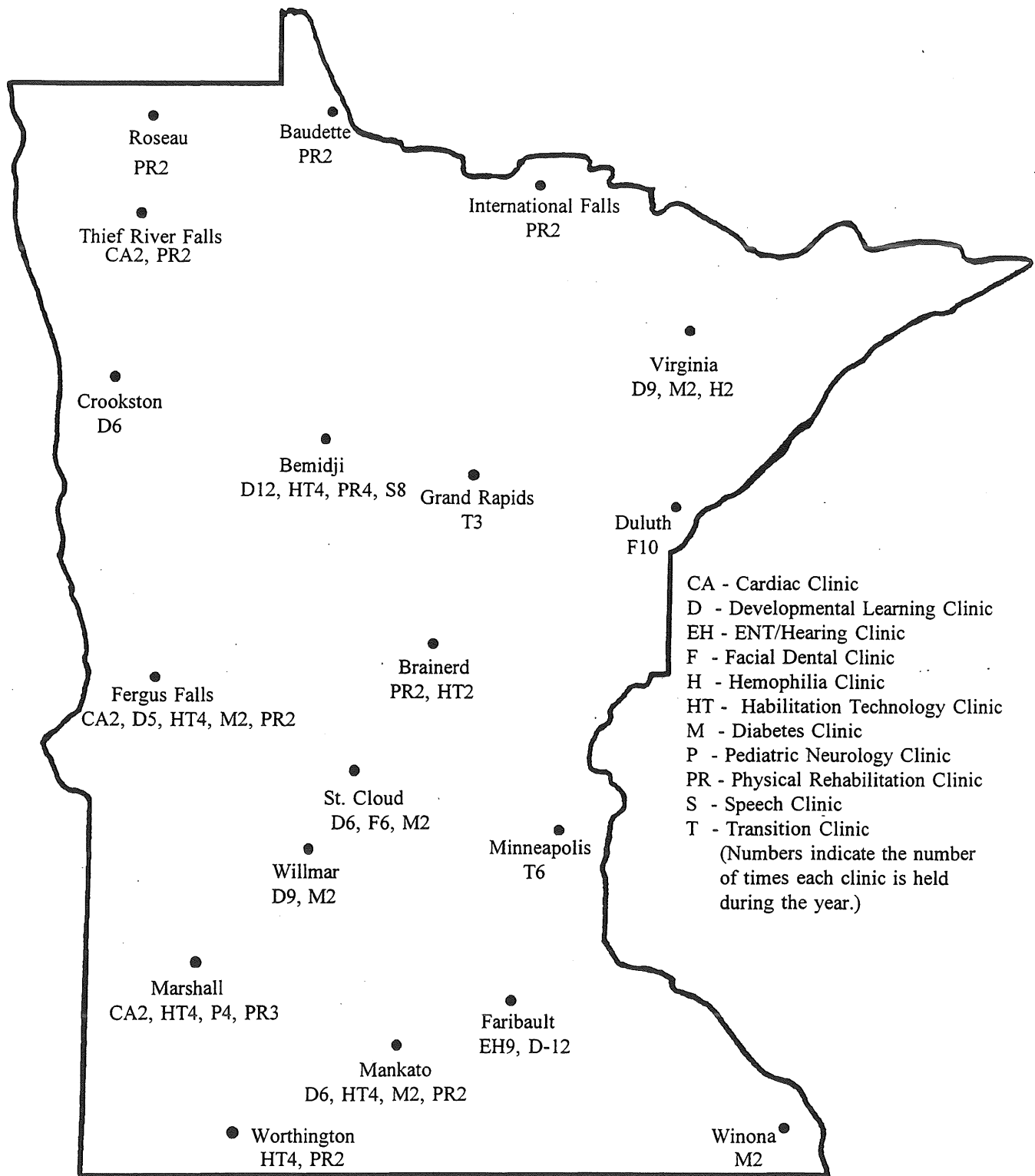
1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH SYSTEMS DEVELOPMENT
ACTIVITY: FAMILY HEALTH

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	114.1	120.7	164.3		157.2			157.2	
TEMP/SEAS/PART_TIME	20.2	19.8	15.4		17.9			17.9	
OVERTIME	.3	.1	.1		.1			.1	
TOTAL FTE	134.6	140.6	179.8		175.2	178.7		175.2	174.7

MINNESOTA CHILDREN WITH SPECIAL HEALTH NEEDS

LOCATION AND FREQUENCY OF CLINICS



F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems Development
ACTIVITY: Family Health

ITEM TITLE: Women's Initiative

LONG-TERM IMPACT:

The health status of women of all ages will be improved.

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$260	\$260	\$260	\$260
Revenues: (\$000s)				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding of \$300,000 per year to establish a women's health center to promote and improve the health status of women of all ages and to provide a focal point for women's health advocacy, research, and dissemination of information.

RATIONALE:

Throughout history, there have been significant disparities in the way men and women have been treated by the health care system. Less attention has been directed to the identification of the special health care needs and the most effective treatment protocols for women. These inequities have served as obstacles to optimal health for women of all ages. The establishment of a Center for Women's Health will begin to address the gender inequities in the current health care system and provide women with access to critical information on the specific health problems that affect them.

PROGRAM OUTCOMES:

The center would be responsible for investigating women's health needs, creating a statewide coalition on women's health, developing a resource inventory of service and support systems available for women, convening conferences on women's health, assuring effective dissemination of current research results, and other activities that promote the health status of women of all ages.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH SYSTEMS DEVELOPMENT
ACTIVITY: HEALTH CARE DELIVERY POLICY

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,120	2,331	4,168	3,714	3,488	3,356	3,447	3,214	3,082
EXPENSES/CONTRACTUAL SRVCS	249	770	1,946	1,220	1,220	1,207	1,176	1,176	1,163
MISC OPERATING EXPENSES	101	253	221	185	185	185	119	119	119
SUPPLIES/MATERIALS/PARTS	147	178	1,456	869	795	790	478	404	399
CAPITAL EQUIPMENT	247	126	42	24	24	24	19	19	19
OTHER					<48>	<48>		<49>	<49>
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,864	3,658	7,833	6,012	5,664	5,514	5,239	4,883	4,733
AIDS TO INDIVIDUALS		84	84	84	84	84	84	84	84
LOCAL ASSISTANCE	555	930	1,388	1,088	1,088	1,238	1,088	1,088	1,238
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,419	4,672	9,305	7,184	6,836	6,836	6,411	6,055	6,055
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:			FUND						
-----			-----						
SUSPENSION OF RAPO ENFORCEMENT ACTIVITY			HCA		<348>			<356>	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS					<348>			<356>	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	80	10	106	94	94	94	94	94	94
HEALTH CARE ACCESS	1,896	3,925	8,174	6,065	5,717	5,717	5,292	4,936	4,936
STATUTORY APPROPRIATIONS:									
HEALTH CARE ACCESS		1							
SPECIAL REVENUE	37	24	48	48	48	48	48	48	48
FEDERAL	165	282	492	492	492	492	492	492	492
GIFTS AND DEPOSITS	241	430	485	485	485	485	485	485	485
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,419	4,672	9,305	7,184	6,836	6,836	6,411	6,055	6,055
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH SYSTEMS DEVELOPMENT
ACTIVITY: HEALTH CARE DELIVERY POLICY

				FY 1996			FY 1997		
			Est.						
ACTIVITY SUMMARY	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	20.5	34.0	85.1		71.3			63.3	
TEMP/SEAS/PART_TIME	4.3	20.5	10.0		10.0			10.0	
OVERTIME		.1							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	24.8	54.6	95.1		81.3	78.3		73.3	70.3

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Health, Department of
PROGRAM: Health Systems Development
ACTIVITY: Health Care Delivery Policy

ITEM TITLE: Regulated All-Payer Option (RAPO) Fee Schedule Development Suspension

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Health Care Access Fund				
- State Operations	\$(348)	\$(356)	\$(356)	\$(356)
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
Health Care Access Fund	\$-0-	\$(1,200)	\$(1,200)	\$(1,200)
Statutory Change? Yes <u>X</u> No <u> </u>				
If yes, statute(s) affected: M.S. 62P.03				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the development of Regulated All-Payer Option (RAPO) fee schedules and reimbursement systems be suspended but activities associated with administrative uniformity and monitoring the cost and trends of delivering services outside the Integrated Service Network (ISN) system be continued.

RATIONALE:

Under current law, implementation of the RAPO reimbursement system is scheduled to begin 1-1-96, with full implementation by 7-1-97. The purpose of RAPO is to provide a standardized uniform reimbursement (payment) system designed to control spending for all health care services provided outside of Integrated Service Networks (ISNs) and Community Integrated Service Networks (CISNs). RAPO is a fee-for-service alternative to these managed care plans for consumers, health care providers, and health plan companies. Current forecasts indicated that a majority of Minnesotans will choose to receive health care through managed care entities and that less than 10% of Minnesotans insured privately are likely to participate in RAPO.

The 1994 legislature implemented interim growth limits that will lower the rate of growth in statewide spending for health care services by 10% each year between 1994 and 1998. Initial indications are that growth in total health care spending is below the growth limits for 1994. Since few Minnesotans are likely to participate in RAPO, statewide cost containment goals are currently being met, and the cost associated with the development of rate setting mechanisms are significant, the rate setting component of RAPO should be suspended.

It is appropriate to suspend the development of RAPO fee schedules and reimbursement systems, allowing time to truly gauge the costs and benefits associated with rate setting in the reformed health care market.

Even if the rate setting aspects of RAPO are suspended, it will be necessary to continue developing system-wide requirements that apply both to RAPO and the ISN system including the development of standardized billing forms, claims processing, utilization review, data collection procedures, and incentives for encouraging the appropriate use of services and technology. An analysis of available data in Minnesota indicates that a minimum of 3 years will be required to develop adequate data collection procedures. Due to the fact that data collection efforts provide the foundation for monitoring health care costs, these efforts must be continued in order to comprehensively affect health care costs in both the ISN and fee-for-service markets.

PROGRAM OUTCOMES:

Due to the fact that less than 10% of Minnesotans insured privately are likely to participate in RAPO, and Minnesota cost containment goals are currently being met, a suspension of the development of RAPO fee schedules and reimbursement systems will not have an adverse impact on Minnesota's continued efforts to monitor trends in health care costs and spending. Furthermore, continuing the activities associated with administrative uniformity and monitoring the cost of delivering services outside the ISN system will create greater efficiencies in the fee-for-service market and provide the information necessary to determine if rate setting mechanisms would be appropriate in the future.

LONG-TERM IMPACT:

The suspension of the development of fee schedules for health services provided outside of the ISN/CISN system will not have an adverse effect on overall MinnesotaCare reform efforts. The process could be reinstated if the rate of growth in health care expenditures for the fee for service markets exceeds growth limits in the future.

1996-97 BUDGET INITIATIVE

BUDGET ACTIVITY: Health Care Delivery Policy
PROGRAM: Health Systems Development
AGENCY: Health, Department of

ITEM TITLE: Transfer of Comparative Performance Measurement Activities from the Department of Health to the Minnesota Health Data Institute and repeal of state approved practice parameters.

		<u>1996-97 Biennium</u>		<u>1996-97 Biennium</u>	
		<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000)					
Health Care Access Fund					
- State Operations		\$(150)	\$(150)	\$(150)	\$(150)
- Grants		\$150	\$150	\$150	\$150
Statutory Change? Yes <u>X</u> No _____					
If yes, statute(s) affected: M.S. 62J.30 - 62J.34, 62J.45					

GOVERNOR'S RECOMMENDATION:

The Governor recommends that responsibility for the development and implementation of comparative performance measurement of health plan companies, hospitals, provider organizations, and care delivery systems be transferred to the Minnesota Health Data Institute (MHDI). These activities will be funded by providing MHDI a grant from the Minnesota Department of Health (MDH) using funds allocated for hospital quality indicators, practice parameters and condition specific outcome studies.

The Governor also recommends repeal of the statutory authority for state approved practice parameters and the Practice Parameter Advisory Committee (PPAC).

RATIONALE:

Under current law, MDH is charged with the responsibility of monitoring, tracking and trending the accessibility, utilization, quality and cost of health services in Minnesota. As part of that activity, MDH is required to develop and report comparative information to assist consumers and purchasers in making wise health care purchases. Specific activities intended to assist consumers and purchasers include the development of health plan "report cards", hospital quality indicators, and consumer satisfaction surveys.

To ensure that the data and information generated as part of the current performance measurement activities were done in an efficient and cost-effective manner, the legislature called for the creation of MHDI in 1993. MHDI is a public-private partnership composed of the stakeholders in the health

care system: Hospitals, health carriers, consumers, purchasers, physicians, nurses, and state agencies. Based on current legislation, MHDI is responsible for conducting a consumer satisfaction survey, and consulting with MDH on report cards and hospital quality indicators.

It is appropriate to transfer the responsibility for comparative performance measurement to MHDI because this would allow for a more integrated approach to supplying consumers and purchasers with information necessary to make wise market decisions. MHDI provides a forum for bringing together stakeholder's shared needs and ensuring that the stakeholder's viewpoint are represented. MHDI would assume responsibility for health plan report cards, hospital quality indicators, consumer satisfaction surveys, and comparative measurement of other care delivery systems. To fund the transferred responsibilities MDH will be granting MHDI \$150,000. This money is derived from 2 sources: 1) funding currently allocated to MDH for hospital quality indicators, and 2) funding currently allocated to MDH for the PPAC.

The state originally proposed practice parameters to help contain health care costs by providing protection in malpractice litigation and to help improve quality by eliminating unnecessary variation in care delivered. However, after working with practice parameters for 2 years, it has become apparent that state approved practice parameters will not provide any meaningful tort reform. Additionally, providers, provider organizations and health plans are already working to develop practice guidelines to ensure that the care delivered is necessary and appropriate. Some believe that implementing state approved practice parameters could actually stifle innovation and improvement in the care delivery system.

PROGRAM OUTCOMES:

Transferring these comparative performance measurement activities to MHDI will have 2 positive effects. First, it will consolidate the responsibilities for producing consumer-friendly health care information, which will make the information available more complete and useful. Second, it will allow MDH to focus on statewide, population-based measurement activities which: 1) assist the state in developing and refining its health policy in the areas of access, utilization, quality and cost; 2) assist the state in promoting the efficiency and effectiveness in the financing and delivery of care; 3) monitor, track and trend the accessibility, utilization, quality and cost of health care services within the state; and, 4) evaluate the impact of health reform activities.

Repealing authority for state approved practice parameters will eliminate unnecessary government involvement in an area best left to the private sector. Health care delivered in Minnesota will not be adversely affected by repealing this authority.

LONG TERM IMPACT:

This transfer of activities will benefit consumers and purchasers by making more complete, integrated health care information available. The transfer will also benefit the state's health care reform efforts by allowing MDH to focus on issues of access, utilization, quality and cost for the state as a whole. Finally, as a result of eliminating state approved practice parameters, the transfer of responsibilities to MHDI will not require any increases in funding.

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1996-97 Biennial Budget

PROGRAM: Health Quality Assurance
AGENCY: Health, Department of (MDH)

PROGRAM DESCRIPTION:

Occupational systems and compliance and facility and provider compliance are the activities of this program.

The issues associated with these activities are:

- Fees collected for some activities are less than sufficient to comply with statutory requirements for the regulation of health occupations.
- Funds appropriated from the State Government Special Revenue Fund for regulation of state licensed home care providers and health care facilities are insufficient to cover anticipated program expenditures although fees collected are sufficient, or exceed, the amount necessary to support this activity.

PROGRAM STATUS:

This program was created in August 1994 as part of the reorganization of the MDH. The mission of the program is to assure compliance with minimum quality standards of the health care delivery system, which are designed to safeguard and promote the health and safety of consumers of services. Compliance with standards is required of health care facilities, health plan companies, health occupations, Medicare certified providers and suppliers, and emergency medical services. These activities were previously located in 2 separate bureaus, but have now been combined.

Financial support for the program includes provider fees, Trunk Highway funds, grants, federal funds, Health Care Access funds, and the state General Fund.

PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1994 Annual Performance Report as follows:

- Increased appropriations for the enforcement of home care regulations will enable the program to maintain present activities and also meet increased compliance demands as the home care industry expands. These activities include routine surveys and complaint investigations, upon which the safety and security of vulnerable patients depends.
- Increased appropriation of funds already collected for the enforcement activities related to licensed health care facilities would result in a reduction in licensure fees, while at the same time enable the program to maintain its Federal match of funds. This will afford the program the opportunity to increase services to the public, including more timely complaint investigations, greater access to data, and additional training/consultation to providers, all of which contributes to increased quality of care for patients.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- The proposed appropriation increase for state licensed home care is \$115,000 in F.Y. 1996 and \$125,000 in F.Y. 1997.
- The proposed appropriation increase for licensed health care facilities is \$300,000 in F.Y. 1996 and \$644,000 in F.Y. 1997.
- The agency plan includes a 3% inflation increase for each year of the biennium for all fee generating activities within this program for nonsalary items.
- A decrease in licensing fees chargeable to nursing homes and hospitals of \$2,755,000 for F.Y. 1996 and \$3,758,000 for F.Y. 1997.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the fees charged to hospitals and nursing homes for licensure.

The Governor recommends a decrease of \$112,000 in occupational and systems compliance, and a decrease of \$108,000 in interagency board coordination.

The Governor recommends the appropriation increases for state licensed home care and licensed health care facilities. Current revenue from these fee generating activities is sufficient to cover the volume-driven workload.

The Governor concurs with the agency plan to allow nonsalary inflation increases where existing revenue is sufficient to cover the increased costs in the nongeneral fund fee related activities.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH QUALITY ASSURANCE

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OCCUPATIONAL & SYSTEMS COMPLIANCE	4,637	5,222	7,087	6,750	6,756	6,700	6,732	6,740	6,684
FACILITY & PROVIDER COMPLIANCE	14,362	14,438	16,638	16,649	17,071	17,017	16,675	17,457	17,403
TOTAL EXPENDITURES BY ACTIVITY	18,999	19,660	23,725	23,399	23,827	23,717	23,407	24,197	24,087
AGENCY PLAN ITEMS:	FUND								
NON-DEDICATED FEE SPENDING (UP TO 3%)			SGS		13			21	
HEALTH FACILITIES LICENSURE PROGRAM			SGS		300			644	
HOME CARE LICENSURE PROGRAM INCREASE			SGS		115			125	
TOTAL AGENCY PLAN ITEMS					428			790	
GOV'S INITIATIVES:	FUND								
(B) OCCUPATIONAL POLICY ANALYSIS			GEN			<56>			<56>
(B) INTERAGENCY BOARD COORDINATION			GEN			<54>			<54>
TOTAL GOV'S INITIATIVES						<110>			<110>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,112	1,118	1,483	1,295	1,295	1,185	1,295	1,295	1,185
STATE GOVT SPEC REV	315	2,591	3,578	3,676	4,104	4,104	3,695	4,485	4,485
HEALTH CARE ACCESS	70	217	795	609	609	609	598	598	598
TRUNK HIGHWAY	1,392	1,383	1,431	1,431	1,431	1,431	1,431	1,431	1,431
STATUTORY APPROPRIATIONS:									
GENERAL	756								
STATE GOVT SPEC REV		50	50	50	50	50	50	50	50
SPECIAL REVENUE	6,385	10,632	10,643	10,643	10,643	10,643	10,643	10,643	10,643
FEDERAL	6,969	3,669	5,744	5,694	5,694	5,694	5,694	5,694	5,694
GIFTS AND DEPOSITS			1	1	1	1	1	1	1
TOTAL FINANCING	18,999	19,660	23,725	23,399	23,827	23,717	23,407	24,197	24,087

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

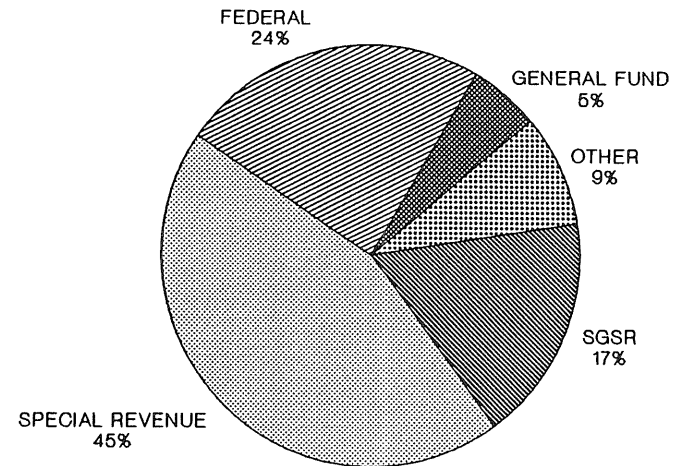
AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH QUALITY ASSURANCE

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

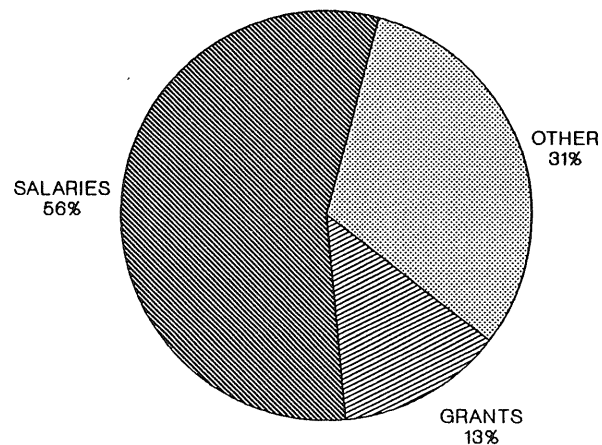
REGULAR	237.2	233.9	269.8		275.8			280.8	
TEMP/SEAS/PART_TIME	5.4	6.4	2.1		2.1			2.1	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	242.6	240.3	271.9		277.9	275.9		282.9	280.9

Minnesota Department of Health Fiscal Summary Health Quality Assurance Program F.Y. 1996 Agency Plan

Resources \$23.8 million

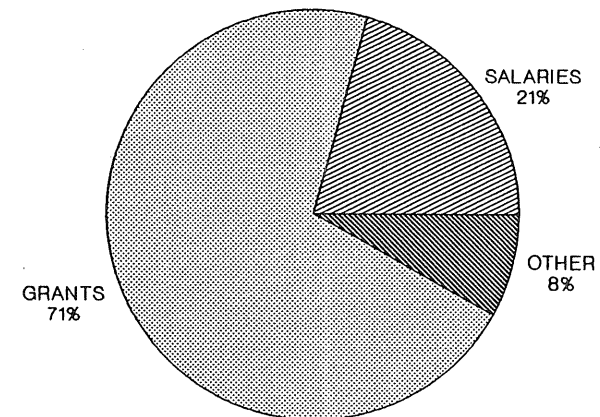


Total Expenditures
\$23.8 million



SGSR = State Govt. Special Revenue

General Fund Expenditures
\$1.3 million



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1996-97 Biennial Budget

BUDGET ACTIVITY: Occupational and Systems Compliance
PROGRAM: Health Quality Assurance
AGENCY: Health, Department of (MDH)

ACTIVITY DESCRIPTION:

The Occupational and Systems Compliance activity includes the regulation of health maintenance organizations (HMOs), emergency medical services (EMS), allied health care practitioners, and morticians, funeral directors and mortuary science trainees. In so doing, the availability of quality, affordable and accessible health care and allied health care services is enhanced, and the public health, safety and welfare of Minnesota citizens who require emergency medical response or are involved in the funeral industry is protected.

The Occupational and Systems Compliance activity participates in core public health functions of policy development and planning through the promulgation of rules and regulations related to the delivery of managed care, occupational, emergency and mortuary science services (e.g., written rules for the creation of Integrated Service Networks). Assurance that the public is provided with necessary and appropriate services is achieved through the monitoring of compliance with access and quality standards, along with the enforcement of applicable requirements. These functions include inspections, licensing/certification of persons or entities, complaint investigations, quality assurance evaluations, and provision of consultation or training.

BUDGET ISSUES:

The agency budget plan will affect the Occupational and Systems Compliance activity as follows:

- When the Minnesota EMS Advisory Council was formed in 1990, its first action was to create the First Responder Work Group. Since that time, the number of first responders has grown as has their role in the EMS System. Recommendations are being presented to the commissioner which address the need and degree to which first responders should be recognized and regulated in Minnesota. A staff analysis of these recommendations regarding legislative action and first responders, indicate the need for considerable staff time and attorney general time.
- The Minnesota Comprehensive Trauma System report, prepared in November 1993, recognizes that there are opportunities to improve the quality and access of care available to victims of injury. As a result of this report, a recommendation will be forwarded to the commissioner to seek the authority to establish a comprehensive trauma system in Minnesota. Implementation of this initiative will extend over the next 2 biennia, although no budget request has been identified at this time.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Non-dedicated - Gen'l	\$1,050	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Non-dedicated - State Gov't	156	1,155	1,166	990	1,430
Non-dedicated - Trunk Highway	24	40	24	40	24
Dedicated - Special	783	789	872	872	872
Dedicated - Federal	<u>611</u>	<u>642</u>	<u>1,076</u>	<u>1,026</u>	<u>1,026</u>
Total	\$2,624	\$2,626	\$3,138	\$2,928	\$3,352

GRANTS:

1. Minnesota Emergency Medical Services Systems Support Act

- A. Statutory Reference: M.S. 144.8093, M.S. 169.686, Subd. 3., the Emergency Medical Services Systems Act [P.L.93-154] as amended and the Public Health Services Act Title XIX (Part A Sec. 501-509)
- B. Purpose: The purpose of this grant program is to develop, maintain, and improve regional systems of emergency care in each of Minnesota's eight EMS regions. The development of regional systems of emergency care includes the development and coordination of resources in the pre-hospital, in-hospital, and inter-hospital components of an EMS system. The funds are to be used for the general purposes of promoting systematic, cost effective delivery of emergency medical care throughout the state. Funds from the "seat belt" fine are also used by the 8 regional EMS systems designated by the commissioner for equipment and vehicle purchases and operational expenses of ambulance services. The desired outcome of these efforts is a reduction in death and disability due to medical emergencies.
- C. Identify Recipients: Recipients are 8 regional emergency medical services systems designated by the commissioner.
- D. Define Eligibility Criteria: Designated regional EMS systems may use EMS systems funds to support local and regional emergency medical services. The systems must be governed by a body consisting of appointed representatives from each of the counties in that region and must also include representatives from EMS organizations. Until F.Y. 1994, a portion of the Trunk Highway Fund was awarded to special EMS projects with potential statewide significance. Beginning in F.Y. 1994, this portion was awarded to the regional systems for "...projects with potential regionwide significance." (Minn. Laws 1992, Chapter 549, Art. 5, Sec. 14)

The federal Emergency Medical Services Systems Act and the Public Health Services (PHS) Act funds were used to develop regional EMS systems in 8 regions of the state between 1975 and 1987. Since that time, PHS grants have been received by each regional EMS system to continue this regional support.

- E. Formula Factors: 93½% of the System Support Act portion of the Trunk Highway Fund appropriation must be distributed annually on a contract for service basis with each of the 8 regional EMS systems designated by the commissioner. This fund is \$610,000.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH QUALITY ASSURANCE
ACTIVITY: OCCUPATIONAL & SYSTEMS COMPLIANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,809	1,957	2,616	2,662	2,662	2,616	2,713	2,713	2,667
EXPENSES/CONTRACTUAL SRVCS	287	351	884	727	729	729	665	669	669
MISC OPERATING EXPENSES	147	158	233	233	234	233	233	234	233
SUPPLIES/MATERIALS/PARTS	20	112	163	142	145	139	142	145	139
CAPITAL EQUIPMENT	17	68	80	57	57	54	57	57	54
OTHER				111	111	111	104	104	104
SUBTOTAL STATE OPERATIONS	2,280	2,646	3,976	3,932	3,938	3,882	3,914	3,922	3,866
AIDS TO INDIVIDUALS	235	354	542	449	449	449	449	449	449
LOCAL ASSISTANCE	2,122	2,222	2,569	2,369	2,369	2,369	2,369	2,369	2,369
TOTAL EXPENDITURES	4,637	5,222	7,087	6,750	6,756	6,700	6,732	6,740	6,684
AGENCY PLAN ITEMS:			FUND						
NON-DEDICATED FEE SPENDING (UP TO 3%)			SGS		6			8	
TOTAL AGENCY PLAN ITEMS					6			8	
GOV'S INITIATIVES:			FUND						
(B) OCCUPATIONAL POLICY ANALYSIS			GEN			<56>			<56>
TOTAL GOV'S INITIATIVES						<56>			<56>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,466	1,065	1,429	1,241	1,241	1,185	1,241	1,241	1,185
STATE GOVT SPEC REV	315	1,076	1,433	1,520	1,526	1,526	1,513	1,521	1,521
HEALTH CARE ACCESS	70	217	795	609	609	609	598	598	598
TRUNK HIGHWAY	1,392	1,383	1,431	1,431	1,431	1,431	1,431	1,431	1,431
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV		50	50	50	50	50	50	50	50

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH QUALITY ASSURANCE
ACTIVITY: OCCUPATIONAL & SYSTEMS COMPLIANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
SPECIAL REVENUE	783	789	872	872	872	872	872	872	872
FEDERAL	611	642	1,076	1,026	1,026	1,026	1,026	1,026	1,026
GIFTS AND DEPOSITS			1	1	1	1	1	1	1
TOTAL FINANCING	4,637	5,222	7,087	6,750	6,756	6,700	6,732	6,740	6,684
FTE BY EMPLOYMENT TYPE:									
REGULAR	38.5	40.5	57.0		57.0			58.0	
TEMP/SEAS/PART TIME	3.1	4.9	1.6		1.6			1.6	
TOTAL FTE	41.6	45.4	58.6		58.6	57.6		59.6	58.6

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Health, Department of
PROGRAM: Health Quality Assurance
ACTIVITY: Occupational and Systems Compliance

ITEM TITLE: Occupational Policy Analysis

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(56)	\$(56)	\$(56)	\$(56)

Revenues: (\$000s)

Statutory Change? Yes ____ No X

If yes, statute(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction of \$56,000 in the Health Occupations Program for F.Y. 1996 and F.Y. 1997.

RATIONALE:

In order to reduce the amount of General Fund expenditures for the next biennium, it is necessary to eliminate one position from the Health Occupations Program. The responsibilities of this position include reviewing and analyzing the effects of regulating occupations which are seeking credentialing by the department.

PROGRAM OUTCOMES:

The outcome of this reduction will be a savings to the General Fund account but will result in the curtailment of the Occupational Policy Analysis activity, which helps the legislature determine whether or not a health occupation should be credentialed.

LONG-TERM IMPACT:

The department will no longer respond to health occupations groups seeking credentials.

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1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH QUALITY ASSURANCE
ACTIVITY: FACILITY & PROVIDER COMPLIANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	9,600	9,507	10,265	10,265	10,504	10,452	10,265	10,721	10,669
EXPENSES/CONTRACTUAL SRVCS	3,042	3,310	4,720	4,720	4,724	4,723	4,720	4,728	4,727
MISC OPERATING EXPENSES	636	756	767	767	796	796	767	799	799
SUPPLIES/MATERIALS/PARTS	121	162	187	187	197	196	187	229	228
CAPITAL EQUIPMENT	591	361	357	357	366	366	357	411	411
OTHER				11	142	142	37	227	227
SUBTOTAL STATE OPERATIONS	13,990	14,096	16,296	16,307	16,729	16,675	16,333	17,115	17,061
LOCAL ASSISTANCE	372	342	342	342	342	342	342	342	342
TOTAL EXPENDITURES	14,362	14,438	16,638	16,649	17,071	17,017	16,675	17,457	17,403
AGENCY PLAN ITEMS:			FUND						
NON-DEDICATED FEE SPENDING (UP TO 3%)			SGS		7			13	
HEALTH FACILITIES LICENSURE PROGRAM			SGS		300			644	
HOME CARE LICENSURE PROGRAM INCREASE			SGS		115			125	
TOTAL AGENCY PLAN ITEMS					422			782	
GOV'S INITIATIVES:			FUND						
(B) INTERAGENCY BOARD COORDINATION			GEN			<54>			<54>
TOTAL GOV'S INITIATIVES						<54>			<54>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,646	53	54	54	54		54	54	
STATE GOVT SPEC REV		1,515	2,145	2,156	2,578	2,578	2,182	2,964	2,964
STATUTORY APPROPRIATIONS:									
GENERAL	756								
SPECIAL REVENUE	5,602	9,843	9,771	9,771	9,771	9,771	9,771	9,771	9,771

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH QUALITY ASSURANCE
ACTIVITY: FACILITY & PROVIDER COMPLIANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FEDERAL	6,358	3,027	4,668	4,668	4,668	4,668	4,668	4,668	4,668
TOTAL FINANCING	14,362	14,438	16,638	16,649	17,071	17,017	16,675	17,457	17,403
FTE BY EMPLOYMENT TYPE:									
REGULAR	198.7	193.4	212.8		218.8			222.8	
TEMP/SEAS/PART_TIME	2.3	1.5	.5		.5			.5	
TOTAL FTE	201.0	194.9	213.3		219.3	218.3		223.3	222.3

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Quality Assurance
ACTIVITY: Facility and Provider Compliance

ITEM TITLE: State Home Care Appropriation Increase

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
St. Gov't. Spec. Rev. Fd.				
- State Operations	\$115	\$125	\$125	\$125
Revenues: (\$000s)				
St. Gov't. Spec. Rev. Fd.	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an additional \$115,000 in F.Y. 1996 and \$125,000 in F.Y. 1997 from the State Government Special Revenue Fund to support this activity.

RATIONALE:

M.S. 144A.43 requires the commissioner to collect fees to support state home care licensure costs. The current fee revenue will allow an increased appropriation for compliance activities without a fee increase. An increase of \$115,000 in F.Y. 1996 and \$125,000 in F.Y. 1997 from the State Government Special Revenue Fund is needed because the number of licensed providers has increased beyond original projections. Without an increase in the amount the department is authorized to spend, the frequency of inspections will decrease and the department will be unable to promptly provide technical assistance to new providers. Home care is the most rapidly expanding provider group regulated by the Facility and Provider Compliance Division.

The increased appropriation will allow the hiring of 2 additional staff for the program.

PROGRAM OUTCOMES:

The department currently licenses 637 home care providers. This is an increase of 55% over original projections. The final state licensure rules for this program became effective in June 1993. During F.Y. 1994 the department responded to 2,000 requests for information regarding this state licensure program. A variety of different types of home care providers had their licenses reviewed and/or had on-site inspections.

LONG-TERM IMPACT:

With an increased appropriation the department will be able to inspect and review home care licensees at a frequency of approximately once every 3 years. With the rapid expansion of home care providers it is anticipated that the amount of fee revenue appropriated to the department will need to be adjusted upward in order to maintain a reasonable frequency of regulatory activity.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Health, Department of
PROGRAM: Health Quality Assurance
ACTIVITY: Facility and Provider Compliance

ITEM TITLE: Interagency Board Coordination

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(54)	\$(54)	\$(54)	\$(54)

Revenues: (\$000s)

Statutory Change? Yes ____ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction of \$54,000 per year in this program related to the discontinued support of the Interagency Board.

RATIONALE:

The department currently supports interagency review of Long Term Care issues by sharing 50% of the cost for 2 Interagency Board positions (\$52,000) and the related supplies and expenses (\$2,000) with the Department of Human Services (DHS). When this reduction is measured against other public health needs there are activities which present a more urgent priority for funding. A reduction of \$54,000 within this activity will ensure that other public health needs are fulfilled.

PROGRAM OUTCOMES:

There will be decreased staff support available to coordinate state agency analysis of Long Term Care needs of Minnesota Residents. The staff reduction will mean increased reliance on Minnesota Department of Health and DHS as well as other agencies to spearhead and coordinate Long Term Care alternatives for Minnesota Residents.

LONG-TERM IMPACT:

The department will have decreased staff support on which to rely to coordinate the analysis of the Long Term Care needs of Minnesota residents.

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1996-97 Biennial Budget

PROGRAM: Health Protection
AGENCY: Health, Department of (MDH)

PROGRAM DESCRIPTION:

The Health Protection Program exists: to control or eliminate communicable and chronic disease; to protect citizens from environmental hazards; and to provide access to quality laboratory testing on human specimens and environmental samples.

PROGRAM STATUS:

As part of the reorganization of the MDH, the Breast and Cervical Cancer Section was moved to the Division of Disease Prevention and Control (DP&C). This addition to DP&C is a logical move as the division mission includes providing leadership in the prevention and control of acute and chronic disease through the collection of information on disease occurrence, as well as the development of prevention and control strategies which respond to these diseases. Core public health functions of assessment, policy development and planning, and assurance are tools used to identify priorities throughout the bureau.

Financial support for the bureau is largely dependent on program fees and federal funds.

PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1994 Annual Performance Report as follows:

- By the end of F.Y. 1997, immunization rates will be increased so that 90% of children are up-to-date when measured within 2 months of the date(s) on which they were to be vaccinated.
- Although many factors influence the numbers of persons infected with Human Immunodeficiency Virus (HIV) and those who go on to develop Acquired Immunodeficiency Syndrome (AIDS), the programs and interventions sponsored by the department must continue to reach persons at risk for HIV infection. The year 2000 goal is an increase of less than 3% per year in newly diagnosed cases of AIDS. The number of new AIDS cases in 1993 was 290.
- By 1997, the x-ray inspection staff will ensure that 100% of facilities performing diagnostic x-rays in Minnesota will comply with all required quality control standards. Compliance with ionizing radiation rules will continue to improve because more enforcement tools are now available through the Consolidated Health Enforcement Act of 1993 and because of the annual inspections required under the new federal mammography regulations.
- In order to improve the quality of test results from labs performing environmental monitoring services in Minnesota, the department is recommending increased training as well as a "blind" proficiency testing program for certified laboratories.

BUDGET AND REVENUE SUMMARY:

Summary of the Agency Plan is as follows:

- The proposed fee supported appropriation increase for improved training in the environmental laboratory certification activity - \$58,000 per year.
- A proposed increase of fees of \$175,000 per year for the Food, Beverage and Lodging Inspection Program to cover the past under recovered cost.
- The agency plan includes a 3% inflation increase for all fee generating activities within the program for nonsalary items.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increased appropriation for laboratory certification from the state Government Special Revenue Fund.

The Governor recommends a \$200,000 decrease in the restructuring of the environmental radiation monitoring program.

A fee increase is recommended in the Food, Beverage, and Lodging inspection program to recover its operational deficit.

The Governor concurs with the agency plan to allow nonsalary inflation increases where existing revenue is sufficient to cover the increased costs in nongeneral fund fee related activities.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH PROTECTION

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ENVIRONMENTAL HEALTH	12,578	13,235	14,212	14,242	14,353	14,253	14,231	14,452	14,352
DISEASE PREVENTION AND CONTROL	12,743	15,583	18,179	18,696	18,697	18,697	18,642	18,644	18,644
PUBLIC HEALTH LABORATORY	4,668	5,042	6,146	6,146	6,213	6,213	6,146	6,221	6,221
TOTAL EXPENDITURES BY ACTIVITY	29,989	33,860	38,537	39,084	39,263	39,163	39,019	39,317	39,217
AGENCY PLAN ITEMS:	FUND								
NON-DEDICATED FEE SPENDING (UP TO 3%)			SGS		121			240	
LABORATORY CERTIFICATION PROGRAM IMPROVE			SGS		58			58	
TOTAL AGENCY PLAN ITEMS					179			298	
GOV'S INITIATIVES:	FUND								
(B) ENVIRONMENTAL RADIATION MONITORING			GEN			<100>			<100>
TOTAL GOV'S INITIATIVES						<100>			<100>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	15,541	7,131	6,925	6,999	6,999	6,899	6,995	6,995	6,895
STATE GOVT SPEC REV	118	9,206	9,388	9,508	9,687	9,687	9,489	9,787	9,787
SPECIAL REVENUE			8	8	8	8	8	8	8
METRO LANDFILL CONTN	93	118	226	171	171	171	171	171	171
STATUTORY APPROPRIATIONS:									
GENERAL		106	304	304	304	304	304	304	304
SPECIAL REVENUE	2,825	2,753	3,475	3,475	3,475	3,475	3,475	3,475	3,475
FEDERAL	10,911	14,416	17,387	17,795	17,795	17,795	17,753	17,753	17,753
GIFTS AND DEPOSITS	501	130	824	824	824	824	824	824	824
TOTAL FINANCING	29,989	33,860	38,537	39,084	39,263	39,163	39,019	39,317	39,217
FTE BY EMPLOYMENT TYPE:									
REGULAR	362.5	371.2	445.4		451.4			451.4	

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

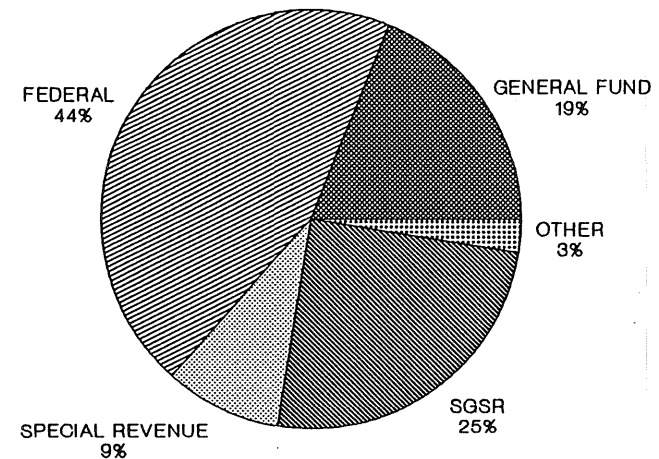
AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH PROTECTION

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TEMP/SEAS/PART_TIME	36.5	37.1	17.9		16.6			16.6	
OVERTIME	.2	.5	.2		.2			.2	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	399.2	408.8	463.5		468.2	467.2		468.2	467.2

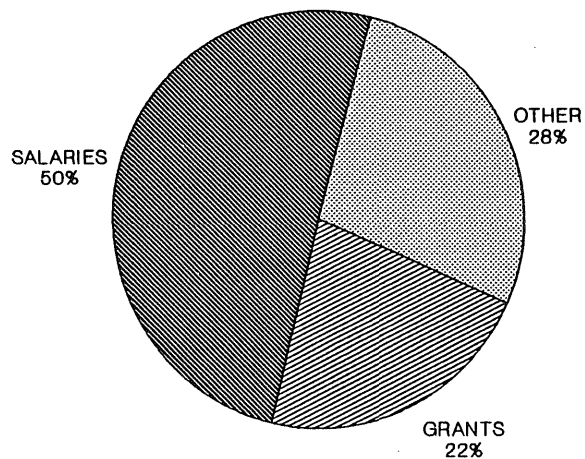
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Minnesota Department of Health Fiscal Summary Health Protection Program F.Y. 1996 Agency Plan

Resources \$39.3 million

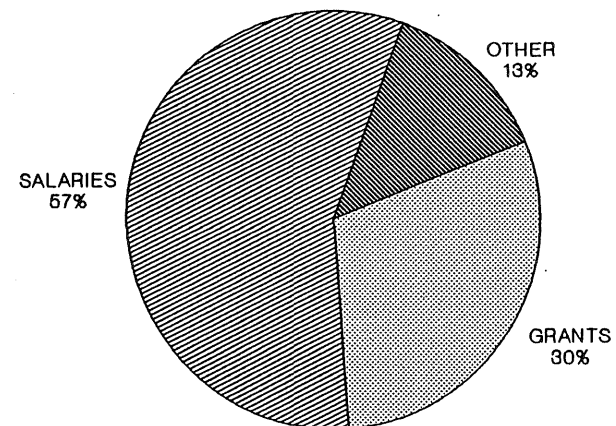


Total Expenditures
\$39.3 million



SGSR = State Govt. Special Revenue

General Fund Expenditures
\$7.3 million



1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH PROTECTION
ACTIVITY: ENVIRONMENTAL HEALTH

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	8,220	7,984	8,341	8,329	8,329	8,261	8,329	8,329	8,261
EXPENSES/CONTRACTUAL SRVCS	2,653	3,477	3,644	3,601	3,695	3,663	3,601	3,791	3,759
MISC OPERATING EXPENSES	696	806	1,038	1,038	1,055	1,055	1,038	1,069	1,069
SUPPLIES/MATERIALS/PARTS	298	300	388	388	388	388	388	388	388
CAPITAL EQUIPMENT	348	290	181	181	181	181	181	181	181
OTHER	301			85	85	85	74	74	74
SUBTOTAL STATE OPERATIONS	12,516	12,857	13,592	13,622	13,733	13,633	13,611	13,832	13,732
AIDS TO INDIVIDUALS	20	10	20	20	20	20	20	20	20
LOCAL ASSISTANCE	42	368	600	600	600	600	600	600	600
TOTAL EXPENDITURES	12,578	13,235	14,212	14,242	14,353	14,253	14,231	14,452	14,352
AGENCY PLAN ITEMS:			FUND						
NON-DEDICATED FEE SPENDING (UP TO 3%)			SGS		111			221	
TOTAL AGENCY PLAN ITEMS					111			221	
GOV'S INITIATIVES:			FUND						
(B) ENVIRONMENTAL RADIATION MONITORING			GEN			<100>			<100>
TOTAL GOV'S INITIATIVES						<100>			<100>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,009	1,691	1,629	1,643	1,643	1,543	1,639	1,639	1,539
STATE GOVT SPEC REV	69	8,177	7,838	7,909	8,020	8,020	7,902	8,123	8,123
SPECIAL REVENUE			8	8	8	8	8	8	8
METRO LANDFILL CONTN	93	118	226	171	171	171	171	171	171
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	257	149	256	256	256	256	256	256	256

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH, DEPT OF
PROGRAM: HEALTH PROTECTION
ACTIVITY: ENVIRONMENTAL HEALTH

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FEDERAL	3,150	3,100	4,254	4,254	4,254	4,254	4,254	4,254	4,254
GIFTS AND DEPOSITS			1	1	1	1	1	1	1
TOTAL FINANCING	12,578	13,235	14,212	14,242	14,353	14,253	14,231	14,452	14,352
FTE BY EMPLOYMENT TYPE:									
REGULAR	181.4	175.0	201.3		201.3			201.3	
TEMP/SEAS/PART_TIME	8.9	8.5	3.6		2.8			2.8	
OVERTIME		.1							
TOTAL FTE	190.3	183.6	204.9		204.1	203.1		204.1	203.1

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Health, Department of
PROGRAM: Health Protection
ACTIVITY: Environmental Health

ITEM TITLE: Environmental Radiation Monitoring Restructuring

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(100)	\$(100)	\$(100)	\$(100)

Revenues: (\$000s)

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a restructuring of the environmental radiation monitoring program. The initiative reflects the reduction of \$100,000 in the General Fund in F.Y. 1996 and F.Y. 1997. This reduction includes both salary and related supplies and expense.

RATIONALE:

The department collects environmental samples to detect the presence of radiation in water, air, vegetation and milk around the state's two nuclear power plants. The department annually issues a report of its monitoring results. The reduction of funding will limit the amount of resources available for analysis of samples. Therefore, the number of samples collected annually will be reduced. The department will implement efficiencies in the sample collection process. The scope of this program was decreased in the last biennial budget. The department previously collected samples statewide. Currently, the program focuses almost exclusively on sample collection in and around the state's two nuclear power plants.

PROGRAM OUTCOMES:

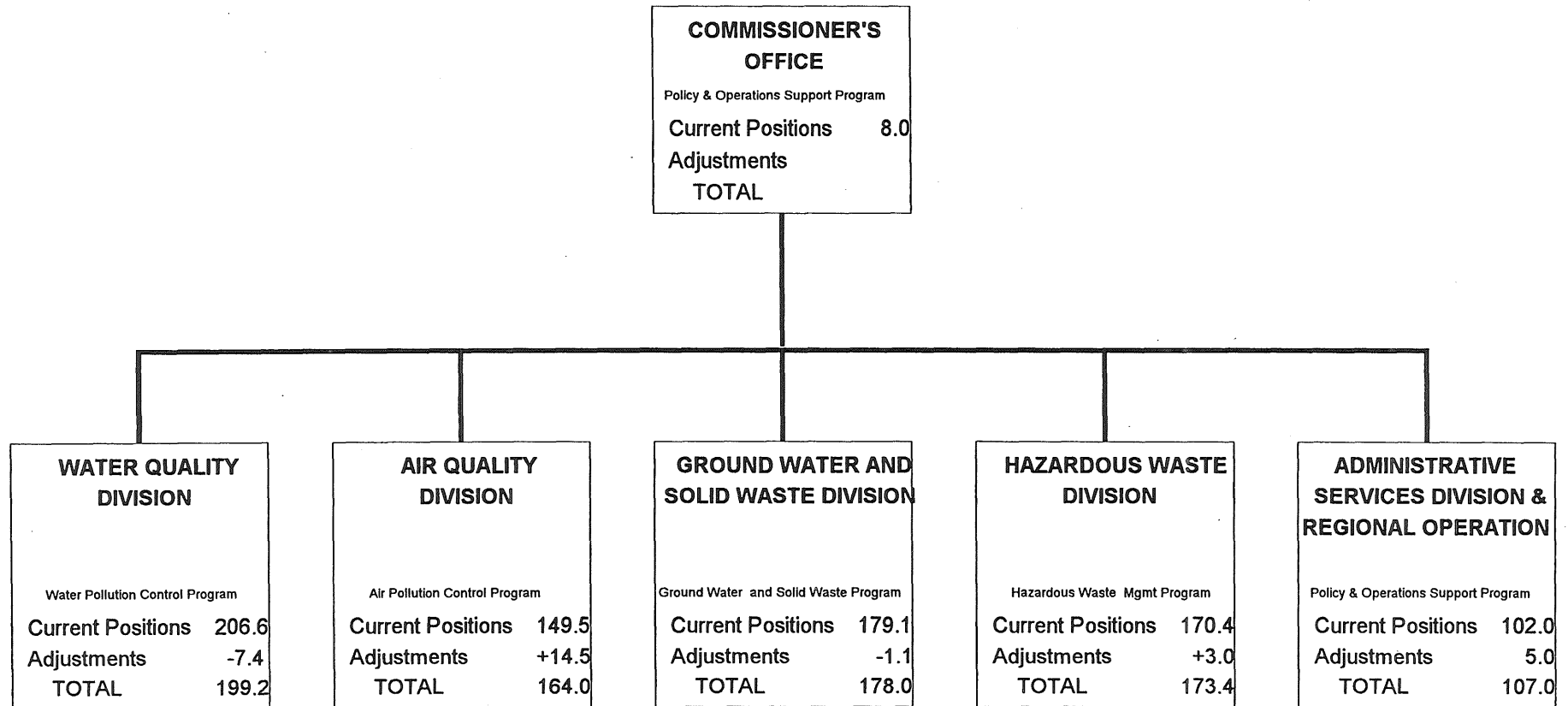
The department will reduce the number of samples collected and analyzed. The department will rely more heavily on other sources of environmental radiation monitoring data to ensure exposure standards are not exceeded, such as data reported by Northern States Power Company, the Nuclear Regulatory Commission, and the Prairie Island Indian Community. The department will increase its reliance on other sources of monitoring data for completion of its annual environmental radiation monitoring report.

LONG-TERM IMPACT:

The department will be unable to rely exclusively on its own environmental radiation monitoring data in order to provide assurance to the public concerning releases of radiation to the environment or concerning changes in the degree of environmental radiation over time.

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Minnesota Pollution Control Agency Organization Chart 7/1/94



June 30, 1994 FTE Employees: 802.4

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Pollution Control Agency (MPCA)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$10,469	\$10,469	\$20,938
<u>BASE ADJUSTMENT:</u>			
One-time Appropriation	(75)	(75)	(150)
Biennial Appropriation	1,006	(940)	66
Approp Carried Forward	(432)	(432)	(864)
Attorney General Costs	<u>229</u>	<u>229</u>	<u>458</u>
<u>CURRENT SPENDING</u>	\$11,197	\$9,251	\$20,448
<u>AGENCY DECISION ITEMS:</u>			
Agency Decision Item	<u>165</u>	<u>110</u>	<u>275</u>
<u>AGENCY PLAN</u>	\$11,362	\$9,361	\$20,723
<u>GOVERNOR'S INITIATIVES:</u>			
General Reduction	(250)	(250)	(500)
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$11,362	\$9,111	\$20,223

Brief Explanation of Agency Plan:

- **Base Level Adjustments** include a) One-time Appropriation of \$75,000 for the 1994 one-time appropriation for an environmental review of a proposed Konderator (metal shredder) in Minneapolis; b) Biennial Appropriation: Technical adjustment in the Clean Water Partnership Grants Program to provide for the 1996-97 biennial base appropriation request of \$1,946,000; c) Appropriation carried forward: Reduces the request to the current base level by eliminating the carry forward of funds from 1994 into 1995, and d) Attorney General: The agency paid a portion of its Attorney General costs from the General Fund which was at only 50% the rate. To make up the other 50%, the agency was allowed a base adjustment of \$229,000 in the General Fund to pay Attorney General services.
- **Agency Decision Item: Tools for Integrated Water Monitoring.** The agency is requesting \$275,000 for the biennium to fund 1.5 FTE and expenses needed to operate the 10 water quality monitoring stations which were appropriated in the 1994 capital budget. The primary purpose of this monitoring effort is to provide water quality data to assist in planning and evaluating the results of water nonpoint source pollution abatement measures. The 1994 capital budget noted that the agency would be requesting these resources in the 1996-97 biennial budget.

Revenue Summary:

- These are no revenue changed in the General Fund as a result of the requests presented on page.

Affected Statutes:

- None

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the following exception: The Governor recommends a reduction of \$250,000 each year in the MPCA budget to permit the funding of higher priorities. The reductions include:

- \$105,000 in the Water Pollution Control Feedlot program;
- \$50,000 in the Hazardous Waste, Household Hazardous Waste program, and;
- \$95,000 in the Policy and Operations support program.

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Pollution Control Agency (MPCA)

Fund: Environmental

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
BASE YEAR (F.Y. 1995)	\$22,214	\$22,214	\$44,428
<u>BASE ADJUSTMENT:</u>			
One-time Appropriations	(1,654)	(1,654)	(3,308)
Approp Carried Forward	<u>(2,464)</u>	<u>(2,464)</u>	<u>(4,928)</u>
<u>CURRENT SPENDING</u>	\$18,096	\$18,096	\$36,192
<u>AGENCY DECISION ITEMS:</u>			
Annualized New Prog Cost	120	120	240
Non-Ded Fee Spending (3%)	82	164	246
Proposed Fee Changes	943	1,167	2,110
Agency Decision Items	<u>(719)</u>	<u>(819)</u>	<u>(1,538)</u>
<u>AGENCY PLAN</u>	\$18,522	\$18,728	\$37,250
<u>GOVERNOR'S INITIATIVES:</u>			
None			
GOVERNOR'S RECOMMENDATIONS	\$18,522	\$18,728	\$37,250

Brief Explanation of Agency Plan:

Base Level Adjustments:

- **One-time Appropriation:** a) Shredder Grants and administration, \$370,000 b) Computer DELTA Project, \$790,000, c) Salvage Yard Study, \$494,000
- **Appropriations carried forward:** Reduces the request to the current base level by eliminating the carry forward of funds from 1994 into 1995.

Agency Decision Items:

- **Annualized New Program: ISTS Certification.** The agency is requesting \$120,000 each year from the Environmental Fund to operate the Individual Septic Certification Program. The 1994 Legislature appropriated \$120,000 for 1995 to fund program start up. This appropriation was made from the Pollution Prevention Account in the Environmental Fund as a loan to be repaid

at \$60,000 each year during the 1996-97 biennium. The fee was set at \$100 per year and with 3,000 septic tank installers, this would generate \$300,000 annually. \$60,000 for each year will be used for loan repayment and \$240,000 will be used to operate the program.

- **Non-dedicated Fee Spending:** The agency is requesting \$246,000 for the biennium to cover increases in non-salary expense items due to an annually estimated inflation rate of 3%.
- **Proposed Fee Change: Air Emission Fees:** The agency is requesting \$943,000 for 1996 and \$1,167,000 for 1997 from air emission fees to fund 14.0 FTE. This request is necessary to bring the fee into compliance with Minnesota Statute and the Federal Clean Air Act.
- **Agency Decision Item: Waste Tire Program Reduction:** The agency has completed its cleanup of the known waste tire dumps, therefore the agency is requesting a reduction of \$2,097,000 each year from the Motor Vehicle Transfer Account. This will leave \$219,000 (\$195,000 for Ground Water and Solid Waste Program and \$24,000 for Policy and Operation Support Program) to fund oversight and development of the waste tire management system by allowing the agency to permit and manage the generation of over 4.4 million tire annually.
- **Agency Decision Item: Used Oil and Filter Collection Program:** The agency is requesting \$100,000 for 1996 from the Motor Vehicle Transfer Account to provide assistance grants to retailers for the disposal of used oil and filters.
- **Agency Decision Item: Environmental Computer Compliance Management, Phase II:** The agency is requesting \$1,278,000 for 1996 and \$1,278,000 for 1997 from the account balance in the Motor Vehicle Transfer Account in the Environmental Fund to complete its 4 year project of updating its environmental management computer system.

Revenue Summary:

The requests on this page will have the following revenue ramifications in the Environmental Fund:

- Air Quality Emission Fees will increase by \$2,110,000 for the biennium

Affected Statutes:

- None

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Pollution Control Agency (MPCA)

Fund: Metro Landfill Contingency Trust

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$1,427	\$1,427	\$2,854
<u>BASE ADJUSTMENT:</u>			
Approp Carried Forward	<u>(628)</u>	<u>(628)</u>	<u>(1,256)</u>
<u>CURRENT SPENDING</u>	\$799	\$799	\$1,598
<u>AGENCY DECISION ITEMS:</u>			
Agency Decision Items	<u>(665)</u>	<u>(665)</u>	<u>(1,330)</u>
<u>AGENCY PLAN</u>	\$134	\$134	\$268
<u>GOVERNOR'S INITIATIVES:</u>			
GOVERNOR'S RECOMMENDATIONS	\$134	\$134	\$268

Brief Explanation of Agency Plan:

- **Base Level Adjustments: Appropriation carried forward:** Reduces the request to the current base level by eliminating the carry forward of funds from 1994 into 1995.
- **Agency Decision Item: Metro Landfill Contingency Reduction:** The agency is requesting a reduction in its appropriation for 1997 in order to match the declining revenues to the Metropolitan Landfill Contingency Action Trust Fund and current spending needs.

Revenue Summary:

- Revenues to the Metropolitan Landfill Contingency Action Trust Fund are declining due to the fact that there are only two landfills currently receiving solid waste in the metropolitan area and due a substantial reduction in interest income because of the transfer of \$7,764,000 to the Landfill Cleanup Fund in 1995.

Affected Statutes:

- None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-97 Biennial Budget

AGENCY: Pollution Control Agency (MPCA)
(Continuation)

Providing Assistance for Voluntary Compliance

The public and the regulatory community place ever increasing demands on all agency programs for easily understandable information. Because pollution control and environmental issues are so scientific, technical and complex, the skill of communicating what is required and when and how to comply is essential to removing barriers to voluntary compliance.

Maintaining Point Source Compliance

For the past 25 years, a primary goal of pollution control has been to develop and implement regulatory programs that control the pollutants released to the environment from the so-called point sources like discharge pipes, and smoke stacks. Considerable progress has been made and a significant amount of money has been spent by both the private and public sectors to achieve this environmental improvement. For example, over \$1.5 billion of public money has been spent building municipal wastewater treatment systems in Minnesota alone. Although exact numbers are not available on private sector expenditures, it is estimated that an additional \$1 billion has been spent on treating industrial wastewater. While no comparable estimates exists for industrial expenditure on air pollution control, it should be noted that this investment is significant. In fact, for the individual automobile is for the air pollution control equipment. This also represents an investment of almost a billion dollars.

To protect this tremendous investment in pollution control and the resulting environmental improvement, it is necessary to place a priority on making sure that the pollution control systems currently in place continues to function properly. To do this will require compliance monitoring and a progressive program to keep a facility operators trained. Compliance monitoring, or checking to be sure facilities are meeting permit requirements, is usually required as a condition of an environmental permit. Keeping facility operations trained is going to require new partnerships with community colleges, vocational technical institutes and trade associations.

Clean Air Amendments

Clean Air Amendments of 1990 Clean Air Act Amendments (CAAA) raise the curtain on a new era of clean air nationwide. The 4 most important goals of the CAAA are: to bring all cities into attainment of health-based standards; to cut air toxic emissions by 75%; to reduce sulfur dioxide emission by 10 million tons; and to phase out 100% of chlorofluorocarbons (CFC) by the year 1995. The CAAA expands the requirements of existing air regulatory and monitoring programs, and adds many new federal programs including an operating permits program, air toxics regulation, acid rain regulation, CFC regulation, and a small-business assistance program. The CAAA envisions that the EPA will develop the myriad of regulations and that the state will implement the new regulations. In order to funds state efforts and to ensure that each state makes an equivalent commitment to provide adequate funding, the CAAA requires the implementation of the fee system. The minimum fee requirement is the \$25 per ton of regulated pollutant up to a 4,000 ton cap on each pollutant per facility and the cost of inflation adjusted annually which the legislature adopted and Governor Carlson signed into law in 1991. The first year for this minimum commitment to go into effect in F.Y. 1994.

Computerization: Project Delta

Environmental problems are becoming more complex because scientists tell us more than we used to know about the extent and effects of pollution. Solutions to preventing and abating pollution involve considerations that move from one media, such as air, to another, like water or land. Having the right information from all applicable sources available to whomever needs it is essential to the management of today's multi-media environmental challenges. Project Delta is the second and last phase of the agency's systems development and computerization project which will result in combining compliance data bases from all the programs; making more information readily accessible to staff and other decision makers, including the public, and doing business more efficiently.

AGENCY STRATEGIES:

- Establishing effective partnerships with other agencies and organizations
- Nurturing citizen stewardship of resources through education, outreach and technical assistance
- Developing environmental indicators and using scientific data and assessments to guide planning, priorities and decisions
- Preventing pollution
- Employing a balanced set of incentives to protect the environment
- Using a geographically based approach to environmental management
- Planning economic growth in an environmentally sustainable manner
- Ever-increasing demands for easily-understandable information
- Managing the organization efficiently and effectively

REVENUE SUMMARY:

Under the agency plan, department earnings fees contribute \$79,088,000 for the 1996-97 biennium. In addition the Department of Public Safety collects \$22,648,000 for vehicle emission inspection fees. The revenues include fees collected by the agency as well as fees collected by the Department of Revenue, Department of Public Safety, Office of Environmental Assistance and transferred to the agency.

The major income generating fees for the agency are: (amounts are for the 1996-97 biennium).

- Air Quality Emission Fees, \$15,510,000
- Water Quality Fees, \$5,710,000
- Hazardous Waste Fees, \$4,480,000
- Environmental Enforcement Penalties, \$2,434,000
- Landfill Cleanup Fees and other income, \$41,788,000
- State Superfund Responsible Party Reimbursements, \$2,000,000
- Hazardous Waste Penalties for State Superfund, \$2,000,000
- Superfund Voluntary Cleanup and Property Transfer, \$2,336,000
- Metropolitan Landfill Contingency Action Trust Fund Fee, \$640,000
- Leaking Tanks Property Transfer and Voluntary Cleanup, \$736,000
- Inferior Solid Waste Facilities Fee, \$300,000
- Individual Septic System Certification Fee, \$600,000
- Vehicle Emission Inspection Fees, \$22,648,000 (collected by DPS)
- Low Level Radiation Fee, \$8,000
- Water, Air, Solid Waste and Tanks Training Programs, \$365,000
- Air Quality Fleet Inspection, \$280,000 (collected by MPCA)

1996-97 Biennial Budget

AGENCY: Pollution Control Agency (MPCA)
(Continuation)

SUMMARY OF BUDGET REQUEST:

The agency budget plan includes the following:

Agency-wide, Multi-Division Request Summary:

- **Attorney General:** To maintain the current level of Attorney General environmental services, the agency has a request of \$1,414,000 in base level. Currently the agency is paying approximately \$1,000,000 which is less than the full cost 16.2 attorneys supporting pollution control programs. The agency is making some internal budget shifts to account for the cost increase. The agency paid a portion of its Attorney General costs from the General Fund which was at only 50% the rate. To make up the other 50%, the agency was allowed a base adjustment of \$229,000 (General Fund) to pay Attorney General services.
- **3% Inflationary Increase:** The agency is requesting \$348,000 for its 4 environmental divisions for the biennium from the Petroleum Cleanup Fund, Environmental Fund, Special Revenue Fund and the Landfill Cleanup Fund to cover increases in non-salary expenses due to an annually estimated inflation rate of 3%.

Water Pollution Control Program

- **Tools for Integrated Water Monitoring:** The agency is requesting \$275,000 (General Fund) for the biennium to operate 10 water quality monitoring stations which were appropriated in the 1994 Capital Budget.
- **Individual Sewage Treatment System Certification Program:** The agency is requesting an additional \$120,000 each year from the Environmental Fund to operate the Individual Septic Certification Program which was enacted during the 1994 Session.
- **LCMR Projects:** The LCMR is recommending 6 projects for the Water Program for a total of \$1,325,000 from the future Resources Fund and the Special Revenue Fund.

Air Pollution Control Program

- **Air Emission Fees:** The agency is requesting \$2,110,000 increase in the air emission fees to meet the requirements of state statute and federal law.
- **LCMR Project:** The LCMR is recommending one \$575,000 project for the air program.

Ground Water and Solid Waste

- **Waste Tire Program Reductions:** The agency has completed its cleanup of the known waste tire dumps, therefore the agency is requesting a reduction of \$2,097,000 each year from the Motor Vehicle Transfer Account in the Environmental Fund.

- **Metropolitan Landfill Contingency Fund:** The agency is requesting a biennial reduction of \$1,330,000 in its appropriation for 1997 in order to match the declining revenues to the Metropolitan Landfill Contingency Action Trust Fund and current spending needs.
- **Shredder Grants:** The agency is requesting continuation of \$136,000 unspent 1995 funding for the metal shredder project in order to allow for additional research. The \$136,000 is from the Motor Vehicle Transfer Account in the Environmental Fund.
- **LCMR Project:** The LCMR is recommending one \$250,000 project for the ground Water program from the Environmental Trust Fund.

Hazardous Waste Program

- **Used Oil and Filter Collection Program:** The agency is requesting \$100,000 for 1996 from the Motor Vehicle Transfer Account in the Environmental Fund to provide assistance grants to retailers for the disposal of used oil and filters.
- **Voluntary Petroleum Investigation and Cleanup Program:** The agency is requesting \$250,000 each year in a statutory appropriation in the Special Revenue Fund to fund quicker response to requests from parties involved in property transactions.

Policy and Operations Support Program

- **Environmental Computer Compliance Management System, Phase II:** The agency requests \$1,278,000 each year from the account balance of the Motor Vehicle Transfer Account in the Environmental Fund to complete Phase II of its Environmental Computer Compliance Management System Project.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends the following initiatives:

- \$1,789,000 from the Petro Fund for Petro Tank Leak Protection;
- \$867,000 from the Landfill Cleanup Fund for Ground Water Monitoring activities;
- \$156,000 from the Landfill Cleanup Fund for Toxics in Products and Packaging to work in concert with other states for greater regulatory consistency;
- \$100,000 from the Landfill Cleanup Fund for providing the Department of Revenue with additional resources in the collection and enforcement of the Landfill Cleanup assessments; and
- \$318,000 from the Landfill Cleanup Fund for landfill construction and maintenance oversight.
- \$500,000 General Fund reduction to permit funding of higher priorities elsewhere in the Governor's budget.

The Governor has identified projects recommended for funding by the LCMR that should be addressed in the capital budget. The Governor recommends, instead, that a portion of the funds allocated for these projects be used to finance selected environmental, high priority initiatives including:

- \$2,225,000 for Clean Water Partnership projects;
- \$1,120,000 for Minnesota River project implementation;
- \$200,000 for integrated water quality monitoring; and
- \$120,000 for reduction of mercury contamination in Minnesota.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY

	FY 1996			FY 1997					
			Est.	Current	Agency	Governor	Current	Agency	Governor
PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
WATER POLLUTION CONTROL	12,351	13,423	16,560	16,448	18,050	21,384	14,159	14,398	14,293
AIR POLLUTION CONTROL	16,977	18,128	19,662	19,016	20,376	20,376	18,877	19,883	19,883
GRDWTR PROTECTION & SOLID WASTE MG	21,047	18,914	29,405	41,016	38,658	39,332	34,616	32,027	32,658
HAZARDOUS WASTE MANAGEMENT	9,961	10,022	12,935	11,720	12,047	12,756	11,561	11,804	12,468
POLICY AND OPERATIONAL SUPPORT	8,341	8,549	12,108	10,454	11,883	12,240	10,454	11,950	12,081
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	68,677	69,036	90,670	98,654	101,014	106,088	89,667	90,062	91,383
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,305	1,111	189		250	250			
GENERAL	9,373	8,802	10,469	11,197	11,362	11,112	9,251	9,361	9,111
MN RESOURCES	142	153	153		1,770	5,435			
PETRO CLEAN-UP FD		1,577	1,896	1,747	1,767	2,684	1,747	1,787	2,659
SPECIAL REVENUE	737	673	1,039	856	993	993	856	870	870
ENVIRONMENTAL	20,527	21,653	22,289	18,096	18,522	18,522	18,096	18,728	18,728
METRO LANDFILL CONTN	511	1,170	1,427	799	134	134	799	134	134
LANDFILL CLEANUP			7,894	4,930	4,937	5,679	4,930	4,944	5,643
STATUTORY APPROPRIATIONS:									
GENERAL		1							
PETRO CLEAN-UP FD		1,611	2,444	2,000	2,000	2,000	2,000	2,000	2,000
SPECIAL REVENUE	13,757	13,429	15,079	14,882	15,132	15,132	14,882	15,132	15,132
FEDERAL	15,396	14,816	18,365	22,545	22,545	22,545	16,504	16,504	16,504
ENVIRONMENTAL	6,923	3,985	5,917	2,617	2,617	2,617	2,617	2,617	2,617
METRO LANDFILL CONTN	6	3	5	5	5	5	5	5	5
LANDFILL CLEANUP			3,404	18,980	18,980	18,980	17,980	17,980	17,980
GIFTS AND DEPOSITS		52	100						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	68,677	69,036	90,670	98,654	101,014	106,088	89,667	90,062	91,383
FTE BY EMPLOYMENT TYPE:									

REGULAR	696.4	723.3	800.6		818.5			814.6	
TEMP/SEAS/PART_TIME	33.3	43.6	1.0		1.0			1.0	
OVERTIME	.7	1.8							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	730.4	768.7	801.6		819.5	842.0		815.6	838.1

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: POLLUTION CNTRL AGENCY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	90,670	90,670	10,469	10,469	61,836	61,836	18,365	18,365
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<1,729>	<1,729>	<75>	<75>	<1,654>	<1,654>		
BIENNIAL APPROPRIATIONS	1,006	<940>	1,006	<940>				
APPROPRIATIONS CARRIED FWD	<3,864>	<3,864>	<432>	<432>	<3,432>	<3,432>		
DED STAT APPROP SPENDING	15,684	8,677			11,460	10,460	4,224	<1,783>
FUND CHANGE/CONSOLIDATION	<2,956>	<2,956>			<2,956>	<2,956>		
LCMR-FUNDED PROJECTS	<342>	<342>			<342>	<342>		
FEDERAL RECEIPTS	<44>	<78>					<44>	<78>
ATTORNEY GENERAL COSTS	229	229	229	229				
SUBTOTAL BASE ADJ.	7,984	<1,003>	728	<1,218>	3,076	2,076	4,180	<1,861>
CURRENT SPENDING	98,654	89,667	11,197	9,251	64,912	63,912	22,545	16,504

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Pollution Control (MPCA)
PROGRAM: Ground Water Protection and Solid Waste Mangement
ACTIVITY: Superfund and Landfill Cleanup

ITEM TITLE: Landfill Construction Inspection

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Landfill Cleanup Fund				
- State Operations	\$178	\$140	\$140	\$140
Revenues: (\$000s)				
Landfill Cleanup Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$178,000 be appropriated in F.Y. 1996 and \$140,000 be appropriated from the Landfill Cleanup Fund in F.Y. 1997 for 2 FTE and associated expenses to be located in regional service delivery locations for landfill construction, maintenance and inspections. Of the \$178,000 requested for this initiative for 1996, \$154,000 is for the Ground Water and Solid Waste Program and \$24,000 is for the Policy and Operations Support Program. Of the \$140,000 for 1997, \$116,000 is for the Ground Water and Solid Waste Program and \$24,000 is for the Policy and Operations Support Program.

RATIONALE:

The Landfill Cleanup Act of 1994 included the state taking over future responsibility of necessary landfill cleanups and long-term maintenance at 110 closed permitted landfills. Approximately 95 of these landfills are located in Greater Minnesota and it is anticipated that many of these facilities will transfer ownership to the state. A local presence will assist in construction and maintenance oversight as well as conduct inspections, respond to severe weather events, questions and complaints is more appropriate, efficient and necessary for the Landfill Cleanup Program to succeed.

PROGRAM OUTCOMES:

Regional oversight of contractors will provide greater assurance that state responsibilities are fulfilled involving construction, sampling, surveying, maintenance and other activities. A local presence will

assist in communications with communities, potential complainants and allow for quicker responses to unanticipated problems that may occur.

LONG-TERM IMPACT:

It is anticipated that these positions will remain throughout the expected 30+ year life of the program.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Pollution Control (MPCA)
PROGRAM:
ACTIVITY:

ITEM TITLE: Petroleum Tank Leak Protection Program

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Petrofund				
- State Operations	\$917	\$872	\$872	\$872
Revenues: (\$000s)				
Petrofund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$917,000 for 1996 and \$872,000 for 1997 be appropriated from the Petroleum Cleanup Fund for implementing a petroleum tank leak protection program. The overall purpose of this program will be to prevent leaks from petroleum storage tanks and thereby greatly reducing the need for a future tank cleanup program when the current program ends. Of the \$917,000 requested for 1996, \$759,000 is for the Hazardous Waste Management Program and \$158,000 is for the Policy and Operations Program. Of the \$872,000 requested for 1997, \$714,000 is for the Hazardous Waste Management Program and \$158,000 is for the Policy and Operations Program.

RATIONALE:

Funding of Minnesota's tank related programs to date has focused more on cleanup than prevention efforts. Prevention efforts funded now would help reduce cleanup costs borne by the Minnesota Petrofund reimbursement program later and would reduce the environmental impact of leaks. With the concept of "prevention now saves cleanup costs later," funds would be effectively spent on less expensive pollution prevention activities to avoid more expensive cleanup activities.

This initiative is intended to invest in pollution prevention activities such as education and oversight to achieve compliance with tank safeguard and spill detection requirements. Under federal and state laws underground tank systems will need to be upgraded or closed by December 1998. Upgrading requirements include cathodic protection, spill containment and overfill prevention. Up to 70% of Underground Storage Tank (UST) systems need upgrading by the year 1998, which is equal to 290 tanks per month between now and December 1998, assuming year-round work. This major

upgrading requirement will increase the need for related outreach and compliance efforts for the UST unit.

There are approximately 25,550 active USTs at 16,000 facilities, and approximately 15,875 active aboveground storage tanks (AST) at 7,000 facilities in the state. With current funding, there are only 6.5 UST staff to educate and assist facilities and 2 AST staff to work with the estimated 50% or more AST facilities that lack adequate spill safeguards and preparedness planning.

The initiative would allocate funds from the Minnesota Petrofund reimbursement program to support pollution prevention activities related to the UST and AST programs. The long-term goal of the tanks program is to prevent releases and spills before they require expensive cleanup efforts.

PROGRAM OUTCOMES:

The outcomes that would be achieved are:

- Reduce cleanup costs borne by the Petrofund reimbursement program.
- Provide pollution prevention activities to reduce future leaks and spills and minimize environmental damage.
- Provide education and oversight for upgrading and secondary containment requirements.
- Improve awareness of tank safeguard and spill preparedness requirements.

Additional staffing will allow the MPCA to better assist owners and operators in pollution prevention, tank safeguards and system upgrading. Additional outreach, assistance, inspections and development of best management practices will prevent releases and spills before they require expensive cleanup efforts.

LONG-TERM IMPACT:

Funds necessary for the shift to prevention related activities would consist of approximately \$872,000 annually. This funding would provide 7 FTEs in the underground program and 7 FTEs in the aboveground program. UST positions would provide efforts in compliance inspections and outreach training on leak detection and tank system upgrading. AST positions would concentrate on spill prevention and preparedness including review of and advice to companies on their spill plans and would provide spill response practice and critiques. A majority of these positions will be spread throughout the state according to the needs of the programs.

A steady source of funding through the Petrofund allocation will support education, outreach and compliance efforts to prevent pollution from tank systems. The goal of the funding initiative is to provide one staff person to undertake pollution prevention activities for every 2,000 tanks.

1996-97 Biennial Budget

PROGRAM: Water Pollution Control
AGENCY: Pollution Control Agency (MPCA)

PROGRAM DESCRIPTION:

The mission of the Water Pollution Control Program is to protect and improve the state's water quality. The primary goal is to ensure that the quality of the state's lakes and streams meets the uses desired by the citizens of Minnesota. The protection and improvement of surface water quality is accomplished by regulating municipal and industrial point source discharges, controlling nonpoint sources of pollution or polluted runoff, and setting standards to protect designated uses. For more effective and efficient management of the Water Pollution Control Program, watersheds in the state's 9 major surface water basins will be prioritized for focused attention.

The issues associated with these activities are:

- The need to reduce the level of nonpoint source pollution (polluted runoff) which is adversely impacting the quality of state waters. The program is focusing on the use of local partnerships, geographical targeting of watersheds, financial grants or loans and technical assistance to implement corrective and preventive programs.
- The need to maintain the gains we have made in reducing and eliminating point source pollution. Minnesota municipalities have constructed wastewater treatment facilities worth more than \$1.5 billion. The waters of the state of Minnesota have significantly improved due to this investment. We must continue to provide resources to protect this investment so that municipal facilities can maintain operational effectiveness, address growth activities and comply with restrictive standards.
- The need to expand and improve our monitoring and assessment capability for state waters. Minnesota's water wealth of over 10,000 lakes and more than 91,000 miles of waterways not only means we have a great deal of resources to protect, it means we have a big job in merely learning what the current quality of these waters is and if it is changing. To manage Minnesota's surface waters most effectively, we need to know how the corrective and preventive measures we are employing are affecting existing quality of our waters.

PROGRAM STATUS:

The Water Pollution Control Program works directly with the Minnesota milestones goal:

- Minnesotans will act to protect and enhance the environment.
- We will improve the quality of the air, water and earth.

Specific milestones included are: a) the point source discharge of organic pollutants into waters; and b) percentage of assessed river miles and lake acres that do not support fishable and swimmable goals.

The Water Pollution Control Program is employing a basin management strategy for protecting and enhancing our state waters. This is a management approach which assesses the quality of water within a geographical area, establishes specific goals for water quality within the area, determines the causes for nonattainment of water quality goals, prioritizes areas for corrective or preventative

activities, implements management practices and evaluates progress toward achieving water quality goals. Basin management provides an effective means for integrating point and nonpoint source pollution control programs, focusing them jointly on protecting and/or restoring the fishable and swimmable uses of water.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1994 Annual Report to be accomplished or accelerated as follows:

- Focus low or no interest loans or grants for pollution correction and prevention projects in the Minnesota River basin and other priority watersheds to accelerate cleanup and restoration.
- Coordinate the Clean Water Partnership grants with the loan program.
- Establish and operate automatic surface water quality and flow monitoring stations to expand and strengthen the overall capabilities of the program for monitoring and assessment. Implement a new monitoring strategy which will complement the basin management strategy utilized by the Water Pollution Control Program.
- Expand the use of pollution prevention to reduce the level of toxic pollutants released into the environment so that exposure of humans and wildlife to the potential adverse effects is reduced.
- Increase the use of partnerships and cooperative efforts to address water quality problems through expanded citizen and local units of government participation.
- Certify all septic tank installers so that installations are performed in a manner that protects water quality.

BUDGET AND REVENUE SUMMARY:

The following are the key financial decision and legislative changes requested under the agency budget plan:

- **Tools for Integrated Water Quality Monitoring.** The agency is requesting \$165,000 for 1996 and \$110,000 for 1997 from the General Fund to fund 1.5 FTE and expenses needed to operate the 10 water quality monitoring stations which were appropriated in the 1994 Capital Budget. The primary purpose of this monitoring effort is to provide water quality data to assist in planning and evaluating the results of water nonpoint source pollution abatement measures. The 1994 Capital Budget noted that the agency would be requesting these resources for the 1996-1997 Biennial Budget.
- **Individual Septic System Certification (annualization of a new program).** The agency is requesting \$120,000 each year (\$95,000 in this program and \$25,000 in the policy and Operational Support Program) from the Environmental Fund to operate the individual septic certification program. The 1994 Legislature appropriated \$120,000 for 1995 to fund program start-up. This appropriation was made from the Pollution Prevention Account in the Environmental Fund as a loan to be repaid at \$60,000 each year during the 1996-1997 biennium. This "loan" appropriation was made to give the agency the resources necessary to develop the certification program. The fee was set at \$100 per year and with 3,000 septic tank installers; this would generate \$300,000 annually. \$60,000 for each year will be used for loan repayment and \$240,000 will be used to operate the septic tank installer certification program. Of the \$120,000 requested each year for this program, the agency requests \$95,000 for the Water Pollution Control Program and \$25,000 for the Policy and Operations Support Program.

1996-97 Biennial Budget

PROGRAM: Water Pollution Control
AGENCY: Pollution Control Agency (MPCA)
 (Continuation)

- **LCMR Project: Nonpoint Source Pollution Education Demonstration Program.** The LCMR is recommending \$100,000 from the future resources fund for an agreement with the city of St. Paul for a joint project with the city of Minneapolis to conduct surveys and develop and implement nonpoint source pollution public education. This appropriation must be matched by at least \$12,000 of nonstate money. The agency will pass this funding to the city of St. Paul.
- **LCMR Project: Maplewood Innovative Storm Water Management Project.** The LCMR is recommending \$100,000 from the future resources fund for an agreement with the city of Maplewood to design, construct and monitor a demonstration stormwater management system. This appropriation must be matched by at least \$165,000 of nonstate money. The agency will pass this funding to the city of Maplewood.
- **LCMR Project: Minnesota River Tile System Research - Continuation.** The LCMR is recommending \$150,000 from the future resources fund for the second biennium of a 2-biennium project to continue research on the impact of and best management practices for surface tile inlets.
- **LCMR Project: Mercury Deposition Trends and Lake Quality Benchmark and Trends.** The LCMR is recommending \$250,000 (\$120,000 from the future resources fund and \$130,000 from the Great Lakes Protection account in the Special Revenue Fund) for an agreement with the University of Minnesota-Duluth to synthesize and interpret a 5-year (1990-1994) mercury deposition data base and to establish a water quality and fish contamination benchmark for 80 high-value lakes and compare it with historic data. This is to be done in cooperation with the pollution control agency. The appropriation must be matched by \$65,000 of nonstate contributions, either cash or inkind services.
- **LCMR Project: Water Quality Impacts of Feedlot Pollution Control Systems.** The LCMR is recommending \$300,000 from the future resources fund to evaluate earthen manure storage basins and vegetated filter strips for effects on ground and surface water quality by monitoring seepage and runoff. This appropriation must be matched by at least \$267,000 of nonstate contributions, either cash or inkind services.
- **LCMR Project: Alternative Individual Sewage Treatment Systems Development and Demonstration.** The LCMR is recommending \$425,000 from the future resources fund to develop and demonstrate reliable, low cost alternative designs for septic systems in areas with seasonally high water tables, and designs for removal of nitrogen by septic systems.

REVENUE:

From the perspective of the 1996-97 agency plan this program generates dedicated and non-dedicated revenue as follows:

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue					
Non-dedicated - Gen'l	\$27	\$23	\$23	\$23	\$23
Non-dedicated - Other	2,357	2,392	2,531	3,055	3,255
Dedicated - Special	195	223	205	263	263
Dedicated - Federal	<u>4,915</u>	<u>5,764</u>	<u>6,967</u>	<u>6,318</u>	<u>5,975</u>
Total	\$7,494	\$8,402	\$9,726	\$9,659	\$9,516

Explanation: For F.Y. 1996 Revenues

The above revenues include both departmental earnings and other receipts not reported in the Earnings Report.

- **Non-dedicated - General Fund:** Includes revenues from water quality treatment plant operator certification fees.
- **Non-dedicated - Other Funds:** Includes revenues (\$300,000) from individual sewage treatment mandatory licensing program fees; revenues (\$2,755,000) from water quality permit fees.
- **Dedicated - Special Revenue:** includes \$133,000 water quality operator training, \$1,000 Clean Water Partnership training, \$5,000 stormwater training, \$70,000 Metropolitan Waste Control Commission Agreement, \$6,000 urban best management practices training and \$48,000 Lake Superior Agreement with the state of Wisconsin.
- **Dedicated - federal:** includes various water quality grants from the Environmental Protection Agency.

NOTE: WATER FEES: The Water Quality Division has carefully analyzed its anticipated permit fee revenues for 1995 through 1997. Based on this analysis the Water Quality Division anticipates eliminating the deficit in 1997. The deficit was \$513,000 at the beginning of F.Y. 1995.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor has identified projects recommended for funding by the LCMR that should be addressed in the capital budget. The Governor recommends, instead, that a portion of the funds allocated for these projects be used to finance selected environmental, high priority initiatives including:

- \$2,225,000 for Clean Water Partnership projects (\$2,145 in this program and \$80,000 in the Policy and Operational Support Program);
- \$1,120,000 for Minnesota River project implementation (\$1,094 in this program and \$26,000 in the Policy and Operational Support Program); and
- \$200,000 for integrated water quality monitoring.

In addition, the Governor recommends a reduction of \$210,000 in the agency's feedlot program.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: WATER POLLUTION CONTROL

				FY 1996			FY 1997		
				Current	Agency	Governor	Current	Agency	Governor
				Spending	Plan	Recomm.	Spending	Plan	Recomm.
ACTIVITY RESOURCE ALLOCATION:									
=====				=====	=====	=====	=====	=====	=====
ENVIRONMENTAL ASSESSMENT AND DIREC	3,456	4,293	5,016	4,538	5,064	8,503	4,327	4,564	4,564
POINT SOURCE POLLUTION CONTROL	4,089	4,042	4,351	3,947	4,048	4,048	3,683	3,685	3,685
NON-POINT SOURCE POLLUTION CONTROL	4,806	5,088	7,193	7,963	8,938	8,833	6,149	6,149	6,044
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	12,351	13,423	16,560	16,448	18,050	21,384	14,159	14,398	14,293
AGENCY PLAN ITEMS:				FUND					
=====				=====					
ANNUALIZED NEW PROG COST			ENV		95			95	
NON-DEDICATED FEE SPENDING(UP TO 3%)			ENV		17			34	
LCMR NEW ALLOCATIONS			MNR		1,195				
LCMR NEW ALLOCATIONS			SR		130				
WATER QUALITY MONITORING STATIONS			GEN		165			110	
=====				=====					
TOTAL AGENCY PLAN ITEMS					1,602			239	
GOV'S INITIATIVES:				FUND					
=====				=====					
(A) MINNESOTA RIVER IMPLEMENTATION			MNR			1,094			
(A) CLEAN WATER PARTNERSHIP			MNR			2,145			
(A) GENERAL REDUCTION			GEN			<105>			<105>
(B) WATER QUALITY STATISTICAL PROJECT			MNR			200			
=====				=====					
TOTAL GOV'S INITIATIVES						3,334			<105>
SOURCES OF FINANCING:				=====					
=====				=====					
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,305	1,111	189						
GENERAL	3,875	4,354	6,572	7,584	7,749	7,644	5,638	5,748	5,643
MN RESOURCES	142	153	153		1,195	4,634			
SPECIAL REVENUE					130	130			
ENVIRONMENTAL	1,931	1,969	2,051	2,042	2,154	2,154	2,042	2,171	2,171
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	222	164	534	441	441	441	441	441	441
FEDERAL	4,876	5,672	7,061	6,381	6,381	6,381	6,038	6,038	6,038
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	12,351	13,423	16,560	16,448	18,050	21,384	14,159	14,398	14,293

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: WATER POLLUTION CONTROL

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	172.2	174.5	205.6		202.1			198.2	
TEMP/SEAS/PART_TIME	7.4	11.0	1.0		1.0			1.0	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	179.6	185.5	206.6		203.1	206.1		199.2	202.2

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: WATER POLLUTION CONTROL
ACTIVITY: NON-POINT SOURCE POLLUTION CONTROL

ACTIVITY SUMMARY				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,073	1,893	2,723	2,938	3,026	2,971	2,938	2,938	2,883
EXPENSES/CONTRACTUAL SRVCS	457	145	524	527	1,362	1,362	533	533	533
MISC OPERATING EXPENSES	85	91	153	141	151	149	134	134	132
SUPPLIES/MATERIALS/PARTS	25	59	274	163	171	171	70	70	70
CAPITAL EQUIPMENT	29	74	160	102	108	105	102	102	99
OTHER					28	28			
SUBTOTAL STATE OPERATIONS	2,669	2,262	3,834	3,871	4,846	4,786	3,777	3,777	3,717
LOCAL ASSISTANCE	2,137	2,826	3,359	4,092	4,092	4,047	2,372	2,372	2,327
TOTAL EXPENDITURES	4,806	5,088	7,193	7,963	8,938	8,833	6,149	6,149	6,044
AGENCY PLAN ITEMS:			FUND						
LCMR NEW ALLOCATIONS			MNR		975				
TOTAL AGENCY PLAN ITEMS					975				
GOV'S INITIATIVES:			FUND						
(A) GENERAL REDUCTION			GEN			<105>			<105>
TOTAL GOV'S INITIATIVES						<105>			<105>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,064	1,010	89						
GENERAL	952	1,507	3,717	4,622	4,622	4,517	2,676	2,676	2,571
MN RESOURCES					975	975			
ENVIRONMENTAL	60	60	71	71	71	71	71	71	71
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	28	3	203	159	159	159	159	159	159
FEDERAL	2,702	2,508	3,113	3,111	3,111	3,111	3,243	3,243	3,243

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: WATER POLLUTION CONTROL
ACTIVITY: NON-POINT SOURCE POLLUTION CONTROL

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	4,806	5,088	7,193	7,963	8,938	8,833	6,149	6,149	6,044
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	44.0	38.4	60.5		67.2			67.2	
TEMP/SEAS/PART_TIME	2.6	4.4							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	46.6	42.8	60.5		67.2	66.2		67.2	66.2

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1996-97 Biennial Budget

PROGRAM: Air Pollution Control
AGENCY: Pollution Control Agency (MPCA)

PROGRAM DESCRIPTION:

The major factor driving the air pollution control program is the federal Clean Air Act Amendments of 1990 (CAAA). During the 1996-97 biennium, the air program will continue to expand to meet the requirements of the CAAA.

The air program activities can be divided into 4 components as follows: 1) assessing the human health and environmental impacts of air emissions; 2) providing direction through development of rules and programs designed to abate or minimize air pollutant impacts; 3) conducting permitting and compliance activities at industrial point sources; and 4) reducing pollution from nonpoint air pollution sources such as motor vehicles.

The issues associated with these activities are:

- Air Quality monitoring for hazardous air pollutants is not sufficient, and as resources allow, the air program is shifting its focus from monitoring the more traditional pollutants, such as sulfur dioxide and particulates, to monitoring hazardous air pollutants.
- Continuing to direct efforts toward developing rules, programs and plans to meet the CAAA requirements in a manner that protects human health and the environment while also being cost effective and timely for air program customers.
- Adding resources in order to implement the new CAAA-mandated permitting, enhanced monitoring and hazardous air pollutant requirements at industrial point sources. Resources will be added by increasing air emission fees to the minimum required by the CAAA.
- Continuing programs aimed at reducing nonpoint sources of pollution. Specifically, the Motor Vehicle Inspection Program must continue, and changes to further reduce motor vehicle emissions may be needed if the air program can not demonstrate that the Twin Cities area is meeting the federal air standard for carbon monoxide.

PROGRAM STATUS:

The air pollution control programs works directly with the goal that we will improve the quality of the air, water and earth. The air program indicators focus on reducing the amount of air pollutants emitted from point and nonpoint sources and measuring the results of these reductions.

Passage of the CAAA has had a dramatic impact on expanding the air program in Minnesota and nation-wide. The CAAA have required states to assess air emission fees to pay for the bulk of the air program's activities. Expansion of planning, rulemaking, permitting, compliance, enforcement and hazardous air pollutant control activities has occurred as well as the addition of new activities including the small business compliance assistance program and the phase out and regulation of chlorofluorocarbons (CFCs). Current funding levels need to increase in order to meet the mandates of the CAAA.

Motor vehicles are the focus of the nonpoint air pollution source program. Although motor vehicles are a major source of air pollution, contributing 60% of the carcinogenic hazardous pollutants, 60% of the carbon monoxide and 40% of the ozone or smog-producing pollutants, programs aimed at reducing motor vehicle emissions are the least understood by the public. The CAAA mandate motor vehicle inspection programs, oxygenated and other "clean" fuel programs, and expanded transportation planning programs. Millions of dollars in state funds have been spent since 1988 to reduce motor vehicle pollutant emissions, and Minnesota needs to continue this commitment in order to realize the full environmental and economic benefits from these efforts.

PLANNED RESULTS:

The air program budget plan will allow the reported performance measures from the 1994 Performance Report to be accomplished or accelerated as follows:

Environmental Assessment and Direction

- Evaluate the need for new fees to fully match and fully qualify for the federal air program grant.
- Continue to expand the air monitoring activities so that pollutants of concern are monitored, problems identified and the effectiveness of the division's programs are measured over time.
- Study the ozone situation in Minnesota and propose new initiatives necessary to stay below the federal ambient air quality standard for ozone to avoid new, costly federal regulations.
- Implement LCMR research into the sources and effects of mercury pollution in Minnesota.
- Continue to meet U.S. Environmental Protection Agency (EPA) deadlines for the preparation of state implementation plans required to improve air quality and meet CAAA requirements.
- Develop plans necessary to seek federal approval to reclassify all areas in Minnesota that are currently classified by EPA as not fully meeting federal air quality standards to meeting federal air quality standards.
- Develop a plan for implementing the new federal accidental release prevention program required by the CAAA.
- Continue revising air quality rules to meet new federal requirements, to update and streamline the regulatory process and promote pollution prevention.
- Review and update existing state rules that are out of date, to better reflect modern pollution control technology including pollution prevention.
- Implement the air toxics requirements of the CAAA and the new Minnesota air toxics strategy to ensure adequate protection of human health and the environment.
- Begin developing a comprehensive strategy to evaluate and control environmentally persistent toxic pollutants.
- Revise state waste combustor regulations so that they conform with the federal regulations.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: AIR POLLUTION CONTROL

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ENVIRONMENTAL ASSESSMENT AND DIREC	3,274	3,454	3,820	3,653	5,005	5,005	3,514	4,504	4,504
INDUSTRIAL POINT SOURCES	2,973	3,712	4,308	4,012	4,013	4,013	4,012	4,014	4,014
NON-POINT AIR POLLUTION SOURCES	10,730	10,962	11,534	11,351	11,358	11,358	11,351	11,365	11,365
TOTAL EXPENDITURES BY ACTIVITY	16,977	18,128	19,662	19,016	20,376	20,376	18,877	19,883	19,883
AGENCY PLAN ITEMS:	FUND								
NON-DEDICATED FEE SPENDING (UP TO 3%)			ENV		1			2	
NON-DEDICATED FEE SPENDING (UP TO 3%)			SR		7			14	
PROPOSED FEE CHANGE			ENV		777			990	
LCMR NEW ALLOCATIONS			MNR		575				
TOTAL AGENCY PLAN ITEMS					1,360			1,006	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
MN RESOURCES					575	575			
SPECIAL REVENUE	737	673	1,039	856	863	863	856	870	870
ENVIRONMENTAL	4,443	4,981	5,881	5,526	6,304	6,304	5,526	6,518	6,518
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	10,183	10,408	10,631	10,531	10,531	10,531	10,531	10,531	10,531
FEDERAL	1,614	2,066	2,111	2,103	2,103	2,103	1,964	1,964	1,964
TOTAL FINANCING	16,977	18,128	19,662	19,016	20,376	20,376	18,877	19,883	19,883
FTE BY EMPLOYMENT TYPE:									
REGULAR	127.3	141.2	143.5		158.0			158.0	
TEMP/SEAS/PART_TIME	2.9	5.0							
OVERTIME	.3	1.6							
TOTAL FTE	130.5	147.8	143.5		158.0	158.0		158.0	158.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Environmental Assessment and Direction
PROGRAM: Air Pollution Control
AGENCY: Pollution Control Agency (MPCA)

ACTIVITY DESCRIPTION:

This activity manages the programs that assess the impact of air emissions on human health and the environment and provide direction in developing new rules and programs designed to abate or minimize air pollutant impacts. Further description of these 2 programs are provided below.

Assessing the impacts of air emissions. Air quality monitoring is one of the best ways to assess the impacts that air emissions have on human health and the environment. In addition to providing basic information about the quality of the air in Minnesota, monitoring data can help identify where the air program has been effective and where additional effort is needed to reduce air pollution. A minimum number of monitoring sites in Minnesota is required by the U.S. Environmental Protection Agency (EPA), and these sites are part of a national trends network. Recently, the monitoring activity has begun shifting its focus from the more traditional pollutants, like sulfur dioxide and particulates, to highly toxic air pollutants. In addition, the program operates a monitoring program for acid deposition and has recently initiated monitoring for mercury deposition.

Providing direction. To help ensure that all of the requirements of the federal Clean Air Act Amendments (CAAA) of 1990 are met, it is necessary to develop new rules, programs and plans for reducing air pollution in areas where air quality standards are not met. Providing direction also involves identifying and proposing legislative changes that might be needed to fully implement the CAAA, the overarching federal legislation to protect and improve air quality. The CAAA and EPA's subsequent regulations have many specific requirements for states to implement. Careful planning and direction are needed to meet these requirements in ways that are best for Minnesota. State implementation plans are the agreements that states make with EPA to implement the requirements of the CAAA and to demonstrate that standards for air quality are being met. These state implementation plans include enabling statutes, rules, permits and administrative orders.

BUDGET ISSUES:

The agency budget plan will result in the following environmental assessment and direction activities:

- The current criteria pollutant monitoring activity satisfies EPA requirements, and the air program need to know the quality of the air in Minnesota and the specific needs of particular facilities. No increases in funding are proposed in this area.
- The air program has monitored acid deposition for many years. In the 1990s, the air program became aware of the long range transport of mercury from power plants similar to sulfur dioxide emissions which cause acid rain. In 1993, the air program shifted approximately \$100,000 from the acid deposition program to focus on mercury deposition and monitoring. LCMR has proposed to fund research into the sources and effects of mercury pollution in Minnesota during the biennium.

- M.S. 116.454 requires the MPCA to establish a statewide network to monitor the concentrations of toxic air pollutants and to develop an inventory of toxic air pollutant emissions. However, the air program has been unable to rebudget to meet this statutory requirement.
- The air program will be scaling back its toxic air pollutant monitoring in the Twin Cities in order to fund short-term studies to learn more about the level of toxic air pollutants in other parts of the state.
- The air program will direct its resources into developing reclassification requests to EPA so that areas currently classified as not meeting federal air quality standards are reclassified as meeting federal standards.
- EPA has informed states that it has health data that support a more stringent ambient air standard for ozone. If EPA lowers the ozone standard, portions of Minnesota will become nonattainment for ozone. Funding will be shifted so that an ozone study is undertaken to determine possible actions that Minnesota can take to reduce ozone levels.
- The air program will rank rulemaking and air quality planning necessary to meet CAAA deadlines as a high priority during the biennium. A major new effort will be to incorporate the federal air toxics program into the state's industrial point source activity. EPA plans 154 individual air toxic rulemaking actions over the next few years.
- The air program has received a 2-year federal grant (i.e., 10-1-94, through 9-30-96) to develop an accidental release prevention program as required by the CAAA.
- The air program has received a federal grant (i.e., 8-1-94, through 3-31-96) to assist states with preparation of a state action plan and pursue the development of a comprehensive state policy on greenhouse gas emissions.
- The air program has also applied for 2 additional federal grants under EPA's market-based incentives project grants. One proposed project involves the study of ways to involve smaller-scale emission sources in permit trading programs, and the other involves carrying through to implementation earlier work on emission fees for air toxics. To date, the air program has not heard whether a federal grant will be awarded for either of the proposed projects.
- The federal government has determined that air emission fees cannot be used as the state match for the federal air grant over the long term. States have 3 years to find alternate state funding sources to match the federal grant.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: AIR POLLUTION CONTROL
ACTIVITY: ENVIRONMENTAL ASSESSMENT AND DIREC

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,339	2,545	2,376	2,376	2,945	2,945	2,376	2,931	2,931
EXPENSES/CONTRACTUAL SRVCS	377	458	698	576	931	931	438	431	431
MISC OPERATING EXPENSES	147	152	253	253	278	278	252	291	291
SUPPLIES/MATERIALS/PARTS	158	185	332	330	182	182	330	182	182
CAPITAL EQUIPMENT	224	104	161	118	83	83	118	83	83
OTHER	29	10			586	586		586	586
SUBTOTAL STATE OPERATIONS	3,274	3,454	3,820	3,653	5,005	5,005	3,514	4,504	4,504
TOTAL EXPENDITURES	3,274	3,454	3,820	3,653	5,005	5,005	3,514	4,504	4,504
AGENCY PLAN ITEMS:			FUND						
PROPOSED FEE CHANGE			ENV		777			990	
LCMR NEW ALLOCATIONS			MNR		575				
TOTAL AGENCY PLAN ITEMS					1,352			990	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
MN RESOURCES					575	575			
ENVIRONMENTAL	2,258	2,304	2,615	2,556	3,333	3,333	2,556	3,546	3,546
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	196	116	105	5	5	5	5	5	5
FEDERAL	820	1,034	1,100	1,092	1,092	1,092	953	953	953
TOTAL FINANCING	3,274	3,454	3,820	3,653	5,005	5,005	3,514	4,504	4,504
FTE BY EMPLOYMENT TYPE:									
REGULAR	49.8	52.8	45.0		59.5			59.5	

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: AIR POLLUTION CONTROL
ACTIVITY: ENVIRONMENTAL ASSESSMENT AND DIREC

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TEMP/SEAS/PART_TIME	2.4	3.6							
OVERTIME	.2	.7							
TOTAL FTE	52.4	57.1	45.0		59.5	59.5		59.5	59.5

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: GRDWTR PROTECTION & SOLID WASTE MG

ACTIVITY RESOURCE ALLOCATION:	FY 1996			FY 1997		
	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====
ENVIRONMENTAL ASSESSMENT AND DIREC	4,373	3,266	2,426	2,026	2,033	2,498
SUPERFUND AND LANDFILL CLEANUP	15,299	11,208	23,835	30,075	28,353	28,519
SOLID WASTE MANAGEMENT	1,375	4,440	3,144	2,515	1,641	1,641
=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	21,047	18,914	29,405	41,016	32,027	32,658
=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:	FUND					
-----	-----					
NON-DEDICATED FEE SPENDING (UP TO 3%)		ENV	14		28	
NON-DEDICATED FEE SPENDING (UP TO 3%)		LCU	5		10	
LCMR NEW ALLOCATIONS		EVT	250			
REDUCTION IN METRO LANDFILL TRUST RECEIPTS		MLC	<665>		<665>	
WASTE TIRE PROGRAM REDUCTION		ENV	<1,962>		<1,962>	
=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS			<2,358>		<2,589>	
=====						
GOV'S INITIATIVES:	FUND					
-----	-----					
(A) GROUND WATER MONITORING & ASSESSMENT PROG		LCU	408		403	
(A) LANDFILL CONSTRUCTION INSPECTION		LCU	154		116	
(A) TOXICS IN PRODUCTS & PACKAGING		LCU	62		62	
(B) DEPT OF REVENUE SW FEE COMPLIANCE		LCU	50		50	
=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES			674		631	
=====						
SOURCES OF FINANCING:						

DIRECT APPROPRIATIONS:						

ENVIRONMENT TRUST			250		250	
GENERAL	1,893	1,229				
ENVIRONMENTAL	7,534	9,012	7,202	5,147	3,199	3,199
METRO LANDFILL CONTN	503	1,162	1,419	791	126	126
LANDFILL CLEANUP			6,969	4,005	4,010	4,684
=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:						

SPECIAL REVENUE	242	87	109	109	109	109
FEDERAL	5,523	3,557	4,590	9,750	9,750	9,750
ENVIRONMENTAL	5,352	3,815	5,772	2,394	2,394	2,394
LANDFILL CLEANUP			3,244	18,820	18,820	17,820

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: GRDWTR PROTECTION & SOLID WASTE MG

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
GIFTS AND DEPOSITS		52	100						
TOTAL FINANCING	21,047	18,914	29,405	41,016	38,658	39,332	34,616	32,027	32,658
FTE BY EMPLOYMENT TYPE:									
REGULAR	161.9	174.0	179.1		178.0			178.0	
TEMP/SEAS/PART_TIME	10.3	12.6							
OVERTIME	.4	.2							
TOTAL FTE	172.6	186.8	179.1		178.0	185.0		178.0	185.0

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: GRDWTR PROTECTION & SOLID WASTE MG
ACTIVITY: ENVIRONMENTAL ASSESSMENT AND DIREC

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,571	1,338	1,526	1,500	1,612	1,752	1,500	1,500	1,640
EXPENSES/CONTRACTUAL SRVCS	312	312	300	283	405	669	283	280	544
MISC OPERATING EXPENSES	105	99	94	85	89	125	85	85	121
SUPPLIES/MATERIALS/PARTS	178	63	151	100	104	119	100	104	114
CAPITAL EQUIPMENT	168	57	42	45	50	65	45	45	60
OTHER	25				6	6		6	6
=====									
SUBTOTAL STATE OPERATIONS	2,359	1,869	2,113	2,013	2,266	2,736	2,013	2,020	2,485
LOCAL ASSISTANCE	2,014	1,397	313	13	13	13	13	13	13
=====									
TOTAL EXPENDITURES	4,373	3,266	2,426	2,026	2,279	2,749	2,026	2,033	2,498
AGENCY PLAN ITEMS:									
			FUND						

NON-DEDICATED FEE SPENDING(UP TO 3%)			LCU		4			8	
LCMR NEW ALLOCATIONS			EVT		250				
WASTE TIRE PROGRAM REDUCTION			ENV		<1>			<1>	
				=====			=====		
TOTAL AGENCY PLAN ITEMS					253		7		
GOV'S INITIATIVES:									
			FUND						

(A) GROUND WATER MONITORING & ASSESSMENT PROG			LCU			408			403
(A) TOXICS IN PRODUCTS & PACKAGING			LCU			62			62
						=====	=====		
TOTAL GOV'S INITIATIVES						470		465	
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST					250	250			
GENERAL	1,296	59							
ENVIRONMENTAL	574	1,494	937	503	502	502	503	502	502
METRO LANDFILL CONTN			5	5	5	5	5	5	5

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: GRDWTR PROTECTION & SOLID WASTE MG
ACTIVITY: ENVIRONMENTAL ASSESSMENT AND DIREC

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
LANDFILL CLEANUP			1,066	1,066	1,070	1,540	1,066	1,074	1,539
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	242	87	109	109	109	109	109	109	109
FEDERAL	247	304	217	217	217	217	217	217	217
ENVIRONMENTAL	2,014	1,322	92	126	126	126	126	126	126
TOTAL FINANCING	4,373	3,266	2,426	2,026	2,279	2,749	2,026	2,033	2,498
FTE BY EMPLOYMENT TYPE:									
REGULAR	32.2	27.6	30.6		32.0			32.0	
TEMP/SEAS/PART_TIME	6.2	4.9							
OVERTIME	.3								
TOTAL FTE	38.7	32.5	30.6		32.0	36.0		32.0	36.0

1996-97 Biennial Budget

PROGRAM: Hazardous Waste Management
AGENCY: Pollution Control Agency (MPCA)

PROGRAM DESCRIPTION: The mission of the Hazardous Waste Management Program is to serve the public by preventing, minimizing or correcting the releases of hazardous waste and petroleum products to the state's water, air and land. The program seeks to achieve this in the following ways:

- By striving to provide rules and regulatory programs that are protective of the environment and at the same time provide a reasonable system for compliance by the regulated community.
- By providing technical assistance to generators of hazardous waste on proper management, including reduction of the quantity of hazardous waste generated, increased recycling and proper disposal.
- By responding to releases of hazardous waste through negotiated cleanup schedules and oversight.
- By coordinating a statewide Household Hazardous Waste Program that focuses on education, proper management and reduction of chemicals that may become household hazardous waste.
- By responding to leaks from petroleum storage tanks through technical assistance, regulatory programs and cleanup activities, thereby directly reducing the risk to human health and the environment.
- By offering technical assistance to tank owners regarding all aspects of tank operations, including installation, removal, leak detection technology and tank system maintenance and upgrading to prevent leaks.
- And by coordinating the state's response to spills and other chemical releases that cause environmental emergencies and by overseeing necessary cleanup activities.

PROGRAM STATUS: Given the role of the federal government in establishing a national framework for the regulation of hazardous waste generators and facilities, the Hazardous Waste Division continually works to take the federal requirements and apply them in the state in a manner that is protective of the environment but that reduces the compliance burden on the regulated community to the extent possible. We also are looking at creative ways of building a state/federal partnership that increases delivery of environmental service within the state and lessens the effort expended on program oversight and reporting. We have made meaningful strides in providing effective input as federal policy decisions are made so that state program delivery and environmental results are enhanced -- not deterred.

To achieve our protection mission relative to hazardous wastes, the division focuses on establishing reasonable and effective rules and on maximizing compliance with these rules. Our experience shows that a significant portion of generators will voluntarily comply if they are properly informed of the requirements. For a much smaller percentage, an enforcement presence is required. The division strives to continually evaluate our activities to ensure that we optimize our mix of information, education, assistance, compliance and enforcement activities to achieve optimal compliance rates amongst the different size generator groups.

The division has also continued to focus attention on special wastes that do not fit well into the federal framework of control (e.g., used oil, batteries, fluorescent bulbs, etc.). We continue to work

with generator groups to develop policies and procedures that will allow these wastes to be properly managed, with as little burden or cost to business and industry as possible.

To ensure that the division is providing well run programs, we use quality management principles to undertake process improvement based on input from persons impacted by our programs. However, to also ensure that we are focusing our resources so that the most significant environmental risks are being addressed through our programs, the division has used stakeholder advisory groups to evaluate our programs and provide feedback on the areas which they feel should be considered as high priority relative to resource allocation. We have used this input as our budget and program plans have been developed.

The petroleum tank program activities provide for the cleanup of past tank leaks and the upgrade of tanks to prevent the incidence or the early detection of leaks, in the future. The challenge in the years ahead will be to maintain our timely and appropriate oversight of leaking tank investigations and cleanups in spite of significant reductions in federal funding. We have continued our efforts to undertake process improvement and to ensure that our cleanup goals provide for effective solutions from an environmental and cost standpoint. The other challenge is to provide education, compliance assistance and enforcement activities at a level that will minimally ensure that aboveground and underground tanks have adequate safeguards and leak detection so that the state can move from a focus on leak cleanup to leak prevention.

The division will continue to coordinate the agency's emergency response activities by providing guidance and assistance to industry on how to prepare for environmental emergencies and also by providing oversight and direction in response to environmental emergencies to ensure that appropriate measures are taken by the responsible parties.

PLANNED RESULTS: The agency budget plan will allow the reported performance measures from the 1994 Annual Report to be accomplished as follows:

- To stabilize or improve the compliance rate for proper hazardous waste management and storage, the challenge will be to accomplish the following:
 - Maintain the cycle of reissuing hazardous waste facility permits on a 5 year basis.
 - Maintain at F.Y. 1994-95 levels, our education and technical assistance efforts including workshops, fact sheets, phone assistance and site visits.
 - Continue our present level of performance relative to hazardous waste complaint response; includes processing and coordinating responses to over 200 complaints annually.
 - Upgrade our Lake Superior initiative efforts to provide for a compliance rate increase in the basin of 1-2% each year.
- To facilitate the proper management of hazardous wastes by very small quantity generators (VSQG), the division will assist in increasing the number of VSQG collection programs from 13 (F.Y. 1995) to 20 (F.Y. 1997). The generators being served are expected to increase over the same 2 year period from 220 to 1,000.
- To facilitate the proper management of special wastes, the division will assist in increasing the number of special waste consolidation sites from 304 (F.Y. 1995) to 482 (F.Y. 1997).
- The division will raise and stabilize the service levels provided to counties and residents for the Household Hazardous Waste (HHW) program with all 87 counties presently in the program and over 150 collection events being conducted per year.

1996-97 Biennial Budget

PROGRAM: Hazardous Waste Management
AGENCY: Pollution Control Agency (MPCA)
 (Continuation)

- The division will continue to oversee the investigation and cleanup of leaking tank sites as follows:
 - Number of closed underground leak sites will increase from 6,695 (F.Y. 1995) to 8,500 (F.Y. 1997).
 - Number of major aboveground site cleanups in progress will increase from 29 (F.Y. 1995) to 41 (F.Y. 1997).
- To reduce the number of, and the consequences from, the releases of petroleum from tanks the division will:
 - Provide 105 educational activities in the F.Y. 1996-97 biennium. These include workshops, seminars and site visits with owners, operators and responsible parties. These address leak detection methods, tank upgrade requirements and cleanup criteria.
 - Work to increase the compliance rate with 1998 underground storage tank standards from 47% (F.Y. 1995) to about 50% in F.Y. 1997.
 - Work to increase the major (more than 1 million gallon) aboveground tank compliance rate from 6% (F.Y. 1995) to about 20% (F.Y. 1997).
- To ensure that major industrial facilities are prepared to handle spills or emergencies, the division will continue to review spill prevention and preparedness plans at a rate of 20 per year.
- To provide a system that ensures an appropriate response to environmental emergencies the division will:
 - Screen 100% of incoming incidents to determine appropriate follow-up; with 1,900 incidents anticipated for F.Y. 1996 and 2,000 for F.Y. 1997.
 - Actively respond to 950 environmental emergencies in F.Y. 1996 and 1,000 in F.Y. 1997.
 - Undertake, as necessary, an anticipated 160 state funded cleanups in F.Y. 1996 and 170 in F.Y. 1997.
- To provide faster technical review and responses for more potential buyers, sellers, and developers of petroleum impacted sites.
- To establish a program to ensure the expansion in the number of existing used oil collection sites and establish a similar set of sites to collect used oil filters and provide protection for legal and financial liability to those sites.
- To maintain the same level of attorney general effort in the hazardous waste regulatory compliance and rules areas for support of continued and consistent enforcement presence and an increased compliance rate.

BUDGET AND REVENUE SUMMARY: The following are the key financial decisions and legislative changes requested under the agency budget plan:

- The agency is requesting \$250,000 for F.Y. 1996 and \$250,000 for F.Y. 1997 as a statutory appropriation from the Special Revenue Fund to fund 3.0 FTE and expenses needed to expand the Voluntary Petroleum Investigation and Cleanup program. This would allow for faster technical review and response to property buyers, sellers and developers on a fee for service basis. Of the \$250,000 requested each year for this program the agency requires \$211,000 for the Hazardous Waste Management Program and \$39,000 for the Policy and Operations Support Program.
- The agency is requesting \$100,000 for F.Y. 1996 from the Motor Vehicle Transfer Account (MVTA) to provide for the expansion of the number of used oil collection sites and establish used oil filter collection sites.

REVENUE: From the perspective of the 1996-97 Agency Plan this program generates dedicated and non-dedicated revenue as follows:

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Non-dedicated - Gen'l	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Non-dedicated - Other	2,101	1,930	2,832	2,453	2,453
Dedicated - Special	2,729	3,027	2,701	3,373	3,384
Dedicated - Federal	<u>3,392</u>	<u>3,360</u>	<u>4,460</u>	<u>4,171</u>	<u>4,012</u>
Total	\$8,222	\$8,317	\$9,993	\$9,997	\$9,849

Explanations for F.Y. 1996 revenues:

The above revenues include both departmental earnings and other receipts not reported in the Earnings Report.

- Non-dedicated Other Funds: includes \$95,000 fines and reimbursements and certification fees regarding leaking tanks, \$2,309,000 hazardous waste fees and \$118,000 hazardous waste property transfer reimbursements.
- Dedicated special revenues includes \$2,000,000 reimbursements for cleanup from the Petro Board, \$101,000 hazardous waste training, \$1,000,000 hazardous waste penalties for Superfund, \$22,000 hazardous waste revolving loan program payments, \$250,000 for the Voluntary Petroleum Investigation and Cleanup requested in this budget under the Agency Plan.
- Dedicated federal includes various grants from the United States Environmental Protection Agency.

GOVERNOR'S RECOMMENDATION: The Governor concurs with the agency's plan and recommends the following initiatives:

- \$1,789,000 from the Petro Fund for Petroleum Tank Leak Protection program (\$1,473,000 in this program and \$316,000 in the Policy and Operational Support program.
- \$100,000 reduction in Household Hazardous Waste support.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: HAZARDOUS WASTE MANAGEMENT

	FY 1996						FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
ENVIRONMENTAL ASSESSMENT AND DIREC	3,002	2,807	3,349	2,997	3,099	3,049	2,997	3,001	2,951
HAZARDOUS WASTE FACILITIES	2,139	2,097	2,666	2,395	2,396	2,396	2,370	2,372	2,372
PETROLEUM AND EMERGENCY RESPONSE	4,820	5,118	6,920	6,328	6,552	7,311	6,194	6,431	7,145
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	9,961	10,022	12,935	11,720	12,047	12,756	11,561	11,804	12,468
AGENCY PLAN ITEMS:			FUND						
-----			-----						
NON-DEDICATED FEE SPENDING(UP TO 3%)		ENV			4			8	
NON-DEDICATED FEE SPENDING(UP TO 3%)		PET			12			24	
USED OIL FILTER COLLECTION PROGRAM		ENV			100				
VOLUNTARY PETRO INVESTIGATION & CLEANUP		SR			211			211	
=====					=====			=====	
TOTAL AGENCY PLAN ITEMS					327			243	
GOV'S INITIATIVES:			FUND						
-----			-----						
(A) PETROLEUM TANK LEAK PREVENTION PROGRAM		PET				759			714
(A) GENERAL REDUCTION		GEN				<50>			<50>
=====						=====			=====
TOTAL GOV'S INITIATIVES						709			664
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,649	1,554	1,818	1,710	1,710	1,660	1,710	1,710	1,660
PETRO CLEAN-UP FD		1,295	1,613	1,465	1,477	2,236	1,465	1,489	2,203
ENVIRONMENTAL	3,334	1,942	2,492	2,198	2,302	2,302	2,198	2,206	2,206
STATUTORY APPROPRIATIONS:									
PETRO CLEAN-UP FD		1,611	2,444	2,000	2,000	2,000	2,000	2,000	2,000
SPECIAL REVENUE	347	119	105	101	312	312	101	312	312
FEDERAL	3,306	3,501	4,463	4,171	4,171	4,171	4,012	4,012	4,012
ENVIRONMENTAL	1,325			75	75	75	75	75	75
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	9,961	10,022	12,935	11,720	12,047	12,756	11,561	11,804	12,468

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: HAZARDOUS WASTE MANAGEMENT

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	148.9	146.4	170.4		173.4			173.4	
TEMP/SEAS/PART_TIME	10.4	12.1							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	159.3	158.5	170.4		173.4	186.9		173.4	186.9

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: HAZARDOUS WASTE MANAGEMENT
ACTIVITY: ENVIRONMENTAL ASSESSMENT AND DIREC

				FY 1996			FY 1997		
			Est.						
ACTIVITY SUMMARY	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,726	1,800	1,910	1,910	1,910	1,890	1,910	1,910	1,890
EXPENSES/CONTRACTUAL SRVCS	1,015	782	909	790	790	760	790	790	760
MISC OPERATING EXPENSES	131	148	162	136	136	136	136	136	136
SUPPLIES/MATERIALS/PARTS	44	53	261	54	56	56	54	58	58
CAPITAL EQUIPMENT	83	24	107	107	107	107	107	107	107
OTHER	3								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,002	2,807	3,349	2,997	2,999	2,949	2,997	3,001	2,951
LOCAL ASSISTANCE					100	100			
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,002	2,807	3,349	2,997	3,099	3,049	2,997	3,001	2,951
=====									
AGENCY PLAN ITEMS:			FUND						
-----			-----						
NON-DEDICATED FEE SPENDING (UP TO 3%)			ENV		2			4	
USED OIL FILTER COLLECTION PROGRAM			ENV		100				
=====			=====		=====		=====		
TOTAL AGENCY PLAN ITEMS					102			4	
=====									
GOV'S INITIATIVES:			FUND						
-----			-----						
(A) GENERAL REDUCTION			GEN			<50>			<50>
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						<50>			<50>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,274	1,253	1,491	1,313	1,313	1,263	1,313	1,313	1,263
PETRO CLEAN-UP FD		63	222	222	222	222	222	222	222
ENVIRONMENTAL	961	843	942	916	1,018	1,018	916	920	920
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	244	32	4						
FEDERAL	523	616	690	546	546	546	546	546	546

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: HAZARDOUS WASTE MANAGEMENT
ACTIVITY: ENVIRONMENTAL ASSESSMENT AND DIREC

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL FINANCING	3,002	2,807	3,349	2,997	3,099	3,049	2,997	3,001	2,951
FTE BY EMPLOYMENT TYPE:									
REGULAR	41.8	42.8	43.6		43.6			43.6	
TEMP/SEAS/PART_TIME	.6	.8							
TOTAL FTE	42.4	43.6	43.6		43.6	43.1		43.6	43.1

1996-97 Biennial Budget

PROGRAM: Policy and Operational Support
AGENCY: Pollution Control Agency (MPCA)

PROGRAM DESCRIPTION: This program provides policy direction, management and support services and regional services.

Activities include the 9-member Citizens Board and the Commissioner's Office, Regional Operations, Public Information, Environmental Planning and Review, Information Management, Personnel and Fiscal Services.

The issues associated with these activities are:

- **Solutions that cross divisions and agencies:**
Providing leadership and direction is more demanding as issues become more complicated. Environmental problems do not respect the artificial organizational boundaries set up within the agency or the executive branch. Managing issues which cross division and other agency lines is becoming critical to producing satisfactory results. This requires much more sophisticated communication techniques, setting clear priorities and direction, and time consuming coordination.
- **Regionalization:**
Providing the right level of service in a timely fashion is a struggle for all government agencies. The Minnesota Pollution Control Agency (MPCA) has decentralized its service delivery system so that there are 100% more staff located in the Regional Offices than there were 3 years ago. Authority for decision making has been streamlined and more and more activities are being centered closer to the customer. Managing and supporting the relocation of staff, providing comprehensive physical plant and communication resources and redesigning work assignments are issues in the on-going effort.
- **Computerization:**
The agency has embarked upon an extensive redesign of compliance data bases in all programs and has moved the entire staff to a new computer work environment. This requires the assignment of top staff to re-engineer work and participate in system development. Ongoing work must be prioritized and carefully managed to honor all commitments. Every employee will have to learn new software and hardware to do their job. This level of change in work environment cause high anxiety and requires constant communication and assurance about the future as staff go through the transition.
- **Moving from enforcement to education:**
As the agency moves from concentrating primarily on point sources of pollution to nonpoint sources of pollution, the tools used to achieve compliance change. Today's technical solutions and behavior change solutions require an emphasis on education, training and assistance. The customer is no longer just a regulated industry or public entity but may be many individuals as well. Materials must be prepared for a non-technical audience and made available through many channels. More grass roots organizations and local units of government will be part of the delivery of services. Assessing customer needs and providing help at the right time and place is an issue.

- **Keeping the public informed and involved:**
Citizens demand to be a part of decisions which effect their environment. Providing meaningful opportunities and presenting them so citizens can effectively participate is difficult. Taking the time necessary for public comment is inefficient. Regardless, citizen opinion is essential.
- **Effectively managing human and fiscal resources:**
Rapid technological, political and structural changes constantly pummel the work force and make managing an increasingly diverse human resource a considerable challenge. The fiscal challenge is daunting in that funding sources are ever changing, program solutions are more and more expensive and fee revenues more difficult to assess and maintain at appropriate levels.

PROGRAM STATUS: The agency's 4 year computerization effort, named Project DELTA, is proceeding on schedule and on budget. In addition, a royalty agreement with American Consulting Services may yield some revenue should other states buy the entire or a portion of the system. Several states have shown a keen interest in the systems that have been developed so far.

Delivering environmental programs to customers in more convenient places has been a priority over the past 4 years. Efforts to assign more staff from each program to regional offices has been very successful. In 1991 there were 42 staff in the regions. As of September 1994, there were 87 staff in regional locations, and, by 1997, it is estimated that 109 positions will be centered in Great Minnesota. This means a 160% increase in staff located in the regional offices in 6 years.

PLANNED RESULTS:

- Establish the agency's general direction and prepare and present the agenda to the agency Board and Legislature;
- Make environmental policy determinations in a forum that provides public input and discussion;
- Approve standards and rules, and implement regulatory and enforcement authorities;
- Direct, administer and manage resources and operations of the agency, develop objectives and measures and report results.
- Represent the agency in business with government, industry, interest groups and the public.
- Conduct environmental review of major proposed projects through a standardized public process that is designed to disclose information about environmental impacts and methods to avoid or mitigate adverse impacts. This analysis includes the preparation of environmental impact statements and the review and analysis of environmental issues that affect the water, air and land.
- Coordinate the agency's activities regarding the following cross division programs: pollution prevention, low-level radioactive waste, mining and other natural resource assessments and requirements for toxic release inventory disclosures;
- Provide communication support to technical programs and provide public information environmental education to respond to public inquiries, to disseminate information through news releases, newsletters, printed material and exhibits and to work with the Department of Education regarding environmental curricula;
- Provide information management, data processing and computer services which support all agency programs and effected public.
- Develop and implement appropriate fiscal, personnel and administrative policies and controls in order to ensure that the agency meets the state's public trust requirements and environmental results are achieved.
- Provide effective service to customers through face-to-face contact, and consistent staff contacts;
- Providing more immediate response to environmental complaints or emergencies.

1996-97 Biennial Budget

PROGRAM: Policy and Operational Support
AGENCY: Pollution Control Agency (MPCA)
 (Continuation)

BUDGET AND REVENUE SUMMARY: The following are the key financial decisions and legislative changes requested under the agency budget plan:

- **Environmental Computer Compliance Management, Phase II.** The agency's requests \$1,278,000 each year of the biennium from the Environmental Fund to complete Phase II of its program to update computer systems. Included in this request are resources for completing computer systems for managing environmental programs and for funding 5.0 FTE to operate the new system. The total request for the 1996-97 biennium is \$4,974,000: \$2,418,000 is included in the base and \$2,556,000 is being requested from the balance in the Motor Vehicle Transfer Account in the Environmental Fund.

Phase I of the agency's modernization will complete compliance management applications for the Air Quality and Solid Waste Programs. In Air Quality, the implementation of the DELTA systems on February 1995, will allow staff to efficiently process the additional permits required by the reauthorization of the Clean Air Act. Regulated facilities will be able to electronically submit permits that have already had a completeness and error check done before they are submitted to the MPCA for review. This, as well as many other time saving and productivity improving aspects of DELTA systems, benefits both the MPCA and the regulated community. Similar business process improvements will be implemented through the Solid Waste DELTA applications in F.Y. 1995.

Phase II of DELTA will carry forward the time saving and productivity improving business processes to the Water Quality, Hazardous Waste, Site Response and Tanks and Spills Program so that all MPCA regulated clientele can benefit from the streamlined and more consistent approach to permitting, compliance determination and enforcement activities. Other governmental units, environmental organizations and the general public will benefit from the accessibility of agency information resources.

The agency will be requesting funding in the 1998-99 biennium for continuation of 10 staff to operate the system.

- **Agency Decision Items:** Appropriation portion for the Policy and Operations Support Program:
- **Individual Septic Treatment Certification.** Of the \$120,000 requested each year for this program, the agency requests \$25,000 each year to fund administrative support.
- **Air Quality Emission Fees.** Of the \$943,000 for 1996 and \$1,167,000 for 1997, the agency requests \$166,000 for 1996 and \$177,000 for 1997 to fund administrative support.
- **Waste Tire Reduction.** Of the \$2,097,000 reduction from the Waste Tire Program, the agency requests that \$135,000 be reduced from the Policy and Operational Support Program each year.
- **Voluntary Petroleum Cleanup Program.** Of the \$250,000 requested each year for this program the agency requests \$39,000 each year to fund administrative support.

REVENUE: From the perspective of the 1996-97 Agency Plan this program generates dedicated and non-dedicated revenue as follows:

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Non-dedicated - Gen'l	\$796	\$956	\$698	\$698	\$698
Non-dedicated - Other	178	725	580	564	568
Dedicated - Special	2,642	2,402	3,262	3,488	3,488
Dedicated - Federal	76	20	140	140	140
Total	\$3,692	\$4,103	\$4,680	\$4,890	\$4,894

Explanations for F.Y. 1996 revenues:

The above revenues include both departmental earnings and other receipts not reported in the Earnings Report.

- **Non-dedicated General Funds:** \$655,000 fines and penalties, \$2,000 sales tax collected and \$41,000 miscellaneous.
- **Non-dedicated Other Funds:** \$5,000 in low level radiation fees, and \$559,000 in fines and penalties deposited in the Environmental Enforcement Account in F.Y. 1996; and \$3,000 in low level radiation fees and \$565,000 in fines and penalties deposited in the Environmental Enforcement Account in F.Y. 1997.
- **Dedicated Special:** \$3,198,000 federal grant overhead allowance, \$25,000 in-house training, \$265,000 miscellaneous reimbursements.
- **Dedicated Federal:** Various grants from the U.S. Environmental Protection Agency.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor has identified projects recommended for funding by the LCMR that should be addressed in the capital budget. The Governor recommends, instead, that a portion of the funds allocated for these projects be used to finance selected environmental, high priority initiatives including:

- \$120,000 for reduction of mercury contamination in Minnesota.

In addition, the Governor recommends the following initiatives:

- **Ground Water Monitoring and Assessment.** Of the \$436,000 in F.Y. 1996 and \$431,00 in F.Y. 1997, \$28,000 is recommended each year to fund administrative support.
- **Landfill Construction Inspection.** Of the \$178,000 in F.Y. 1996 and \$140,000 in F.Y. 1997, \$24,000 is recommended each year to fund administrative support.
- **Toxics in Products and Packaging.** Of the \$78,000 recommended each year, the Governor recommends \$16,000 each year to fund administrative support.
- **Minnesota River Implementation.** Of the \$1,120,000 recommended for the biennium, \$26,000 is recommended to fund administrative support.
- **Petroleum Tank Leak Prevention Program.** Of the \$917,000 in F.Y. 1996 and \$872,000 in F.Y. 1997, the Governor recommends \$158,000 each year to fund administrative support.
- **Clean Water Partnership.** Of the \$2,225,000 recommended for the biennium, \$80,000 is recommended to fund administrative support.
- **General reduction.** A reduction of 2 positions and \$190,000 in Operational Support.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: POLICY AND OPERATIONAL SUPPORT
ACTIVITY: POLICY AND OPERATIONAL SUPPORT

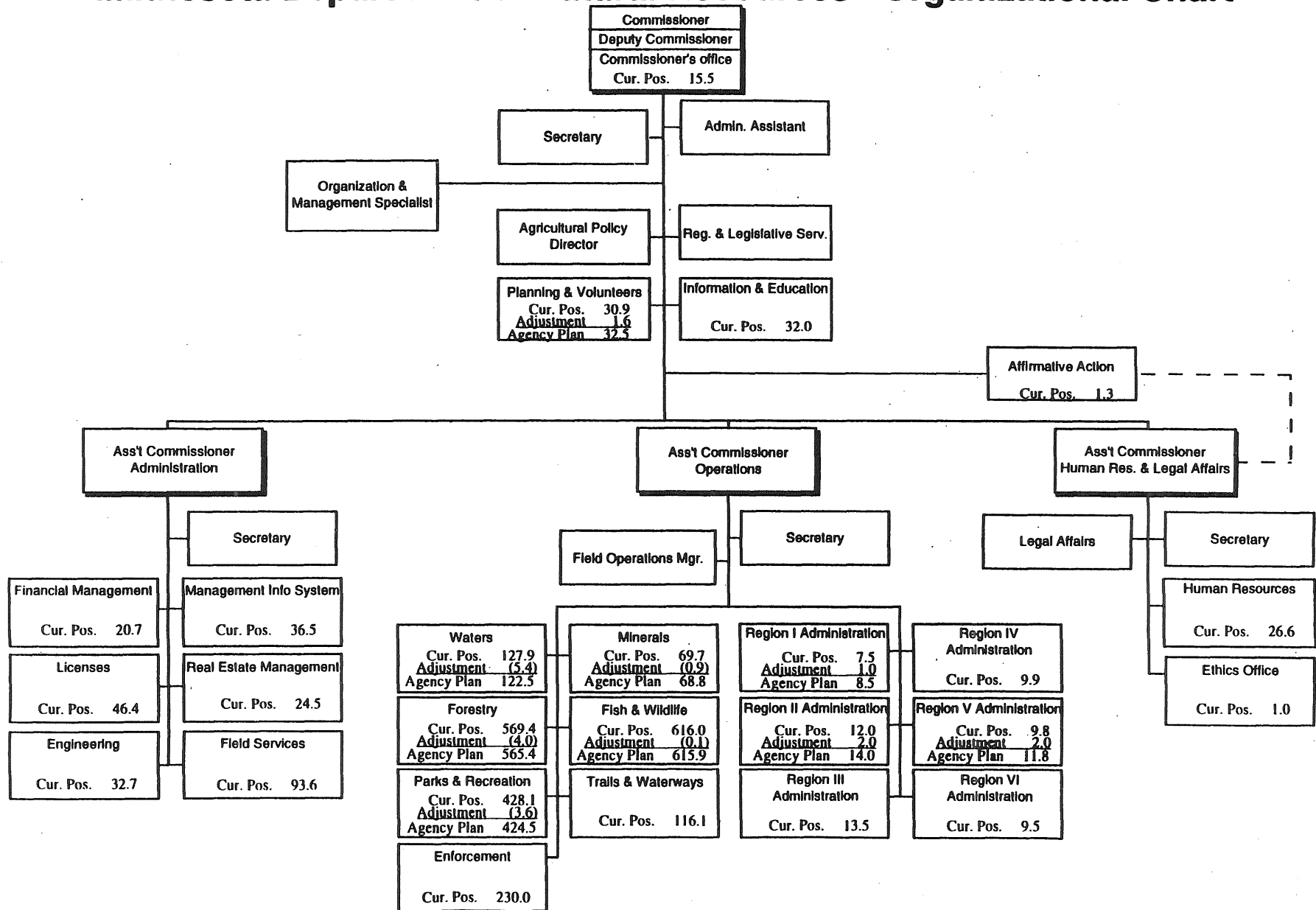
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,895	4,060	4,811	4,752	5,002	5,025	4,752	5,002	4,907
EXPENSES/CONTRACTUAL SRVCS	2,566	2,930	4,784	2,953	4,024	4,122	2,953	4,035	4,133
MISC OPERATING EXPENSES	438	465	464	464	489	565	464	489	565
SUPPLIES/MATERIALS/PARTS	365	344	441	327	410	570	327	466	518
CAPITAL EQUIPMENT	416	227	729	1,079	1,079	1,079	1,079	1,079	1,079
OTHER	661	523	879	879	879	879	879	879	879
SUBTOTAL STATE OPERATIONS	8,341	8,549	12,108	10,454	11,883	12,240	10,454	11,950	12,081
TOTAL EXPENDITURES	8,341	8,549	12,108	10,454	11,883	12,240	10,454	11,950	12,081
AGENCY PLAN ITEMS:			FUND						
ANNUALIZED NEW PROG COST			ENV		25			25	
NON-DEDICATED FEE SPENDING (UP TO 3%)			ENV		46			92	
NON-DEDICATED FEE SPENDING (UP TO 3%)			LCU		2			4	
NON-DEDICATED FEE SPENDING (UP TO 3%)			PET		8			16	
PROPOSED FEE CHANGE			ENV		166			177	
WASTE TIRE PROGRAM REDUCTION			ENV		<135>			<135>	
VOLUNTARY PETRO INVESTIGATION & CLEANUP			SR		39			39	
COMPUTER DELTA			ENV		1,278			1,278	
TOTAL AGENCY PLAN ITEMS					1,429			1,496	
GOV'S INITIATIVES:			FUND						
(A) GROUND WATER MONITORING & ASSESSMENT PROG			LCU			28			28
(A) LANDFILL CONSTRUCTION INSPECTION			LCU			24			24
(A) TOXICS IN PRODUCTS & PACKAGING			LCU			16			16
(A) MINNESOTA RIVER IMPLEMENTATION			MNR			26			
(A) PETROLEUM TANK LEAK PREVENTION PROGRAM			PET			158			158
(A) CLEAN WATER PARTNERSHIP			MNR			80			
(A) GENERAL REDUCTION			GEN			<95>			<95>

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CNTRL AGENCY
PROGRAM: POLICY AND OPERATIONAL SUPPORT
ACTIVITY: POLICY AND OPERATIONAL SUPPORT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
(B) REDUCTION OF MERCURY			MNR			120			
						=====			=====
TOTAL GOV'S INITIATIVES						357			131
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,956	1,665	2,079	1,903	1,903	1,808	1,903	1,903	1,808
MN RESOURCES						226			
PETRO CLEAN-UP FD		282	283	282	290	448	282	298	456
ENVIRONMENTAL	3,285	3,749	4,663	3,183	4,563	4,563	3,183	4,620	4,620
METRO LANDFILL CONTN	8	8	8	8	8	8	8	8	8
LANDFILL CLEANUP			925	925	927	995	925	929	997
STATUTORY APPROPRIATIONS:									
GENERAL		1							
SPECIAL REVENUE	2,763	2,651	3,700	3,700	3,739	3,739	3,700	3,739	3,739
FEDERAL	77	20	140	140	140	140	140	140	140
ENVIRONMENTAL	246	170	145	148	148	148	148	148	148
METRO LANDFILL CONTN	6	3	5	5	5	5	5	5	5
LANDFILL CLEANUP			160	160	160	160	160	160	160
TOTAL FINANCING	8,341	8,549	12,108	10,454	11,883	12,240	10,454	11,950	12,081
FTE BY EMPLOYMENT TYPE:									
REGULAR	86.1	87.2	102.0		107.0			107.0	
TEMP/SEAS/PART_TIME	2.3	2.9							
TOTAL FTE	88.4	90.1	102.0		107.0	106.0		107.0	106.0

Minnesota Department of Natural Resources - Organizational Chart



June 30, 1994 FTE Employees: 2,592.5

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Natural Resources, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$85,790	\$85,790	\$171,580
<u>BASE ADJUSTMENT:</u>			
One-Time Appropriations	(733)	(733)	(1,466)
Appropriations Carried Forward	(3,899)	(3,899)	(7,798)
Documented Rent Increase	13	13	26
Attorney General Costs	<u>991</u>	<u>991</u>	<u>1,982</u>
<u>CURRENT SPENDING</u>	\$82,162	\$82,162	\$164,324
<u>AGENCY DECISION ITEMS:</u>			
Regional Planning Positions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN</u>	\$82,162	\$82,162	\$164,324
<u>GOVERNOR'S INITIATIVES:</u>			
GEIS Implementation	\$ 910	\$1,463	\$2,373
State Parks Operations	793	827	1,620
1837 Treaty: Litigation	1,000	-0-	1,000
1837 Treaty: Fish and Wildlife Surveys	<u>405</u>	<u>403</u>	<u>808</u>
	\$3,108	\$2,693	\$1,551
GOVERNOR'S RECOMMENDATIONS	\$85,270	\$84,855	\$170,125

Brief Explanation of Agency Plan:

The agency plan includes a budget reallocation of \$153,000 that will transfer funds to the Regional Operations Support Program to provide funding to continue regional planning coordinator positions at the Bemidji, Grand Rapids, and Rochester Regional Headquarters. The net effect of the internal transfers on the budget is zero.

Assuming a 3% annual increase in non-salary costs, the impact of inflation on programs funded from the General Fund will amount to \$704,000 in F.Y. 1996 and \$1,430,000 in F.Y. 1997. Approximately 71% of the department's total inflationary increase in the General Fund will impact on 3 programs: Water Resources Management, Forest Management, and Parks and Recreation Management. In meeting the challenge of reducing program operating costs, the department will continue to pursue statutory and regulatory changes that will improve our efficiency and flexibility to respond to changing needs, such as delegation authority for human resources and administrative activities and budget flexibility to enhance interdisciplinary

teamwork in ecosystem-based natural resource management. In addition, the department will have to reduce staffing through attrition and/or reduce the number of work hours provided by part-time/seasonal/labor service.

Revenue Summary:

The department's General Fund receipt forecast is \$11 million annually for the 1996-97 biennium and reflects increases in timber sales and park-user fees. Receipts from water-use permits will decrease after F.Y. 1995 due to a fewer number of once-through cooling system permits required because of conversions to alternative systems that no longer require a permit.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends funding for the following 3 initiatives.

- The Governor recommends funding to start implementing the strategies contained in the Generic Environmental Impact Statement (GEIS) on timber harvesting and forest management in Minnesota. \$2,373,000 for the biennium is the portion of the initiative from the General Fund.
- The Governor recommends an increase in funding for state park operations. The increased funding, \$1,620,000 for the biennium, is equal to increased entrance receipts generated from more visitors to state parks.
- The Governor recommends a biennial appropriation of \$1,000,000 for the litigation expenses that will be incurred in the Mille Lacs and Fond du Lac cases in F.Y. 1996-97. The full amount of the appropriation will be transferred to the Attorney General's Office for expenses related to treaty litigation activities on these cases.
- The Governor further recommends a biennial appropriation of \$808,000 to fund fish and wildlife population surveys in the region covered by the 1837 Treaty. The court needs current population surveys as it determines the proportion of fish and wildlife resources reserved for the bands included in the treaty.

1996-97 Biennial Budget

AGENCY: Natural Resources, Department of
(Continuation)

sunset of a portion of the watercraft license surcharge. In F.Y. 1997, the Water Recreation Account in the Natural Resources Fund will be reduced by \$505,000.

- The plan includes a Game and Fish Fund reduction for the Trout and Salmon Program of \$78,000 per year to align the budget with estimated resources.
- Project proposals recommended for funding by the LCMR are included in the agency plan. LCMR project recommendations funded from the Minnesota Future Resources Fund total \$6,983,000 and those funded from the Environment and Natural Resources Trust Fund total \$12,710,000.
- The plan includes \$63,000 in F.Y. 1996 and \$66,000 in F.Y. 1997 to convert the funding for a position responsible for administration of the Federal Land and Water Conservation Program from the Future Resources Fund to the Federal Fund.
- The plan includes a budget reallocation of \$110,000 from the Forestry Division and \$55,000 prorated from all operating divisions, except Enforcement, that will transfer to the Regional Operations Support Activity to provide funding to continue regional planning coordinator positions at the Bemidji, Grand Rapids, and Rochester Regional Headquarters.
- The state's continued participation in the Federal Sport Fish Restoration Program is addressed in the agency plan. This program, administered by the U.S. Fish and Wildlife Service (USFWS), requires the state to allocate 12.5% of the funds apportioned to it each fiscal year for the payment of up to 75% of the costs for acquisition, development, renovation, or improvement of public access facilities to improve the suitability for recreational boating purposes. The plan provides \$491,000 in F.Y. 1996, including a 1-time adjustment of \$329,000 for F.Y. 1993-95 and \$178,000 in F.Y. 1997 from the Game and Fish Fund.
- The agency plan includes an additional \$10,000 per year from the Game and Fish Fund to provide a total of \$60,000 of state funds to be used as grants to public and private facilities to add or upgrade marine waste facilities where it is deemed appropriate. The \$60,000 annual state expenditure will be reimbursed through USFWS federal funds granted under the Clean Vessel Act.

GOVERNOR'S RECOMMENDATION:

General Fund

The Governor concurs with the agency's plan with the following additions:

- The Governor further recommends funding to start implementing the strategies contained in the Generic Environmental Impact Statement (GEIS) on timber harvesting and forest management in Minnesota. This initiative supports the Governor's policy of developing sustainable approaches to resource management that embody ecosystem management principles and

applications. Funding for this entire initiative is from both the General Fund and the Environmental Trust Fund. The funding portion from the General Fund is \$2,373,000 for the biennium, an amount equal to increased revenues in the biennium from timber sales. The Governor recommends that funding for the GEIS initiative be appropriated at the agency level.

- The Governor recommends an increase in funding for state park operations. The increased funding, \$1,620,000 for the biennium, is equal to increased entrance receipts generated from more visitors to state parks.
- The Governor recommends a biennial appropriation of \$1,000,000 for the litigation expenses that will be incurred in the Mille Lacs and Fond du Lac cases in F.Y. 1996-97. The full amount of the appropriation will be transferred to the Attorney General's Office for expenses related to treaty litigation activities on these cases.
- The Governor further recommends a biennial appropriation of \$808,000 to fund fish and wildlife population surveys in the region covered by the 1837 Treaty. The court needs current population surveys as it determines the proportion of fish and wildlife resources reserved for the bands included in the treaty.
- The Governor recommends eliminating the mandates imposed on counties for the administration of tax forfeited land. As the counties gain the authority to manage these lands or to determine which parcels should be sold, the state will end tax in lieu payments of \$4,250,000 from the General Fund in the biennium for this category of lands. This is shown as a reduction to the agency open appropriations from the General Fund.

Natural Resources Fund

The Governor concurs with the agency's plan with the following additions:

- \$46,000 for the biennium for technology upgrades in the DNR's St. Paul licensing center.
- \$8,000 in F.Y. 1996 for the initial design phase of a revenue accounting system that supports the DNR's ecosystem management efforts.
- \$200,000 for the biennium for ATV trail maintenance and grant-in-aid for this activity.
- \$439,000 in F.Y. 1997 for the continuation of the exotic species prevention and control efforts. The Governor also supports removing the clause relating to the \$2 portion of the watercraft surcharge that is due to sunset on 12-31-96. Continuing the \$2 surcharge ensures that the DNR can maintain its exotic species programs.
- \$608,000 for the biennium for Enforcement Operations that will provide for the replacement of obsolete equipment, continue their education and community outreach efforts, and maintain the level of enforcement presence expected by citizens and other natural resource program managers.

Game and Fish Fund

The Governor concurs with the agency's plan with the following additions:

- \$136,000 for the biennium for a portion of the DNR's agency-wide sustainable ecosystems initiative.
- \$1,100,000 for the biennium for Fish and Wildlife programs to maximize the federal funding available through existing federal aid programs and to implement ecosystem management changes.

1996-97 Biennial Budget

AGENCY: Natural Resources, Department of
(Continuation)

- \$258,000 for the biennium for technology upgrades in the DNR's St. Paul licensing center.
- \$105,000 for the biennium for an administrative rules coordinator.
- \$55,000 in F.Y. 1996 for the initial design phase of a revenue accounting system that supports the DNR's ecosystem management efforts.
- \$1,456,000 for the biennium for Enforcement Operations that will provide for the replacement of obsolete equipment, continue their education and community outreach efforts, and maintain the level of enforcement presence expected by citizens and other natural resource program managers.

Environmental Trust Fund and Minnesota Future Resources Fund

The Governor has identified projects for funding by the Legislative Commission on Minnesota Resources that should be addressed in the capital budget. With the Department of Natural Resources, these projects are:

<u>Project</u>	<u>Amount</u>	<u>Fund</u>
Metro Regional Park System	\$4,550,000	ETF
State Park Development, Acquisition and Rehabilitation	3,750,000	ETF
State Trail Acquisition and Rehabilitation	250,000	ETF
Water Access	600,000	ETF
RIM Fisheries Habitat Development and Rehabilitation	800,000	MFRF
Local Natural Resource Grant	1,800,000	MFRF

The 1994 Bonding Bill appropriated over \$30 million for these programs, and the Governor's 1994-99 Strategic Budget Plan earmarked nearly \$40 million for them in each of the 1996 and 1998 sessions. The Governor recommends, instead, that a portion of the funds allocated for these projects be used to finance selected environmental, high-priority initiatives including:

- The Governor recommends funding the Sustainable Ecosystems initiative, a significant DNR effort to address environmental issues and problems from a systems perspective. Funding will be a biennial appropriation of \$2,030,000, and will be combined with funding for a portion of this same initiative from the Game and Fish Fund, for a biennial total of \$2,166,000.
- The Governor further recommends funding to start implementing the strategies contained in the Generic Environmental Impact Statement (GEIS) on timber harvesting and forest management in Minnesota. Funding will be a biennial appropriation of \$1,875,000 and will also be combined with funding for a portion of the same initiative from the General Fund, for a biennial total of \$4,248,000.
- The Governor recommends funding for the Geographic Information System (GIS) to support DNR's ecosystem management effort. Funding will be a biennial appropriation of \$1,200,000.

The Governor recommends that funding for these initiatives be appropriated at the agency level.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF

				FY 1996			FY 1997		
				Current	Agency	Governor	Current	Agency	Governor
PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
MINERAL RESOURCES MGMT	6,332	5,661	5,461	5,113	5,196	5,196	5,147	5,145	5,145
WATER RESOURCES MGMT	9,457	8,600	10,016	9,096	9,233	9,233	9,096	9,093	9,093
FOREST MANAGEMENT	40,261	39,380	44,375	40,523	40,960	41,620	40,605	40,967	40,305
PARKS & RECREATION MGMT	22,361	26,026	29,196	26,303	30,045	27,088	26,400	26,392	27,219
TRAILS & WATERWAYS MGMT	12,662	12,167	21,523	12,179	13,612	12,862	12,179	12,499	12,599
FISH & WILDLIFE MANAGEMENT	45,996	45,629	54,960	46,093	51,764	51,919	45,901	45,483	46,875
ENFORCEMENT--NR LAWS&RULES	15,059	15,041	16,843	15,958	16,043	17,075	15,958	15,992	17,024
OPERATIONS SUPPORT	29,758	35,979	31,113	29,297	38,432	36,716	29,297	29,557	29,761
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	181,886	188,483	213,487	184,562	205,285	201,709	184,583	185,128	188,021
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	2,600	10,504	11,256		12,710	8,665			
GENERAL	77,160	76,940	85,790	82,162	82,162	85,270	82,162	82,162	84,855
MN RESOURCES	2,523	4,294	6,087		6,983	4,383			
STATE GOVT SPEC REV	1,064								
NATURAL RESOURCES	18,171	16,964	19,766	18,133	18,282	18,727	18,128	17,772	18,628
GAME AND FISH	50,567	47,116	51,794	48,988	49,411	51,052	48,988	49,098	50,567
ENVIRONMENTAL	100								
PERMANENT SCHOOL	547	205	106						
OPEN APPROPRIATIONS:									
GENERAL	11,830	12,389	13,972	13,972	14,367	12,242	13,972	14,432	12,307
NATURAL RESOURCES	110	69	109	110	110	110	110	160	160
GAME AND FISH	1,559	1,535	500	500	500	500	500	715	715
STATUTORY APPROPRIATIONS:									
GENERAL	374	383	200	200	200	200	200	200	200
NATURAL RESOURCES	69	37	1,417	322	322	322	115	115	115
SPECIAL REVENUE	9,418	9,483	9,641	9,929	9,929	9,929	10,115	10,115	10,115
GAME AND FISH	267	184	140	140	140	140	140	140	140
FEDERAL	4,763	7,429	11,572	9,176	9,239	9,239	9,223	9,289	9,289
AGENCY	54	127	207						
GIFTS AND DEPOSITS	710	824	930	930	930	930	930	930	930
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	181,886	188,483	213,487	184,562	205,285	201,709	184,583	185,128	188,021

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF

				FY 1996			FY 1997		
			Est.						
PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	1,985.1	1,942.9	1,936.5		1,925.0			1,902.8	
TEMP/SEAS/PART_TIME	641.1	606.9	602.7		615.7			605.7	
OVERTIME	43.3	42.7	41.9		41.7			41.7	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	2,669.5	2,592.5	2,581.1		2,582.4	2,636.7		2,550.2	2,588.7

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of
PROGRAM:
ACTIVITY:

ITEM TITLE: Geographic Information Systems for Ecosystem-Based Management

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Environmental Trust Fund				
- State Operations	\$1,200	-0-	\$1,200	-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION: The Governor recommends funding delivery of Geographic Information Systems (GIS) technology support for natural resource management for the statewide DNR's information management activities. The Governor views the investment to be delivered in this initiative as being vital support mechanisms for the department's initiatives for ecosystem-based natural resource management.

Funding for this initiative has been made available from the Environmental Trust Fund because the Governor has identified projects recommended by the Legislative Commission on Minnesota Resources (LCMR) that should be addressed in the capital budget. The Governor recommends, instead, that a portion of the funds allocated for those projects be used to fund this initiative. Funding from the Environmental Trust Fund should be available in either year of the biennium.

RATIONALE: DNR is making a concerted effort to embark on an ecosystem-based approach to natural resource management. Ecosystem management requires much sharing of information and knowledge among resource management disciplines at all levels and all locations. This initiative advances the ecosystem management approach by bringing GIS technology to DNR's field managers. Ecosystem management is much more complex than DNR's traditional single-focus resource management. Implementing ecosystem-based management requires new tools in the hands of resource managers.

PROGRAM OUTCOMES:

The outcome of this investment is for field managers of our wildlife, forest, water, and other natural resources to have access to the GIS tools that they will need to manage resources in an ecosystem framework. This result will be achieved by providing a base of support and technical resources for all departmental units in each DNR region throughout the state. To meet these needs, this project will:

- Create focal points for access and use of GIS data throughout the department.
- Provide technical assistance for projects and natural resource management efforts statewide.
- Provide GIS training to all levels of the DNR.
- Support GIS hardware and software use throughout the department.
- Acquire several new GIS data layers.

Some of the many applications directly supported by this initiative include:

- Ecosystem, watershed, and integrated resource management activities.
- Regional planning--maps, plans, and analysis.
- County biological survey.
- Wildlife habitat analysis.
- Generic Environmental Impact Statement implementation to plan and monitor timber harvesting impacts on environment.
- Aspen Parkland management.
- Landscape and ecological classification system delineation and mapping.
- Timber management planning for Forestry and Wildlife.
- Park planning and operation.
- Water and aquatic system management planning.

The deployment of support staff at regional locations is a key element of this initiative. These regional GIS support staff, working with the technical staff in the Management Information Services Bureau and with resource management specialists in DNR divisions and bureaus, will be responsible for helping create and maintain a common library of programs and data needed by resource managers. The regional GIS staff identified in this proposal will enforce data standards and maintain departmental resource databases, equipment, and software. The staff person in each region will 1) be the focal point for access and use of GIS data in the region, 2) advise or lead GIS-based projects and application development efforts, 3) be the support person for GIS hardware and software use throughout the region, and 4) will provide GIS training throughout the region.

LONG-TERM IMPACT: DNR's vision for the Year 2000 is for GIS and database techniques to be solidly in place supporting a successful ecosystem-based approach to natural resource management. The long-term impact of this effort will be the effective implementation of GIS database technology, giving field resource managers easy access to information across resource management boundaries and giving them full support in day-to-day decision-making and long-term policy development. The long-term impact of a well-designed GIS database will extend beyond DNR lands and support cooperation with other state, county, federal, and private resources managers.

The DNR's 5-year GIS vision statement identifies GIS as an essential tool enabling the DNR to meet the department's vision to "...work with the people of Minnesota to manage the state's diverse natural resources for a sustainable quality of life." The importance of GIS to achieve sound resource management is reflected by expenditures by divisions and bureaus in recent years on GIS activities. Tremendous strides have been made by individual disciplines to hire GIS staff specialists, develop or acquire GIS data needed by each discipline, and provide project-specific applications and data. This investment initiative is intended to build upon the existing network of discipline-specific GIS staff and GIS core staff in the central office to meet this mission. It will insure the support the DNR needs to develop and provide quality data and the analytic tools and expertise needed for staff to use this data. The result will be improved and more efficient resource management decision-making.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of
PROGRAM: Fish and Wildlife Management
ACTIVITY:

ITEM TITLE: 1837 Treaty: Fish and Wildlife Population Surveys

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$405	\$403	\$403	\$403

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$405,000 in F.Y. 1996 and \$403,000 in F.Y. 1997 to conduct fish and wildlife population surveys to support the second phase of the Mille Lacs Treaty litigation. This phase of the trial deals with the allocation of fish and wildlife resources between the treaty bands and non-band members.

RATIONALE:

In August 1994 U.S. District Court Judge Diana Murphy ruled that the 1837 Treaty reserved rights of certain bands to hunt and fish on the land ceded to the United States in that treaty. The treaty area includes all or some of 12 counties in east central Minnesota. That ruling is now followed by a second phase of litigation where the court must determine the proportion of the resources reserved by the treaty and which, if any, state game and fish laws still apply. This allocation of resources has become more complex since 6 additional bands have petitioned to join this lawsuit and a seventh, the Fond du Lac band, is claiming 1837 Treaty rights in a separate lawsuit.

On 2-10-95 the U.S. Court of Appeals for the Eighth Circuit ruled that the parties to the 1837 Treaty litigation must complete this Phase before appealing the August ruling on the bands' treaty rights. Prior to the final ruling a separate appeal will be allowed on limited issues concerning the harvest of fish and wildlife.

During the initial phase of the litigation, the state spent approximately \$1.5 million in expert witness fees and other litigation costs. The second phase will rely heavily on expert testimony and resource information developed by the DNR's internal experts and other operations staff. Intensive population and harvest surveys are needed to present the state's best case regarding the fish and wildlife populations available for harvest and how they will be allocated to band and non-band interests.

PROGRAM OUTCOMES:

The 1837 treaty area includes 191 lakes and 232 streams capable of sustaining viable fish populations. Significant waters include Mille Lacs Lake and the St. Croix, Rum, Kettle, Snake, and Mississippi Rivers. Not all waters involved have had adequate or recent fish population evaluations useful in determining harvest levels. Current staff would not be able to conduct the intense level of monitoring needed within the treaty area and perform other required management functions. Funding is needed for a staff biologist to plan and supervise the necessary evaluations, for 4 two-person field crews to conduct the surveys and for necessary support expenses.

The 1837 Treaty area is also rich in wildlife resources, and the state also needs to update population data on the various wildlife species. Funding is needed for a variety of intensified population surveys of deer, moose, bear, and furbearers like bobcat, otter, marten, and fisher. The requested funding would also pay for enhanced data management and necessary additional staff support.

The outcomes of this initiative will be adequate population baseline data to guide the court in its allocation of fish and wildlife resources in the treaty area and valid ongoing monitoring of harvest levels to ensure sustainable populations of fish and game animals over time.

LONG-TERM IMPACT:

The current resource allocation phase of the 1837 Treaty litigation will likely last through much of the 1996-97 biennium. However, the department has an ongoing need for intensive population information to implement fish and wildlife resource allocations and sustainable harvest levels.

Additional litigation involving the Fond du Lac Band and the 1854 Treaty may present the state with a similar obligation for population survey work. The 1854 ceded territory is larger than the 1837 area with more lakes and streams. Costs of providing population survey information for the 1854 Treaty area will likely be greater than the survey work for the 1837 treaty.

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1996-97 Biennial Budget

PROGRAM: Mineral Resources Management
AGENCY: Natural Resources, Department of (DNR)

PROGRAM DESCRIPTION: The Division of Minerals manages the mineral assets of the state to ensure that all stages of mining, ranging from initial exploration through development and operation to eventual mine closure, generate environmentally acceptable outcomes and equitable income for the state and its citizens. The assets managed include:

- mineral rights on 12 million acres of state-owned trust and tax-forfeited land (including 18% of the Mesabi Iron Range mineral rights); and
- surface rights and mineral rights on 8 million acres of state land for peat, industrial minerals, and construction materials.

The Division of Minerals is the trust agent for mineral rights of the Permanent School Fund lands, Permanent University Fund lands, tax-forfeited lands, and other state lands and has the fiduciary responsibility to provide equitable rental and royalty income to the state trust funds through leasing of lands for exploration and mining. The division is responsible for assuring environmentally-sound mineral development and, subsequently, mineland reclamation to provide stable, hazard-free areas suitable for future uses after mining ceases.

Capitalizing on Minnesota's unique geological potential, the division identifies new resources and areas of high mineral potential to attract new industry that will diversify the state's rural economy.

The division sponsors 3 research programs—Iron Ore Cooperative Research, Mineral Diversification, and Cooperative Environmental Research—that work with existing industries to reduce costs and improve quality, assist the development of new products and processes and the identification of areas with high mineral potential, and investigate environmental issues related to mining.

Collectively, these responsibilities contribute directly to the economic health of rural Minnesota through the creation and maintenance of high-wage mining jobs and service industries and to the long-term environmental enhancement of areas impacted by mining through progressive reclamation.

PROGRAM STATUS: The U.S. Bureau of Mines estimated that Minnesota ranked eighth nationally in non-fuel mineral production in 1993, with total production valued at \$1.3 billion and industry employment of about 8,000. Historically, the Division of Minerals has played a significant role in the industry; however, recent budget cuts have made it more difficult for the division to maintain its leadership role.

The following discussion is based on the program goals and objectives contained in the 1994 Annual Performance Report:

- **Fiduciary Responsibilities to the Trusts.** The division has authority to lease mineral rights for the state trust funds, tax-forfeited lands, consolidated conservation lands, and other acquired lands. These activities generated revenues of about \$6.4 million in F.Y. 1993 and over \$6.5 million in F.Y. 1994.

Focus: Negotiating leases, stockpiling agreements, and royalty rates with taconite companies.

During the last biennium, stockpiling agreements negotiated with Eveleth Mines resulted in cost

reductions and greater flexibility in mine planning for the company, maintained a viable taconite resource for the state, improved community safety, and retained jobs. Negotiations are ongoing with USX Corporation for the extension of 24 leases and issuance of 4 new leases. The division issued 3 new leases and 1 lease amendment to National Steel Pellet Company in F.Y. 1994 and is discussing lease issues with National.

- **Mineland Reclamation.** The division issues permits to mine and permit modifications to mining companies and assures that reclamation standards are met through an ongoing compliance program.

Focus: Assuring compliance with permits to mine and issuing new permits and permit modifications.

During the last biennium, new reclamation rules for base- and precious-metal mining were adopted after public hearings. The division conducted an analysis of financial assurance for the iron-mining industry. Renewed interest in horticultural peat resulted in 1 new permit and 2 permit amendments. Use of Geographic Information Systems is currently being implemented to monitor permit compliance.

The division is the responsible government unit for mining under the Wetlands Conservation Act (WCA). The division is evaluating wetland replacement plans for taconite and iron mine operations and is implementing WCA regulations for peat mining under the operators' permits to mine.

- **Mineral Leasing and Operations.** The division maintains a proactive program to lease state-owned lands for exploration and mining. The operations unit of the division inspects all state lease mining operations, verifies mining company data, examines royalty tonnage reports and payments, and assures the state receives proper payments.

Focus: Increasing the availability of lands for exploration through regular lease sales.

In 1994, greater use of computer technology enabled the division to hold the state's largest (3.1 million acres) non-ferrous metallic minerals lease sale and to more efficiently compile and verify mining company data, which resulted in more accurate and timely projections of rental and royalty revenue.

The division sold construction material and also plans to hold its first granite lease sale in late F.Y. 1995 using new leasing rules for industrial minerals. In addition, the division expanded the use of regional geological reconnaissance authorizations, which allow exploration companies to conduct limited geological investigations on state lands without a lease.

Amendments to the non-ferrous metallic minerals leasing rules are expected to be completed in F.Y. 1995. The amendments will incorporate changes in the royalty rate structure and establish a new lease sale system. The outcome will make it easier for exploration companies to acquire mineral leases.

- **Minerals Exploration.** The division maintains oversight of statewide exploration through the Exploratory Boring Law and inspects exploration drilling sites to assure compliance with the law. In conjunction with the boring law, the division's library is the state repository for all mineral exploration data, including bedrock drill core samples. The division also conducts field investigations to evaluate mineral potential and identify areas of interest to industry.

Focus: Maintaining and consolidating mineral potential data and drill core information

1996-97 Biennial Budget

PROGRAM: Forest Management
AGENCY: Natural Resources, Department of (DNR)

PROGRAM DESCRIPTION:

Forest Management, Firefighting and Youth Programs are the activities of this program.

Forest management issues are:

- Management of forest resources for sustainable development. The ability to provide increased, yet sustainable, levels of forest outputs, while at the same time maintaining (or improving) the health and diversity of forest ecosystems, will depend greatly on the degree to which forest managers are successful in addressing environmental concerns embodied in the Generic Environmental Impact Statement (GEIS) for timber harvesting and forest management and the GEIS Implementation Strategy Roundtable Report. The Department of Natural Resources (DNR) must provide the lead in implementing recommendations in the GEIS.
- Improved stewardship of privately owned forest lands, through the assistance of professional resource managers, will be necessary to assure that private lands will be able to provide needed wood products while maintaining ecological integrity and fulfilling landowner needs.
- Increasing residential development in forested and other wildland areas is causing greater wildfire risks and an increasing need for a well-equipped and trained wildfire suppression force.
- Several reductions in budget and staffing since 1986 have caused the Division of Forestry to provide services and products by adapting its approach to management and service delivery. A continuous improvement process is being established.
- Increased interest at the state and national levels in youth service programs may result in more project funding within the Youth Programs Activity. Additional funding would provide additional opportunities to provide meaningful work and educational experiences for unemployed youth, as well as accomplish needed resource management projects.
- Continued investment in Forestry employees through training in ecosystem management concepts, organizational management and supervision, and involvement in continuous improvement processes is critical to meet future challenges.

PROGRAM STATUS:

The Forest Management Program within the DNR works directly with the following goals: Minnesota's environment will support a rich diversity of plant and animal life; we will have opportunities to enjoy our outdoor recreation resources; and Minnesotans will enhance the beauty of our surroundings.

The Division of Forestry has reorganized from 4 administrative levels to 3 with the intent to have more employees directly involved in field work, improve efficiency, and better position the division to deal with future budget shortfalls. A continuous improvement process is also being implemented.

Current Ecosystem-Based Management Efforts

The DNR's guiding principles of sustainability, ecosystem-based management, and the conservation of biological diversity have resulted in a change in natural resources management direction and reassignment of staff. The division is shifting from resource management based on administrative units to managing entire ecological systems. The division will continue to implement GEIS recommendations initiated during the past biennium. These include a continued lead in the development of an ecological classification system (ECS) for Minnesota as a critical building block for ecosystem-based management, implementation, and monitoring of aesthetic best management practices, protection of cultural/historic resources, and biodiversity training. Recommendations in private forest management (Woodland Stewardship) plans will continue to be based on ecoregions identified by the ECS. Regional forestry planners have been reassigned as regional department planners to develop ecosystem-based natural resource management plans.

Additional program focus needs to be placed on implementing recommendations from the GEIS Implementation Strategy Roundtable, including development of comprehensive forest management guidelines, coordinating development and use of forest-based data, establishment and enhancement of monitoring programs, and accelerated forest stewardship assistance for non-industrial private landowners. Current levels of funding provide for a continuation of the department's basic forest management program but will be inadequate to continue absorbing inflation, address statewide GEIS needs and opportunities, and provide a workforce that is fully capable of withstanding the physical rigors of wildfire suppression.

PLANNED RESULTS:

The agency budget will impact the 1994 performance objectives in a slightly negative manner because inflationary factors will reduce purchasing power by \$246,000 in F.Y. 1996 and \$500,000 in F.Y. 1997. This reduction will be addressed through a reduction in operation costs and staffing of 5 positions through attrition. The main impact is one of quality rather than quantity of services and resource management provided. However, projected increases in some performance measures will not be possible given the reduction in staffing. Quality will be reduced in certain areas of state forest management, private forestry assistance, and community forestry assistance. Gains in efficiency resulting from the division's reorganization and continuous improvement process will offset some budget impacts. However, the gains will take time to be realized and the results during this biennium are uncertain at this time.

- Non-industrial private forest land activities will remain constant at the estimated F.Y. 1994 level of 24,000 acres per year. This represents an approximate 7.5% reduction under the measures shown in the 1994 agency performance report.
- The percent of annual timber harvest on DNR-administered forest lands conducted using uneven-aged methods will remain constant at F.Y. 1993 levels (i.e., 6%). This represents a 25% reduction in the performance measure shown in the 1994 Annual Performance Report.
- The amount of extended rotation forest designated on DNR-administered lands will be approximately 80,000 acres by the end of F.Y. 1997. This represents a 10% reduction in the performance measure shown in the 1994 Annual Performance Report.

PROGRAM: Forest Management
AGENCY: Natural Resources, Department of (DNR)
(Continuation)

BUDGET AND REVENUE SUMMARY:

Program Plan

- A significant amount of base budget (\$570,000/year) is specifically directed at natural resource sustainability through implementation of Generic Environmental Impact Statement recommendations. Two positions have been allocated specifically to the implementation effort.
- A recent reorganization of the division and a continuous improvement process which is being established will improve the division's ability to deal with cost containment.
- Revenues from state land timber sales will increase \$910,000 in F.Y. 1996 and \$1,463,000 in F.Y. 1997.
- An increase of \$500,000 to the open appropriation in the General Fund for fire suppression activities. This adjustment is necessary to increase the level of funding in the agency plan to approximate the normal level of expenditures incurred in F.Y. 1993 and F.Y. 1994. The base level funding for F.Y. 1995 is lower than normal due to fewer numbers of fires suppressed during the first 5 months of the fiscal year.
- A budget reallocation of \$138,000 that will transfer to the Operations Support Program to provide funding to continue regional planning coordinator positions at the Bemidji, Grand Rapids, and Rochester Regional Headquarters. These positions will be responsible for the DNR's regional and ecosystem planning processes and to facilitate development of common goals for functional ecological systems at various geographic scales; e.g., watersheds, landscapes, and ecoregions.

LCMR Recommendations:

Trees for Teens - Training, Resources, Education, Employment, Service. This project provides for an agreement with Twin Cities Tree Trust to develop a pilot program and curriculum materials for educating high school students about urban forestry and assisting them in carrying out peer education and community service projects. This project must be done in cooperation with the Minnesota Releaf Program. (\$75,000 Future Resources Fund)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

The Governor further recommends funding to start implementing the strategies contained in the Generic Environmental Impact Statement (GEIS) on timber harvesting and forest management in

Minnesota. This initiative supports the Governor's policy of developing sustainable approaches to resource management that embody ecosystem management principles and applications.

Funding for this initiative is from both the General Fund and the Environmental Trust Fund. Funding from the General Fund is available in each year of the biennium in an amount equal to increased revenues from timber sales. Funding from the Environmental Trust Fund is available because the Governor has identified a number of projects recommended by the LCMR that should more appropriately be addressed in the capital budget. The Governor is recommending that funds allocated by the LCMR for those projects be used to fund this and other initiatives.

The Governor recommends that funding for the GEIS initiative be appropriated at the agency level.

The Governor recommends eliminating the mandates imposed on counties for the administration of tax forfeited land. As the counties gain the authority to manage these lands or to determine which parcels should be sold, the state will end tax in lieu payments of \$4,250,000 from the General Fund in the biennium for this category of lands. This is shown as a reduction to the agency open appropriations from the General Fund.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FOREST MANAGEMENT

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FOREST MANAGEMENT	34,287	33,870	36,506	34,789	34,651	35,311	34,869	34,731	34,069
FIRE FIGHTING	4,181	3,624	5,210	3,560	4,060	4,060	3,560	4,060	4,060
YOUTH PROGRAMS	1,793	1,886	2,659	2,174	2,249	2,249	2,176	2,176	2,176
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	40,261	39,380	44,375	40,523	40,960	41,620	40,605	40,967	40,305
=====									
AGENCY PLAN ITEMS:			FUND						
=====			=====						
OPEN APPROPRIATIONS ADJUSTMENTS			GEN		500			500	
LCMR NEW ALLOCATIONS			MNR		75				
REGIONS 1&2 PLANNER POS. FROM FORESTRY			GEN		<110>			<110>	
REGIONAL PLANNER - REGION 5			GEN		<28>			<28>	
=====			=====		=====			=====	
TOTAL AGENCY PLAN ITEMS					437			362	
=====									
GOV'S INITIATIVES:			FUND						
=====			=====						
(A) GENERIC ENVIRONMENTAL IMPACT STATEMENT			GEN			910			1,463
(A) GENERIC ENVIRONMENTAL IMPACT STATEMENT			EVT			1,875			
(A) PILT FOR TAX FORFEITED LAND			GEN			<2,125>			<2,125>
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						660			<662>
=====									
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST						1,875			
GENERAL	24,692	24,677	27,858	26,307	26,169	27,079	26,307	26,169	27,632
MN RESOURCES	310	244	125		75	75			
STATE GOVT SPEC REV	1,064								
NATURAL RESOURCES	368	360	517	442	442	442	442	442	442
GAME AND FISH	322	306							
OPEN APPROPRIATIONS:									
GENERAL	7,490	7,108	7,500	7,500	8,000	5,875	7,500	8,000	5,875
STATUTORY APPROPRIATIONS:									
GENERAL	278	276	200	200	200	200	200	200	200
NATURAL RESOURCES		2	57	58	58	58	53	53	53
SPECIAL REVENUE	3,413	3,473	3,064	3,113	3,113	3,113	3,163	3,163	3,163

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS, DPT OF
PROGRAM: FOREST MANAGEMENT

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FEDERAL	2,284	2,902	4,968	2,817	2,817	2,817	2,854	2,854	2,854
GIFTS AND DEPOSITS	40	32	86	86	86	86	86	86	86
TOTAL FINANCING	40,261	39,380	44,375	40,523	40,960	41,620	40,605	40,967	40,305
FTE BY EMPLOYMENT TYPE:									
REGULAR	379.6	371.6	374.7		370.7			369.7	
TEMP/SEAS/PART_TIME	184.7	185.3	183.7		183.7			183.7	
OVERTIME	12.0	11.0	11.0		11.0			11.0	
TOTAL FTE	576.3	567.9	569.4		565.4	583.4		564.4	579.4

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of
PROGRAM:
ACTIVITY:

ITEM TITLE: Eliminate Payments in Lieu of Taxes on Tax-Forfeited Land

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ (2,125)	\$ (2,125)	\$ (2,125)	\$ (2,125)

Statutory Change? Yes X No

If yes, statute(s) affected: M.S. 282, 477A.11-14

GOVERNOR'S RECOMMENDATION:

The Governor recommends that statutes be changed to eliminate the payments in lieu of taxes (PILT) on tax-forfeited land. The Governor further recommends that various statutes regulating the use and disposition of this land be amended so that affected counties have greater control over tax-forfeited land use within their borders.

RATIONALE:

State laws provide that tax-forfeited land is owned by the state but held in trust for the taxing district. Counties manage this land and retain all revenues from sale of natural resources (such as timber), plus revenues from leases and land sales. DNR administers a number of statutory mandates on the use, sale and exchange of tax-forfeited lands administered by counties.

Counties receive 75 cents per acre in PILT payments annually on tax-forfeited land. These payments are financed by an open appropriation from the General Fund. DNR records indicate that there are 2,832,811 acres of county administered tax-forfeited lands; at 75 cents per acre, \$2,124,608 is the annual PILT obligation on these lands. PILT payments are designated at the local level for resource development activities (typically performed by county land departments) and for general property tax levy reduction.

The Governor recommends elimination of PILT on tax-forfeited land because:

- Counties receive both land management/land sale revenues and PILT payments; this dual subsidy is difficult to justify in the current fiscal climate.
- The basic rationale for PILT is to compensate local government when the state has chosen to acquire land for a management purpose such as a state park, wildlife management area, state

forest, etc., and thereby remove it from the tax rolls. By definition, tax-forfeited lands were not on the tax rolls when they passed into state ownership and were not generating local tax revenue.

- PILT on tax-forfeited land is an inappropriate property tax relief mechanism. The major state local aid programs should be the focus of state involvement for assistance to property taxpayers. Furthermore, the PILT formula of a fixed payment per acre is an ineffective way of providing tax relief because of disparities in effective "tax" rates based on variations in land values.

PROGRAM OUTCOMES:

The primary outcome of the initiative would obviously be to reduce state General Fund obligations by \$2,125,000 per year.

In addition, the Governor proposes to eliminate current statutory mandates on the use, sale, and exchange of tax-forfeited lands by counties. Examples of these changes include:

- Elimination of the review of tax-forfeited platted lots sales (those bordering public waters or in established DNR management units would remain withdrawn from sale and be handled through special legislation).
- Sales of land within corporate city limits would not be reviewed for sale approval, except as above.
- Timber appraisals on tax-forfeited land would no longer be subject to DNR review and approval.
- DNR would no longer have to approve the removal of lands from county memorial forests.

The Governor believes that these mandated reviews and approvals can be eliminated to streamline government operations and believes that local governments should determine the use and disposition of these lands.

LONG-TERM IMPACT:

DNR operations will be more efficient as some responsibilities for land and timber sale review are eliminated, allowing the affected units to concentrate on higher priority activities.

County governments will lose PILT payments, but over time they should be able to increase their net land management revenues because of greater control over revenue streams and lower administrative costs because of less state regulation of land management activities.

1996-97 Biennial Budget

BUDGET ACTIVITY: Forest Management
PROGRAM: Forest Management
AGENCY: Natural Resources, Department of (DNR)

ACTIVITY DESCRIPTION:

This activity has a role in the management of all state, county, and non-industrial private forest lands (NIPF) including:

- Sustainable management of 4.5 million acres of state forest lands, protection of soil and water, and provision of key habitat features that support wildlife and biological diversity.
- Management of a 2,000-mile state forest road system which provides access for public use and resource management of state and county lands.
- Maintenance of 46 state forest campgrounds, 44 picnic areas, and many public accesses and recreational trails for public use.
- Forest stewardship planning and technical and cost-share assistance to NIPF landowners (covering 60,000 acres per year).
- Technical urban forestry and cost-share assistance to 220 communities each year.
- Annual production of 14 million tree seedlings for planting on public and private lands.
- Monitoring the health, growth, and compositions of Minnesota's forests through a system of inventories and surveys and providing this information to resource managers, industries, and other stakeholders.
- Technical assistance to counties that own forest land but don't have land departments.
- Development, monitoring, and evaluation of management concepts, such as Best Management Practices and Ecological Classification Systems, to improve management on forest lands.
- Coordination of forestry-related environmental education programs in the state with schools and other agencies.

BUDGET ISSUES:

The agency budget plan will affect Forest Management activities as follows:

- Professional forest management assistance to private landowners will remain at current levels despite the identified need to increase technical and cost-share assistance to address impacts identified in the Generic Environmental Impact Statement. The reduction in overall division staffing in the budget plan will make it difficult to shift additional resources to this effort to achieve the increased targets projected in the performance report.
- Uneven-aged management of state forest lands will likely remain at current levels. Projected increase will not be feasible under the budget plan. Uneven-aged management requires additional staff time that will not be available.
- The quality of services provided to private forest landowners and community forestry programs will be decreased due to the planned reduction in staffing levels. Demands for these services continue to grow. To meet the growing demand with reduced resources, the time spent with each customer will be reduced.
- The identification and designation of areas to be managed as extended rotation forests will proceed but at a reduced rate due to proposed reductions in staffing.

Planned budget results and issues will be affected by the rate at which efficiencies resulting from the division's reorganization and continuous improvement process are realized. The extent of this effect is unknown.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

Type of Revenue:	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Non-dedicated - Gen'l	\$ 1,085	\$ 1,561	\$ 1,070	\$ 1,309	\$ 1,406
Dedicated - Special	1,920	2,636	1,920	2,238	2,370
Dedicated - Federal	1,643	2,374	1,700	1,505	1,455
Dedicated - Forest Nursery	2,052	1,722	1,806	1,806	1,806
Dedicated - Trust Fund	3,563	4,398	3,931	4,272	4,607
Total	\$ 10,263	\$ 12,691	\$ 10,427	\$ 11,130	\$ 11,644

GRANTS:

- **County Forest Roads.** A share of the state gas tax is dedicated as grants to counties with forest access roads to support forest road construction and maintenance. Statutory authority is M.S. 89.70 and M.S. 296.421.

Special Revenue Fund	Dollars in Thousands			
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
	\$264	\$264	\$264	\$264

- **Rural Community Fire Departments.** This program provides financial, technical, and other assistance to organize, train, and equip fire departments in rural areas and communities with a population under 10,000 for preventing and suppressing fires. The department disperses the federal rural community fire funds pursuant to M.S. 88.063, Public Law 95-313, Section 7.

Federal Fund General Fund	Dollars in Thousands			
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
	\$138	\$136	\$136	\$136
	136	136	136	136

- **Forest Health, Urban Forestry, and Small Business Administration - Tree Planting Programs.** Various federal grants are made under several federal projects to communities, counties, cities, and other government entities for the purpose of planting trees or contracting with small businesses to plant trees or for oak wilt and other disease suppression activities.

Federal Fund	Dollars in Thousands			
	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
	\$1,118	\$673	\$448	\$448

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FOREST MANAGEMENT
ACTIVITY: FOREST MANAGEMENT

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	17,398	17,563	18,013	17,971	17,861	18,807	18,005	17,895	18,590
EXPENSES/CONTRACTUAL SRVCS	5,255	5,338	6,886	6,299	6,299	7,273	6,334	6,334	7,081
MISC OPERATING EXPENSES	6,353	6,394	7,229	7,165	7,165	5,061	7,165	7,165	5,053
SUPPLIES/MATERIALS/PARTS	1,775	1,752	2,214	1,917	1,889	1,899	1,933	1,905	1,913
CAPITAL EQUIPMENT	426	620	523	20	20	74	20	20	20
OTHER	682	466	568	569	569	569	564	564	564
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	31,889	32,133	35,433	33,941	33,803	33,683	34,021	33,883	33,221
AIDS TO INDIVIDUALS	17								
LOCAL ASSISTANCE	2,381	1,737	1,073	848	848	1,628	848	848	848
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	34,287	33,870	36,506	34,789	34,651	35,311	34,869	34,731	34,069
=====									
AGENCY PLAN ITEMS:			FUND						

REGIONS 1&2 PLANNER POS. FROM FORESTRY			GEN		<110>			<110>	
REGIONAL PLANNER - REGION 5			GEN		<28>			<28>	
=====					=====			=====	
TOTAL AGENCY PLAN ITEMS					<138>			<138>	
=====									
GOV'S INITIATIVES:			FUND						

(A) GENERIC ENVIRONMENTAL IMPACT STATEMENT			GEN			910			1,463
(A) GENERIC ENVIRONMENTAL IMPACT STATEMENT			EVT			1,875			
(A) PILT FOR TAX FORFEITED LAND			GEN			<2,125>			<2,125>
=====						=====			=====
TOTAL GOV'S INITIATIVES						660			<662>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST						1,875			
GENERAL	22,916	22,836	25,337	23,890	23,752	24,662	23,890	23,752	25,215
MN RESOURCES	310	244	125						

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FOREST MANAGEMENT
ACTIVITY: FOREST MANAGEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
STATE GOVT SPEC REV	1,064								
OPEN APPROPRIATIONS:									
GENERAL	4,540	4,558	5,500	5,500	5,500	3,375	5,500	5,500	3,375
STATUTORY APPROPRIATIONS:									
NATURAL RESOURCES		2	57	58	58	58	53	53	53
SPECIAL REVENUE	3,358	3,408	3,038	3,087	3,087	3,087	3,137	3,137	3,137
FEDERAL	2,080	2,790	2,363	2,168	2,168	2,168	2,203	2,203	2,203
GIFTS AND DEPOSITS	19	32	86	86	86	86	86	86	86
TOTAL FINANCING	34,287	33,870	36,506	34,789	34,651	35,311	34,869	34,731	34,069
FTE BY EMPLOYMENT TYPE:									
REGULAR	367.6	361.8	358.1		353.1			353.1	
TEMP/SEAS/PART_TIME	52.1	47.5	47.2		47.2			47.2	
OVERTIME	1.2	1.5	1.5		1.5			1.5	
TOTAL FTE	420.9	410.8	406.8		401.8	419.8		401.8	416.8

1996-97 Biennial Budget

PROGRAM: Fish and Wildlife Management
AGENCY: Natural Resources, Department of
(Continuation)

- A budget reduction due to the amount of resources available for the aquatic exotic species activity will total \$504,000 in F.Y. 1997. This reduction is due in large part to the sunset of a portion of the watercraft license surcharge totaling \$439,000 in F.Y. 1997.
- Significant Game and Fish Fund program reduction in F.Y. 1994 and F.Y. 1995 amounted to \$3.3 million reduction to the base budget. That budget reduced program workforce by 25 FTEs (full-time equivalency), which is continued in this program budget plan.
- General Fund activities such as Reinvest in Minnesota; Heritage, Scientific and Natural Areas; and Ecological Services have substantially reduced funding, affecting their ability to carry out activities.
- The program will absorb non-salary inflation which is estimated at \$889,000 for the next biennium.

LCMR Recommendations:

- **Reinvest in Minnesota (RIM) - Accelerate Fisheries Acquisition for Angler Access.** This project will provide increased angler access by accelerating easement and fee title acquisition of land adjacent to streams and lakes, including access for non-boat owners and urban users. This project must be completed and final products delivered by 12-31-97, and the appropriation is available until that date. (\$300,000 Environmental and Natural Resources Trust Fund)
- **Statewide Experimental Fishing Regulations.** This project will provide for baseline data collection to evaluate experimental fishing regulations. This project must be completed and final products delivered by 12-31-97, and the appropriation is available until that date. (\$500,000 Future Resources Fund)
- **RIM - Accelerate Statewide Fisheries Habitat Development, Hatchery Rehabilitation, and Streamflow Protection.** This recommendation will accelerate implementation of projects for the acquisition, restoration, improvement, and development of fisheries habitat and hatchery rehabilitation. Up to \$215,000 is available to continue the Streamflow Protection Program for the second biennium of a proposed 8-biennium effort to establish a watershed level stream habitat database and develop the tools to set protected flows for ecosystem diversity. This project must be completed and final products delivered by 12-31-97, and the appropriation is available until that date. (\$800,000 Future Resources Fund)
- **Accelerate Native Grass and Forbs on Road Rights-of-Way.** This project provides funds to the agency, in cooperation with the Interagency Roadside Committee, to accelerate native plant establishment and management in roadsides using integrated resource management techniques, including an educational program about benefits of low maintenance and biologically diverse roadsides statewide. This project must be completed and final products delivered by 12-31-97, and the appropriation is available until that date. (\$150,000 Environmental and Natural Resources Trust Fund)
- **Reinvest in Minnesota (RIM) - Accelerate Critical Habitat Match Program.** This project will accelerate the RIM Program to acquire and improve critical habitat for game and nongame fish, wildlife, and native plants under M.S. 84.943. Projects must occur in both urban and rural areas. (\$250,000 Environmental and Natural Resources Trust Fund)
- **RIM - Accelerate Wildlife Land Acquisition.** This project will accelerate acquisition activities in the RIM Program by acquiring land identified in North American Waterfowl Management Plan project areas. This appropriation must first be used for projects qualifying for a match, which may include costs for acquisition, enhancement, and wetland restoration. (\$450,000 Environmental and Natural Resources Trust Fund)
- **County Biological Survey - Continuation.** Funds recommended for this segment represent the fifth biennium of a proposed 12-biennium project to accelerate the county biological survey for the systematic collection, interpretation, and distribution of data on the distribution and ecology of rare plants, animals, and natural communities. (\$900,000 Environmental and Natural Resources Trust Fund.)
- **Accelerate Landscape Management Activities in Whitewater Watershed.** This project will expand activities in the Whitewater Watershed through shared funding and staffing to assist and coordinate with the Whitewater Watershed Project on landscape management activities such as sustainable land use, watershed restoration, and improved water quality. (\$60,000 Future Resources Fund.)
- **Deliver Ecological Information and Technical Assistance to Local Governments.** This project will provide for interpretation of ecological data collected by the county biological survey. (\$100,000 Future Resources Fund.)
- **Sustainable Grassland Conservation and Utilization.** This project provides funds to develop integrated grassland projects in northwest Minnesota and to evaluate different management strategies. (\$125,000 Future Resources Fund.)
- **Urban Wildlife Habitat Program.** This project provides for an agreement with the St. Paul Neighborhood Energy Consortium to provide workshops and native planting materials to households for landscaping for wildlife, demonstrating plant diversity, and alternative lawn care practices in the urban environment. This project must be done in cooperation with the DNR Nongame Wildlife and Releaf Programs. This appropriation must be matched by at least \$35,000 of non-state money. (\$150,000 Future Resources Fund)
- **Biomass Production, Management, and Restoration of Brushland Habitats.** This project provides for an agreement with the University of Minnesota-Duluth in cooperation with the Natural Resources Research Institute and the Minnesota Sharptailed Grouse Society to assess brushland harvesting, brushland as wildlife habitat, and habitat management strategies. This project must be completed and final products delivered by 12-31-97, and the appropriation is available until that date. (\$200,000 Future Resources Fund.)
- **RIM - Accelerate Wildlife Habitat Stewardship.** This project provides for improvement of wildlife habitat and natural plant communities statewide, both urban and rural public lands, to

PROGRAM: Fish and Wildlife Management
AGENCY: Natural Resources, Department of
(Continuation)

- **Beneficial Fungal Inoculum for Prairie and Wetland Reclamation.** This project provides funds for an agreement with the University of Minnesota for the characterization and development of inoculum production methods for soil fungi associated with the roots of native and naturalized Minnesota plants in prairies and wetlands to assist in restoration projects. (\$100,000 Environmental and Natural Resources Trust Fund.)
- **Forest Management to Maintain Structural and Species Diversity.** This project provides funds to document forest management practices in a pilot area, assess the long-term effects of current and alternative timber harvest practices on structural aspects of biological diversity (especially old-growth forest characteristics), and prepare forest management guidelines to maintain these features in commercial forests. (\$160,000 Environmental and Natural Resources Trust Fund)
- **Biological Control of Eurasian Watermilfoil and Purple Loosestrife - Continuation.** Funds are recommended for the second biennium of a 5-biennium project to develop biological controls for Eurasian watermilfoil and purple loosestrife. (\$300,000 Environmental and Natural Resources Trust Fund.)
- **Forest Bird Diversity Initiative - Continuation.** Funds are recommended for the third biennium of a proposed 6-biennium project for a comprehensive monitoring and research program that develops management tools to maintain diversity of forest birds and establishes benchmarks for using birds as ecological indicators of forest health. (\$400,000 Environmental and Natural Resources Trust Fund.)
- **Upper Mississippi River Protection Project.** This project provides for an agreement with the Mississippi Headwaters Board in cooperation with the Metropolitan Council to protect the Mississippi River from water-quality impairment. This appropriation must be matched by at least \$100,000 of non-state contributions, either cash or in-kind. (\$200,000 Future Resources Fund.)
- **Environmental Action Grants for Minnesota Schools.** This project provides for an agreement with St. Olaf College for the school nature area project matching grants to schools for school area nature sites. This appropriation must be matched by at least \$50,000 of non-state money. (\$200,000 Environmental and Natural Resources Trust Fund.)
- **Sugarloaf Site Assessment and Interpretation.** This project provides for an agreement with the Sugarloaf Interpretive Center Association for inventories, native habitat restoration, and the interpretation of the natural and cultural characteristics of Sugarloaf Cove. The data collection must be coordinated with the DNR's Natural Heritage Program. Reasonable public use and access must be provided. This appropriation must be matched by \$30,000 of non-state money. (\$70,000 Future Resources Fund)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the following changes: the Governor recommends an increase in funding of \$550,000 in F.Y. 1996 and \$550,000 in F.Y. 1997 from the Game and Fish Fund to maximize existing federal aid programs and implement ecosystem management activities.

The Governor further recommends removing the sunset on the watercraft surcharge, which will continue to provide funding for the DNR's program to control and combat aquatic exotic species.

The Governor does not recommend approval of the LCMR's funding allocation for RIM Accelerated Statewide Fisheries Habitat Development, Hatchery Rehabilitation, and Streamflow Protection. That project can more appropriately be funded in future capital budgets.

The Governor recommends an increase in funding of \$405,000 in F.Y. 1996 and \$403,000 in F.Y. 1997 from the General Fund for survey work to establish fish and wildlife populations in the counties covered by the 1837 Treaty. The agency must provide information on resource populations to the court as it determines the proportion of the fish and wildlife resources reserved for the bands by the treaty.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FISH & WILDLIFE MANAGEMENT

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FISH MANAGEMENT	23,681	22,749	24,351	23,028	24,225	24,184	23,038	23,130	23,672
WILDLIFE MANAGEMENT	18,419	18,811	25,715	18,978	22,078	22,467	18,776	18,771	19,160
ECOLOGICAL SERVICES	3,896	4,069	4,894	4,087	5,461	5,268	4,087	3,582	4,043
=====									
TOTAL EXPENDITURES BY ACTIVITY	45,996	45,629	54,960	46,093	51,764	51,919	45,901	45,483	46,875
AGENCY PLAN ITEMS:			FUND						
=====									
OPEN APPROPRIATIONS ADJUSTMENTS			GEN		<105>			<40>	
OPEN APPROPRIATIONS ADJUSTMENTS			G&F					215	
LCMR NEW ALLOCATIONS			EVT		3,210				
LCMR NEW ALLOCATIONS			MNR		2,655				
REGIONAL PLANNER - REGION 5			G&F		<11>			<11>	
TROUT STREAM MGT REDUCTION			G&F		<78>			<78>	
AQUATIC EXOTIC SPECIES-BOAT LIC SURCHARGE			NRF					<504>	
=====									
TOTAL AGENCY PLAN ITEMS					5,671			<418>	
GOV'S INITIATIVES:			FUND						
=====									
(A) LCMR REDISTRIBUTION			MNR			<800>			
(P) FISH AND WILDLIFE PROGRAM IMPROVEMENTS			G&F			550			550
(P) 1837 TREATY POPULATION SURVEYS			GEN			405			403
(B) EXOTIC SPECIES MANAGEMENT			NRF						439
=====									
TOTAL GOV'S INITIATIVES						155			1,392
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,059	3,295	4,395		3,210	3,210			
GENERAL	2,863	2,246	2,705	2,456	2,456	2,861	2,456	2,456	2,859
MN RESOURCES	1,066	412	971		2,655	1,855			
NATURAL RESOURCES	1,820	1,757	2,335	2,099	2,099	2,099	2,099	1,595	2,034
GAME AND FISH	31,862	28,700	32,118	30,189	30,100	30,650	30,189	30,100	30,650
OPEN APPROPRIATIONS:									
GENERAL	4,340	5,281	6,472	6,472	6,367	6,367	6,472	6,432	6,432
GAME AND FISH	1,559	1,535	500	500	500	500	500	715	715

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FISH & WILDLIFE MANAGEMENT

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
NATURAL RESOURCES		35	1,360	264	264	264	62	62	62
SPECIAL REVENUE	245	463	1,042	1,042	1,042	1,042	1,042	1,042	1,042
GAME AND FISH	13	12	30	30	30	30	30	30	30
FEDERAL	972	1,665	2,715	2,792	2,792	2,792	2,802	2,802	2,802
AGENCY		2	68						
GIFTS AND DEPOSITS	197	226	249	249	249	249	249	249	249
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	45,996	45,629	54,960	46,093	51,764	51,919	45,901	45,483	46,875
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	532.8	531.4	505.4		501.7			487.5	
TEMP/SEAS/PART_TIME	131.6	114.9	109.7		123.0			114.2	
OVERTIME	2.0	1.1	.9		.7			.7	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	666.4	647.4	616.0		625.4	633.7		602.4	618.5

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FISH & WILDLIFE MANAGEMENT
ACTIVITY: FISH MANAGEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	13,198	13,322	13,727	13,467	13,933	14,103	13,467	13,467	13,668
EXPENSES/CONTRACTUAL SRVCS	2,055	1,451	1,539	1,422	1,921	1,546	1,432	1,354	1,469
MISC OPERATING EXPENSES	2,374	2,337	2,232	2,236	2,278	2,311	2,236	2,269	2,311
SUPPLIES/MATERIALS/PARTS	1,318	915	2,266	1,357	1,417	1,479	1,357	1,352	1,469
CAPITAL EQUIPMENT	409	230	6	6	34	95	6	6	65
OTHER	652	786	736	695	935	943	695	910	918
SUBTOTAL STATE OPERATIONS	20,006	19,041	20,506	19,183	20,518	20,477	19,193	19,358	19,900
LOCAL ASSISTANCE	3,675	3,708	3,845	3,845	3,707	3,707	3,845	3,772	3,772
TOTAL EXPENDITURES	23,681	22,749	24,351	23,028	24,225	24,184	23,038	23,130	23,672
AGENCY PLAN ITEMS:			FUND						
OPEN APPROPRIATIONS ADJUSTMENTS			GEN		<105>			<40>	
OPEN APPROPRIATIONS ADJUSTMENTS			G&F					215	
LCMR NEW ALLOCATIONS			EVT		300				
LCMR NEW ALLOCATIONS			MNR		1,085				
REGIONAL PLANNER - REGION 5			G&F		<5>			<5>	
TROUT STREAM MGT REDUCTION			G&F		<78>			<78>	
TOTAL AGENCY PLAN ITEMS					1,197			92	
GOV'S INITIATIVES:			FUND						
(A) LCMR REDISTRIBUTION			MNR		<585>				
(P) FISH AND WILDLIFE PROGRAM IMPROVEMENTS			G&F		294				294
(P) 1837 TREATY POPULATION SURVEYS			GEN		250				248
TOTAL GOV'S INITIATIVES					<41>				542

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FISH & WILDLIFE MANAGEMENT
ACTIVITY: FISH MANAGEMENT

ACTIVITY SUMMARY	FY 1996						FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST		464	523		300	300			
GENERAL	384	273	305	268	268	518	268	268	516
MN RESOURCES	563	30	107		1,085	500			
NATURAL RESOURCES	13	127	192	163	163	163	163	163	163
GAME AND FISH	16,714	15,754	16,730	16,094	16,011	16,305	16,094	16,011	16,305
OPEN APPROPRIATIONS:									
GENERAL	4,340	4,424	5,598	5,598	5,493	5,493	5,598	5,558	5,558
GAME AND FISH	1,559	1,535	500	500	500	500	500	715	715
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	6	67	308	308	308	308	308	308	308
FEDERAL	45	49	57	66	66	66	76	76	76
GIFTS AND DEPOSITS	57	26	31	31	31	31	31	31	31
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	23,681	22,749	24,351	23,028	24,225	24,184	23,038	23,130	23,672
FTE BY EMPLOYMENT TYPE:									

REGULAR	292.9	299.6	279.6		274.8			274.6	
TEMP/SEAS/PART_TIME	47.8	39.0	39.0		43.2			42.4	
OVERTIME	1.0	.4	.4		.4			.4	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	341.7	339.0	319.0		318.4	322.9		317.4	322.9

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FISH & WILDLIFE MANAGEMENT
ACTIVITY: WILDLIFE MANAGEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	11,044	11,058	10,870	10,298	11,401	11,661	10,298	10,298	10,598
EXPENSES/CONTRACTUAL SRVCS	3,214	2,643	3,199	2,324	2,914	2,933	2,324	2,324	2,334
MISC OPERATING EXPENSES	1,450	1,349	2,116	1,993	2,031	2,074	1,993	1,993	2,036
SUPPLIES/MATERIALS/PARTS	1,393	1,118	5,194	1,983	2,339	2,406	1,983	1,978	2,014
CAPITAL EQUIPMENT	322	60	27	24	78	78	24	24	24
OTHER	825	2,294	3,938	2,285	2,910	2,910	2,083	2,083	2,083
SUBTOTAL STATE OPERATIONS	18,248	18,522	25,344	18,907	21,673	22,062	18,705	18,700	19,089
AIDS TO INDIVIDUALS	97	113	28	28	28	28	28	28	28
LOCAL ASSISTANCE	74	176	343	43	377	377	43	43	43
TOTAL EXPENDITURES	18,419	18,811	25,715	18,978	22,078	22,467	18,776	18,771	19,160
AGENCY PLAN ITEMS:			FUND						
LCMR NEW ALLOCATIONS			EVT		1,950				
LCMR NEW ALLOCATIONS			MNR		1,155				
REGIONAL PLANNER - REGION 5			G&F		<5>			<5>	
TOTAL AGENCY PLAN ITEMS					3,100			<5>	
GOV'S INITIATIVES:			FUND						
(P) FISH AND WILDLIFE PROGRAM IMPROVEMENTS			G&F			234			234
(P) 1837 TREATY POPULATION SURVEYS			GEN			155			155
TOTAL GOV'S INITIATIVES						389			389
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	884	2,258	3,545		1,950	1,950			
GENERAL	1,433	1,044	1,355	1,201	1,201	1,356	1,201	1,201	1,356
MN RESOURCES	357	204	722		1,155	1,155			

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FISH & WILDLIFE MANAGEMENT
ACTIVITY: WILDLIFE MANAGEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
NATURAL RESOURCES	951	959	976	955	955	955	955	955	955
GAME AND FISH	13,883	11,777	14,106	12,873	12,868	13,102	12,873	12,868	13,102
OPEN APPROPRIATIONS:									
GENERAL		857	874	874	874	874	874	874	874
STATUTORY APPROPRIATIONS:									
NATURAL RESOURCES		35	1,360	264	264	264	62	62	62
SPECIAL REVENUE	224	349	621	621	621	621	621	621	621
GAME AND FISH	13	12	30	30	30	30	30	30	30
FEDERAL	561	1,127	1,941	1,975	1,975	1,975	1,975	1,975	1,975
GIFTS AND DEPOSITS	113	189	185	185	185	185	185	185	185
TOTAL FINANCING	18,419	18,811	25,715	18,978	22,078	22,467	18,776	18,771	19,160
FTE BY EMPLOYMENT TYPE:									
REGULAR	192.6	191.3	181.3		182.4			168.4	
TEMP/SEAS/PART_TIME	74.1	67.8	65.0		69.1			66.1	
OVERTIME	.9	.6	.4		.2			.2	
TOTAL FTE	267.6	259.7	246.7		251.7	258.0		234.7	241.0

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE

PROGRAM RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
PROTECTION SERVICE	25,540	24,854	27,310	25,746	26,672	27,552	25,708	26,544	26,544
PROMOTION & MARKETING	4,562	6,214	9,135	9,116	11,793	14,043	9,097	11,774	17,774
ADMIN & FINANCIAL ASSIST	8,805	13,349	19,799	17,510	18,335	23,584	16,010	16,110	19,966
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	38,907	44,417	56,244	52,372	56,800	65,179	50,815	54,428	64,284
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	360	87	88			2,070			
GENERAL	12,374	12,195	15,272	13,913	14,420	15,203	13,913	14,420	14,529
MN RESOURCES	418	1,387	1,313		815	815			
STATE GOVT SPEC REV		569	605						
SPECIAL REVENUE	6,790	7,367	8,988	8,891	9,295	9,316	8,891	9,295	9,319
ENVIRONMENTAL	143	211	273	269	269	269	269	269	269
OPEN APPROPRIATIONS:									
GENERAL	3,577	4,799	7,360	7,360	10,000	12,000	7,360	10,000	16,000
STATUTORY APPROPRIATIONS:									
GENERAL		2	2						
SPECIAL REVENUE	7,760	7,230	10,872	10,857	10,919	10,954	9,357	9,419	9,497
FEDERAL	1,361	1,403	2,397	2,160	2,160	2,160	2,103	2,103	2,103
ENVIRONMENTAL	194	110	710	710	710	710	710	710	710
RURAL FINANCE ADMIN	2,391	6,205	8,162	8,162	8,162	11,632	8,162	8,162	11,807
AGENCY	3,438	2,759	84	3	3	3	3	3	3
GIFTS AND DEPOSITS	101	93	118	47	47	47	47	47	47
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	38,907	44,417	56,244	52,372	56,800	65,179	50,815	54,428	64,284
FTE BY EMPLOYMENT TYPE:									

REGULAR	410.5	403.7	437.2		437.2			438.2	
TEMP/SEAS/PART_TIME	41.0	35.6	36.6		34.9			34.9	
OVERTIME	8.9	8.2	8.1		8.1			8.1	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	460.4	447.5	481.9		480.2	485.7		481.2	486.7

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: AGRICULTURE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	56,244	56,244	22,634	22,634	31,213	31,213	2,397	2,397
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<405>	<1,905>	<653>	<653>	248	<1,252>		
APPROPRIATIONS CARRIED FWD	<867>	<867>	<840>	<840>	<27>	<27>		
NON-RECURRING EXPENDITURES	<144>	<144>	<2>	<2>	<142>	<142>		
DED STAT APPROP SPENDING	<364>	<364>			<364>	<364>		
DOCUMENTED RENT/LEASE INC/DEC	126	126	144	144	<18>	<18>		
LCMR-FUNDED PROJECTS	<2,006>	<2,006>			<2,006>	<2,006>		
SPECIAL LEGIS. ADJUSTMENTS	35	35			35	35		
FEDERAL RECEIPTS	<237>	<294>					<237>	<294>
ATTORNEY GENERAL COSTS	<10>	<10>	<10>	<10>				
SUBTOTAL BASE ADJ.	<3,872>	<5,429>	<1,361>	<1,361>	<2,274>	<3,774>	<237>	<294>
CURRENT SPENDING	52,372	50,815	21,273	21,273	28,939	27,439	2,160	2,103

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE
PROGRAM: ADMIN & FINANCIAL ASSIST

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FINANCIAL ADMINISTRATION	1,641	1,464	1,676	1,549	1,661	1,661	1,549	1,661	1,661
PERSONNEL & OFFICE MGMT	418	415	521	486	536	536	486	536	536
AGRIC PLANNING & DEVELOPMENT	2,170	2,918	4,334	2,522	3,135	3,435	2,522	2,410	2,410
AG NONPNT SOURCE POLLUTION			925	925	925	1,565	925	925	925
INFORMATION SERVICES	680	705	761	692	742	742	692	742	742
RURAL FINANCING	2,695	6,533	9,819	10,065	10,065	14,224	8,565	8,565	12,371
COMMISSIONERS OFFICE	1,201	1,314	1,763	1,271	1,271	1,421	1,271	1,271	1,321
TOTAL EXPENDITURES BY ACTIVITY	8,805	13,349	19,799	17,510	18,335	23,584	16,010	16,110	19,966
AGENCY PLAN ITEMS:			FUND						
LCMR NEW ALLOCATIONS			MNR		725				
AGENCY REALLOCATIONS			GEN		100			100	
TOTAL AGENCY PLAN ITEMS					825			100	
GOV'S INITIATIVES:			FUND						
(B) RFA AGRICULTURE IMPROVEMENT LOAN PROGRAM			RFA			1,400			1,575
(B) RFA AGRICULTURE IMPROVEMENT LOAN PROGRAM			SR			21			24
(B) ETHANOL PRODUCTION FAC. LOANS			GEN			250			
(B) VALUE-ADDED PRODUCTION LOANS			GEN			250			
(B) VALUE-ADDED PRODUCTION LOANS			SR			4			47
(B) RFA LIVESTOCK EXPANSION PROGRAM			GEN			133			59
(B) RFA LIVESTOCK EXPANSION PROGRAM			RFA			2,070			2,070
(B) RFA LIVESTOCK EXPANSION PROGRAM			SR			31			31
(B) FEDERAL MILK ORDER REFORM			GEN			150			50
(B) CRP ASSESSMENT			EVT			300			
(B) NON-POINT SOURCE POLLUTION			EVT			640			
TOTAL GOV'S INITIATIVES						5,249			3,856
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST						940			
GENERAL	5,431	5,153	6,735	5,386	5,486	6,269	5,386	5,486	5,595

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE
PROGRAM: ADMIN & FINANCIAL ASSIST

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
MN RESOURCES	152	916	876		725	725			
SPECIAL REVENUE		27	46	2	2	23	2	2	26
STATUTORY APPROPRIATIONS:									
GENERAL		2	2						
SPECIAL REVENUE	724	815	3,688	3,919	3,919	3,954	2,419	2,419	2,497
FEDERAL	102	170	239	38	38	38	38	38	38
RURAL FINANCE ADMIN	2,391	6,205	8,162	8,162	8,162	11,632	8,162	8,162	11,807
AGENCY		2	2	2	2	2	2	2	2
GIFTS AND DEPOSITS	5	59	49	1	1	1	1	1	1
TOTAL FINANCING	8,805	13,349	19,799	17,510	18,335	23,584	16,010	16,110	19,966
FTE BY EMPLOYMENT TYPE:									
REGULAR	72.7	75.5	87.0		89.0			89.0	
TEMP/SEAS/PART_TIME	2.1	2.0	1.2		.6			.6	
OVERTIME	.2								
TOTAL FTE	75.0	77.5	88.2		89.6	92.1		89.6	92.1

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE
PROGRAM: ADMIN & FINANCIAL ASSIST
ACTIVITY: AGRIC PLANNING & DEVELOPMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	860	922	1,279	990	1,068	1,172	990	990	990
EXPENSES/CONTRACTUAL SRVCS	376	1,137	1,559	195	832	1,016	195	195	195
MISC OPERATING EXPENSES	100	82	311	274	274	282	274	266	266
SUPPLIES/MATERIALS/PARTS	65	22	38	25	27	31	25	25	25
CAPITAL EQUIPMENT	52	20	6	1	1	1	1	1	1
OTHER	606	613	919	877	773	773	877	773	773
SUBTOTAL STATE OPERATIONS	2,059	2,796	4,112	2,362	2,975	3,275	2,362	2,250	2,250
AIDS TO INDIVIDUALS	101	54	222	160	160	160	160	160	160
LOCAL ASSISTANCE	10	68							
TOTAL EXPENDITURES	2,170	2,918	4,334	2,522	3,135	3,435	2,522	2,410	2,410
AGENCY PLAN ITEMS:			FUND						
LCMR NEW ALLOCATIONS			MNR		725				
LIVESTOCK & ELK CLAIMS			GEN		<8>			<8>	
RENT AND REPAIRS			GEN		<104>			<104>	
TOTAL AGENCY PLAN ITEMS					613			<112>	
GOV'S INITIATIVES:			FUND						
(B) CRP ASSESSMENT			EVT			300			
TOTAL GOV'S INITIATIVES						300			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST						300			
GENERAL	1,638	1,481	2,385	1,519	1,407	1,407	1,519	1,407	1,407
MN RESOURCES	152	916	876		725	725			

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE
PROGRAM: ADMIN & FINANCIAL ASSIST
ACTIVITY: AGRIC PLANNING & DEVELOPMENT

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	278	421	965	965	965	965	965	965	965
FEDERAL	102	100	108	38	38	38	38	38	38
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,170	2,918	4,334	2,522	3,135	3,435	2,522	2,410	2,410
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	18.5	19.0	23.4		23.4			23.4	
TEMP/SEAS/PART_TIME	1.6	1.9	1.1		.5			.5	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	20.1	20.9	24.5		23.9	25.4		23.9	25.4

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE
PROGRAM: ADMIN & FINANCIAL ASSIST
ACTIVITY: RURAL FINANCING

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	259	267	272	272	272	295	272	272	294
EXPENSES/CONTRACTUAL SRVCS	21	34	68	61	61	76	61	61	81
MISC OPERATING EXPENSES	19	18	39	38	38	50	38	38	50
SUPPLIES/MATERIALS/PARTS	6	7	11	11	11	12	11	11	15
CAPITAL EQUIPMENT	1	3	17	17	17	22	17	17	17
OTHER	2,389	6,204	9,412	9,666	9,666	13,769	8,166	8,166	11,914
SUBTOTAL STATE OPERATIONS	2,695	6,533	9,819	10,065	10,065	14,224	8,565	8,565	12,371
TOTAL EXPENDITURES	2,695	6,533	9,819	10,065	10,065	14,224	8,565	8,565	12,371

GOV'S INITIATIVES:	FUND		
(B) RFA AGRICULTURE IMPROVEMENT LOAN PROGRAM	RFA	1,400	1,575
(B) RFA AGRICULTURE IMPROVEMENT LOAN PROGRAM	SR	21	24
(B) ETHANOL PRODUCTION FAC. LOANS	GEN	250	
(B) VALUE-ADDED PRODUCTION LOANS	GEN	250	
(B) VALUE-ADDED PRODUCTION LOANS	SR	4	47
(B) RFA LIVESTOCK EXPANSION PROGRAM	GEN	133	59
(B) RFA LIVESTOCK EXPANSION PROGRAM	RFA	2,070	2,070
(B) RFA LIVESTOCK EXPANSION PROGRAM	SR	31	31
TOTAL GOV'S INITIATIVES		4,159	3,806

SOURCES OF FINANCING:

DIRECT APPROPRIATIONS:

GENERAL	304	318	318	316	316	949	316	316	375
SPECIAL REVENUE		1	2	2	2	23	2	2	26
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		7	1,335	1,583	1,583	1,618	83	83	161
RURAL FINANCE ADMIN	2,391	6,205	8,162	8,162	8,162	11,632	8,162	8,162	11,807
AGENCY		2	2	2	2	2	2	2	2

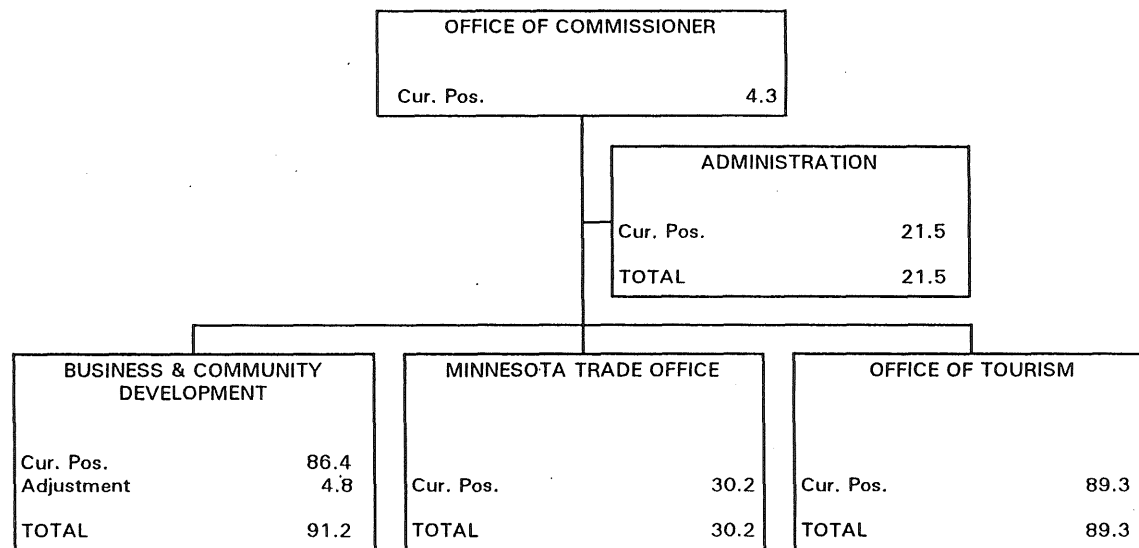
1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE
PROGRAM: ADMIN & FINANCIAL ASSIST
ACTIVITY: RURAL FINANCING

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOTAL FINANCING	2,695	6,533	9,819	10,065	10,065	14,224	8,565	8,565	12,371
FTE BY EMPLOYMENT TYPE:									
REGULAR	5.1	5.0	5.0		5.0			5.0	
TOTAL FTE	5.1	5.0	5.0		5.0	5.0		5.0	5.0

Department of Trade and Economic Development

Organization Chart 7-1-94



June 30, 1994 FTE Employees: 214.5

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Trade and Economic Development, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
BASE YEAR (F.Y. 1995)	\$27,138	\$27,138	\$54,276
<u>BASE ADJUSTMENT:</u>			
Atty Gen'l Costs	(12)	(12)	(24)
One-time Approp.	(1,960)	(1,960)	(3,920)
Sunset Program/Agency	(100)	(100)	(200)
Biennial Appropriations	(250)	(250)	(500)
Doc. Rent/Lease Inc/Dec	34	78	112
Appr. carried forward	(1,194)	(1,194)	(2,388)
Ded. Stat. Approp. Spending	<u>(2)</u>	<u>(2)</u>	<u>(4)</u>
CURRENT SPENDING	\$23,654	\$23,698	\$47,352
<u>AGENCY DECISION ITEMS:</u>			
Environ. Fund Switch	210	210	420
PFA Fees to General Fund	<u>450</u>	<u>515</u>	<u>965</u>
<u>AGENCY PLAN</u>	\$24,314	\$24,423	\$48,737
<u>GOVERNOR'S INITIATIVES:</u>			
Advantage MN Matching Grants	\$300	\$300	\$600
Economic Recovery Grants	3,000	3,000	6,000
Job Skills Partnership	300	300	600
One Stop Permitting	1,000	720	1,720
SBDC Match	500	500	1,000
City-State Leveraged Financing	150	150	300
International Trade Missions	30	30	60
Telephone & Reclass. Costs	20	20	40
Expanded Travel Information	225	225	450
Increased Marketing	1,000	1,000	2,000
NTA Convention	100	175	275
Pathfinder	335	120	455
Network Administration	670	330	1,000
Urban Contaminated Site Cleanup	14,000	-0-	14,000
Biomedical Center - U of M	3,000	-0-	3,000
Eliminate Community Resources Program	<u>(1,000)</u>	<u>(1,000)</u>	<u>(2,000)</u>
GOVERNOR'S RECOMMENDATIONS	\$47,944	\$30,293	\$78,237

Brief Explanation of Agency Plan:

- The department is requesting that the \$210,000 in the Environmental Fund be exchanged for \$210,000 in General Fund monies. The original purpose of the \$210,000 was to administer a waste tire program, which was transferred from the department several years ago to the Office of Waste Management. The funds are being expended by the department for environmental related projects and publications, including funding for an Environmental Ombudsman for businesses. However, such uses are not in the original intent of the waste tire program. The \$210,000 will be used to continue providing information to businesses on environmental regulation. Also, rather than asking for an additional appropriation, a portion of the money will also be used to meet HUD administrative match requirements for the Small Cities Block Grant program.
- The Department and the Minnesota Public Facilities Authority are requesting using fees collected by the Authority (allowed under M.S. 446A.04, subd. 5) to cover expenses for administrative support of the PFA. The fees are derived from 2% of all loan repayments made for wastewater treatment loans. Currently the PFA and the MPCA split federal administrative monies provided through the program. As the federal capitalization grant to support the state water pollution control revolving fund is phased out, ongoing administrative costs will be through a blend of federal administration monies and loan servicing fees.

Revenue Summary:

- \$450,000 in F.Y. 1996 and \$515,000 in F.Y. 1997 will be collected from fees allowed under M.S. 446A.04, subd. 5 and deposited into the General Fund.

Affected Statutes:

- M.S. 446A.04, Subd. 5

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends that initiatives totalling \$29,500,000 be added to the agency plan for creating jobs and sustaining economic vitality and for making government accountable and affordable. The Governor also recommends \$4 million be added to the Economic Recovery Grant program in F.Y. 1995 to fund business expansion projects submitted to the agency prior to 12-31-94.

1996-97 Biennial Budget

AGENCY: Trade and Economic Development, Department of (DTED)

AGENCY DESCRIPTION:

The mission of the Department of Trade and Economic Development is to employ all of the available state government resources to facilitate an economic environment that produces net new job growth in excess of the national average, and to increase nonresident tourism revenues.

A primary department goal is to enhance the state's economic climate in both metropolitan and outstate economies by seeking legislation that provides the state with competitive advantages.

Primary clients of the department are businesses and communities. The department's Office of Tourism provides direct services to consumers seeking information about Minnesota travel, tourism and recreational opportunities.

The department is organized under M.S. 116J into 3 divisions:

Business and Community Development Division: The division provides a variety of financial and technical services to communities, businesses, and economic development professionals to fulfill its mission. The division's mission is to employ all available state resources, in partnership with communities and businesses, to create wealth and produce net new quality jobs based upon a strategy of growing existing businesses.

Office of Tourism: The Office of Tourism's primary purpose is to generate increased travel expenditures by residents and nonresidents which will produce additional sales and sales tax revenues for the state; and maintain and enhance employment opportunities throughout the travel industry consistent with the Economic Blueprint.

Minnesota Trade Office: The Minnesota Trade Office assists Minnesota businesses and those new to exporting through general export and market-specific education programs, a network of public/private supported individualized foreign trade offices, foreign export counseling, export financing, trade shows and foreign trading delegations, targeted market research and selected reverse investment strategies to identify and expand export markets for Minnesota products. The office also oversees the operations of the World Trade Center Corporation.

The agency's Administrative Offices provide services to its three operating divisions through policy development, management coordination, and fiscal, human resource and information management services.

AGENCY CHALLENGES:

The department must continue to focus its activities in stimulating job growth in the private sector by effectively bringing all state resources impacting job creation in one coordinated effort.

Minnesota has enjoyed a sustained long-term economic vitality over the past decade. The "Economic Blueprint" established broad goals and benchmarks to measure the state economy. The department, in conjunction with the Competitiveness Task Force (M.S. 116J.581), must insure the

continued relevance of the Blueprint by developing a set of specific strategies and annually reviewing the goals for specific accomplishments and future bench-marking.

The department is also under intense competition from border and nearby destination states to attract non-resident travelers. Maintaining and increasing market share with limited marketing dollars will be a specific challenge for the Office of Tourism.

Finally, in an effort to market Minnesota and Minnesota companies around the world, the department will need to increase the state's presence in key countries around the world through trade missions and other joint ventures. Another ongoing challenge is to create an enhanced environment for expanded foreign direct investment in Minnesota.

AGENCY STRATEGIES:

Helping Minnesota Businesses Grow. With shrinking state funds available for increasing demands on government services, the obvious alternative is to look to expanding the state's economic base. The "3rd wave" in economic development is to help current businesses in the state thrive, rather than to "smokestack chase". Minnesota currently ranks 44th in the nation in new business startups and the department will focus all programs on helping the state's home based industries to expand and grow.

Regionalizing Services. Minnesota's economic development programs are based on the philosophy of empowering local units of government to visualize and develop their own economic base. This concept must evolve to a regional level, realizing that every community is interdependent on communities in their region. The department is emphasizing programs that encourage regional cooperation in economic development efforts.

Client Responsive Services. The department was one of the first ever to institute outcome-based indicators to measure the success of its programs. In 1990, the department was picked by the Urban Institute to become a case study in measuring economic development services administered by the Business Development Division and the Minnesota Trade Office. The department has expanded its outcome-based measurements to other divisions within the department, and the department is building awareness throughout the state on global economic threats and opportunities.

Expanded Tourism Marketing. The focus on summer seasonal travel needs to be extended to a longer time period, and winter attractions must be highlighted and supported. Out-of-state travellers must be substantially encouraged through more effective, timely and complete information distribution outlets.

REVENUE SUMMARY:

The department's total biennial budget includes \$135,300,000 (66.5%) in federal funds and \$12,700,000 (6%) in special revenue funds. No significant changes in revenue are expected. There is a larger increase in federal funds from 1995 to 1996 due to the new federal drinking water program (see Capital Budget).

SUMMARY OF BUDGET REQUEST:

During the previous biennium, the department focused on realigning staff efforts on activities that directly impact meaningful job creation. Continuing that effort, the department will also concentrate

AGENCY: Trade and Economic Development, Department of (DTED)
(Continuation)

on quality of services, improved service delivery, customer feedback and "doing more for less." In addition, new initiatives will be undertaken in response to small-and-medium sized business concerns, namely:

- worker's compensation reform to make Minnesota more competitive;
- reduced tax burden;
- easier and responsive access to state agencies for permitting;
- improved first-time affordable rental housing for new employees; and
- better matching of job skill training with anticipated and projected business needs.

For F.Y. 1995-96, the department is evaluating programs to meet:

- the department's mission to provide for meaningful job creation or enhanced revenues to the state and
- achieving the goals set forth in the Economic Blueprint.

Programs which achieve one or both of these objectives will continue to be measured for outcome-based service delivery. Programs which are not integral to the mission of the department or the goals of the Blueprint have been discontinued or transferred to another agency that better fulfills that program's objective.

The department is requesting that \$210,000 in Environmental funds be exchanged for \$210,000 in General Funds. These funds will be used to provide information to businesses on environmental regulation and to meet HUD administrative match requirements for the Small Cities Block Grant Program.

The Department and the Minnesota Public Facilities Authority are requesting to use fees collected by the authority (allowed under M.S. 446A.04, subd 5) to cover expenses for the administrative support of the PFA.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that initiatives totalling \$29,500,000 be added to the agency plan for creating jobs and sustaining economic vitality and for making government accountable and affordable.

The Governor also recommends \$4 million be added to the Economic Recovery Grant program in F.Y. 1995 to fund business expansion projects submitted to the agency prior to 12-31-94.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT

PROGRAM RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
BUSINESS & COMMUNITY DEVELOPMENT	68,368	73,637	82,871	83,705	84,155	105,255	83,657	84,172	87,992
MINNESOTA TRADE OFFICE	2,325	2,093	2,510	2,321	2,321	2,521	2,337	2,337	2,537
TOURISM	9,104	8,927	9,194	8,540	8,585	10,245	8,540	8,540	10,060
ADMINISTRATION	2,241	1,596	1,703	1,684	1,684	2,354	1,714	1,714	2,044
TOTAL EXPENDITURES BY PROGRAM	82,038	86,253	96,278	96,250	96,745	120,375	96,248	96,763	102,633
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	30,610	24,823	27,138	23,654	24,314	47,944	23,698	24,423	30,293
MN RESOURCES		493	7		45	45			
TRUNK HIGHWAY	716	668	671	670	670	670	670	670	670
ENVIRONMENTAL	209	100	320	210			210		
STATUTORY APPROPRIATIONS:									
PFA BOND FUND	15,182	13,778	190	178	178	178	178	178	178
GENERAL	107	25	58	583	583	583	583	583	583
SPECIAL REVENUE	2,795	5,972	20,732	4,279	4,279	4,279	4,233	4,233	4,233
FEDERAL	31,247	40,311	47,144	66,670	66,670	66,670	66,670	66,670	66,670
AGENCY	1,111	64							
GIFTS AND DEPOSITS	61	19	18	6	6	6	6	6	6
TOTAL FINANCING	82,038	86,253	96,278	96,250	96,745	120,375	96,248	96,763	102,633
FTE BY EMPLOYMENT TYPE:									
REGULAR	182.1	180.6	196.9		202.9			203.9	
TEMP/SEAS/PART_TIME	38.7	33.0	34.3		33.4			33.4	
OVERTIME	.3	.9	.4		.2			.2	
TOTAL FTE	221.1	214.5	231.6		236.5	243.5		237.5	245.5

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: TRADE & ECONOMIC DEVELOPMENT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97	F.Y.96	F.Y.97
F.Y.95 FUNDING LEVEL	96,278	96,278	27,196	27,196	21,938	21,938	47,144	47,144
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<1,960>	<1,960>	<1,960>	<1,960>				
BIENNIAL APPROPRIATIONS	<250>	<250>	<250>	<250>				
APPROPRIATIONS CARRIED FWD	<1,312>	<1,312>	<1,194>	<1,194>	<118>	<118>		
SUNSET PROGRAM/AGENCY	<100>	<100>	<100>	<100>				
DED STAT APPROP SPENDING	<15,954>	<16,000>	523	523	<16,477>	<16,523>		
DOCUMENTED RENT/LEASE INC/DEC	34	78	34	78				
FEDERAL RECEIPTS	19,526	19,526					19,526	19,526
ATTORNEY GENERAL COSTS	<12>	<12>	<12>	<12>				
SUBTOTAL BASE ADJ.	<28>	<30>	<2,959>	<2,915>	<16,595>	<16,641>	19,526	19,526
CURRENT SPENDING	96,250	96,248	24,237	24,281	5,343	5,297	66,670	66,670

1996-97 Biennial Budget

PROGRAM: Business and Community Development
AGENCY: Trade and Economic Development, Department of (DTED)

PROGRAM DESCRIPTION:

The Business and Community Development Division's mission is to employ all available resources to facilitate an economic environment, in partnership with communities, to create wealth and produce net new quality jobs.

The division fulfills this mission through a variety of programs and services for businesses and communities to achieve their economic goals. The programs and services are provided directly to businesses and communities or in partnership with economic development service providers, utilities, banks, local elected officials and others.

PROGRAM STATUS:

The Business and Community Development division represents 2 former divisions that were merged as a result of 1993 legislation to integrate the state's economic development services. The division has 5 main program areas:

Regional Initiatives provides service to local economic development service providers on a regional basis to assist with job creation needs. The Office of Regional Initiatives administers the Star Cities Program, the Urban Initiative Program, the Minnesota Initiative Fund Challenge Grant Program, and works with Regional Development Commissions, Community Development Corporations, MEDA and WEDCO to assist in their efforts. The Office also administers the Regional Access Program, which accesses community profile information to assist businesses in location decision making. The Office is also working with the federal government to develop a new State-Federal Rural Development Council.

Business Financing programs include the Economic Recovery Fund, a tax-exempt Revenue Bond program through the Agricultural and Economic Development Board, the Capital Access Program and the Tourism Loan Program. The Business and Community Development division also houses the Minnesota Job Skills Partnership Board, which provides training grants through state higher education institutions to assist business with customized training needs.

Small Business Assistance Office serves as point of first and continuing contact for businesses that are starting, operating and expanding in Minnesota. The Office of Small Business Assistance provides "one-stop information" on business planning, financing, marketing, licensing and regulatory questions, produces many publications on a variety of topics on doing business in Minnesota and administers, under federal law, the Small Business Development Centers at 21 locations around the state.

Business Development responds to all business inquiries about expansion and relocation opportunities in Minnesota. The Office of Business Development targets Minnesota's highest growth industries for marketing Minnesota's business climate and works in partnership with Advantage Minnesota to expand Minnesota's economic base through business relocations.

Community Financing programs include financing for housing, sewer and water capacity, commercial rehabilitation and disaster assistance. Programs for rural housing and other infrastructure needs are financed through the federal Small City Development Program. The Office of Community Finance also administers federal flood assistance monies to rural communities hit hardest by the 1993 flood. The Minnesota Public Facilities Authority manages a \$350,000,000 bond pool to finance wastewater treatment facilities, and uses federal dollars, in cooperation with MPCA, Department of Agriculture, BWSR and MHFA to finance non-point source pollution projects.

The **Office of Information, Analysis and Evaluation**, is also part of this division providing internal research and administrative support.

PLANNED RESULTS:

The mission of the division's programs are to employ all available resources to facilitate new jobs. The division customers are businesses and communities. Currently the department serves these customers in a variety of ways through financial and technical assistance. Four primary goals of the division include:

1. Facilitate startup and growth of businesses in Minnesota, targeting small business, by providing information and technical assistance and by coordinating the state's response to business expansion opportunities;

	<u>F.Y. 1996-97</u>
Hours of counseling provided	25,600
Business Publications distributed	
Guide to Starting a Business	30,000
Employer's Guide	21,000
Number of assisted expansion	300

2. Help make communities viable and accommodate job growth by investing in decent housing, public infrastructure and functional business districts;

Number of Projects/Units	
Water systems	6
Wastewater Systems	5
Housing Rehabilitation	500
Commercial Rehabilitation	70

Dollars Awarded (in thousands)	
Water Systems	2,500
Wastewater System	1,500
Housing Rehabilitation	8,500
Commercial Rehabilitation	1,300

3. Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses and enhance businesses' ability to operate and grow in Minnesota by developing a training work force;

Economic Recovery Fund	
Projects Awarded	45

1996-97 Biennial Budget

PROGRAM: Business and Community Development
AGENCY: Trade and Economic Development, Department of (DTED)
(Continuation)

Jobs Created	1,500
Job Skills Partnership	
Number of Curricula	16
Number of Workers trained	2,494

4. Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities;

Number of communities served through Economic Development training	144
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The division has also integrated quality management principles in all programs and service delivery.

BUDGET AND REVENUE SUMMARY:

The department is requesting that the \$210,000 in the Environmental Fund be exchanged for \$210,000 in General Fund monies. The original purpose of the \$210,000 was to administer a waste tire program, which was transferred from the department several years ago to the Office of Waste Management. The funds are being expended by the department for environmental related projects and publications, including funding for an Environmental Ombudsman for businesses. However, such uses are not in the original intent of the waste tire program. The \$210,000 will be used to continue providing information to businesses on environmental regulation. Also, rather than asking for an additional appropriation, a portion of the money will be used to meet HUD administrative match requirements for the Small Cities Block Grant Program.

The department and the Minnesota Public Facilities Authority are requesting using fees collected by the Authority (allowed under M.S. 446A.04, subd. 5) to cover expenses for administrative support of the PFA. The fees are derived from 2% of all loan repayments made for wastewater treatment loans. Currently the PFA and the MPCA split federal administrative monies provided throughout the program. As the federal capitalization grant to support the state water pollution control revolving fund is phased out, ongoing administrative costs will be through a blend of federal administrative monies and loan servicing fees.

The department will be absorbing inflation across the division by reducing some publication printing, assessing cost recovery issues on some reports, reducing out-of-state travel, and consolidating or reducing technical and professional service contracts.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$24,920,000 be added to the agency plan for creating jobs and sustaining economic vitality and for making government accountable and affordable. Initiatives

funded include:

- \$1,720,000 and 5 FTE positions for one stop permitting,
- \$600,000 for the Jobs Skills Partnership Program,
- \$6,000,000 for Economic Recovery Grants,
- \$1,000,000 for Small Business Development Centers matching funds,
- \$600,000 for a matching grant to Advantage Minnesota,
- \$3,000,000 to leverage private funds for an endowment fund for the Biomedical Engineering Center at the University of Minnesota.
- \$14,000,000 for contamination cleanup grants, and
- Reduction of \$2,000,000 for elimination of the Community Resources Program.

The Governor also recommends \$4 million be added to the Economic Recovery Grant Program in F.Y. 1995 to fund business expansion projects submitted to the agency prior to 12-31-94. Communities requesting support of these projects include Becker, Brooklyn Park, Nashwauk, St. Paul, St. Louis County, Minneapolis, Benson and Park Rapids.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS & COMMUNITY DEVELOPMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
REGIONAL INITIATIVES	1,681	3,378	15,787	3,108	2,958	2,958	3,163	3,013	3,013
BUSINESS DEVELOPMENT	11,186	12,783	14,974	10,510	10,510	15,610	10,507	10,507	15,327
COMMUNITY DEVELOPMENT	48,430	56,016	49,545	68,082	68,682	84,682	67,982	68,647	67,647
BCD SUPPORT SERVICES	7,071	1,460	2,565	2,005	2,005	2,005	2,005	2,005	2,005
TOTAL EXPENDITURES BY ACTIVITY	68,368	73,637	82,871	83,705	84,155	105,255	83,657	84,172	87,992
AGENCY PLAN ITEMS:			FUND						
ENVIROM RESOURCES-CHANGE TO GEN FD			GEN		210			210	
ENVIROM RESOURCES-CHANGE TO GEN FD			ENV		<210>			<210>	
PFA FEES TO GENERAL FUND			GEN		450			515	
TOTAL AGENCY PLAN ITEMS					450			515	
GOV'S INITIATIVES:			FUND						
(B) ONE STOP PERMITTING			GEN			1,000			720
(B) JOB SKILLS PARTNERSHIP			GEN			300			300
(B) ECONOMIC RECOVERY GRANTS			GEN			3,000			3,000
(B) SMALL BUSINESS DEVELOPMENT CENTERS MATCH			GEN			500			500
(B) ADVANTAGE MINNESOTA MATCHING GRANT INCREASE			GEN			300			300
(B) URBAN CONTAMINATED SITE CLEANUP			GEN			14,000			
(B) BIOMEDICAL CENTER--U OF M			GEN			3,000			
(B) ELIMINATE COMMUNITY RESOURCES PROGRAM			GEN			<1,000>			<1,000>
TOTAL GOV'S INITIATIVES						21,100			3,820
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	19,969	14,298	16,351	13,301	13,961	35,061	13,301	14,026	17,846
MN RESOURCES		493	7						
ENVIRONMENTAL	209	100	320	210			210		
STATUTORY APPROPRIATIONS:									
PFA BOND FUND	15,182	13,778	190	178	178	178	178	178	178
GENERAL			58	583	583	583	583	583	583
SPECIAL REVENUE	1,808	4,959	19,116	2,916	2,916	2,916	2,868	2,868	2,868

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS & COMMUNITY DEVELOPMENT

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FEDERAL	31,147	39,997	46,812	66,512	66,512	66,512	66,512	66,512	66,512
GIFTS AND DEPOSITS	53	12	17	5	5	5	5	5	5
TOTAL FINANCING	68,368	73,637	82,871	83,705	84,155	105,255	83,657	84,172	87,992
FTE BY EMPLOYMENT TYPE:									
REGULAR	83.0	75.4	84.0		90.0			91.0	
TEMP/SEAS/PART_TIME	3.4	2.1	2.1		1.2			1.2	
OVERTIME		.2	.2						
TOTAL FTE	86.4	77.7	86.3		91.2	95.2		92.2	97.2

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS & COMMUNITY DEVELOPMENT
ACTIVITY: COMMUNITY DEVELOPMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	697	800	1,711	1,623	2,075	2,075	1,623	2,126	2,126
EXPENSES/CONTRACTUAL SRVCS	104	69	196	188	228	228	188	228	228
MISC OPERATING EXPENSES	37	84	58	58	72	72	58	74	74
SUPPLIES/MATERIALS/PARTS	14	2	3	3	3	3	3	3	3
CAPITAL EQUIPMENT	60								
OTHER	15,380	13,997	2,040	33,703	33,797	33,797	33,603	33,709	33,709
SUBTOTAL STATE OPERATIONS	16,292	14,952	4,008	35,575	36,175	36,175	35,475	36,140	36,140
LOCAL ASSISTANCE	32,138	41,064	45,537	32,507	32,507	48,507	32,507	32,507	31,507
TOTAL EXPENDITURES	48,430	56,016	49,545	68,082	68,682	84,682	67,982	68,647	67,647
AGENCY PLAN ITEMS:			FUND						
ENVIROM RESOURCES-CHANGE TO GEN FD			GEN		150			150	
PFA FEES TO GENERAL FUND			GEN		450			515	
TOTAL AGENCY PLAN ITEMS					600			665	
GOV'S INITIATIVES:			FUND						
(B) URBAN CONTAMINATED SITE CLEANUP			GEN			14,000			
(B) BIOMEDICAL CENTER--U OF M			GEN			3,000			
(B) ELIMINATE COMMUNITY RESOURCES PROGRAM			GEN			<1,000>			<1,000>
TOTAL GOV'S INITIATIVES						16,000			<1,000>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,449	3,423	2,092	1,540	2,140	18,140	1,540	2,205	1,205
STATUTORY APPROPRIATIONS:									
PFA BOND FUND	15,051	13,778	190	178	178	178	178	178	178
GENERAL			58	583	583	583	583	583	583

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS & COMMUNITY DEVELOPMENT
ACTIVITY: COMMUNITY DEVELOPMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
SPECIAL REVENUE	248	133	1,569	450	450	450	350	350	350
FEDERAL	29,682	38,682	45,631	65,331	65,331	65,331	65,331	65,331	65,331
GIFTS AND DEPOSITS			5						
TOTAL FINANCING	48,430	56,016	49,545	68,082	68,682	84,682	67,982	68,647	67,647
FTE BY EMPLOYMENT TYPE:									
REGULAR	13.3	15.5	15.5		24.0			25.0	
TEMP/SEAS/PART_TIME	.3								
TOTAL FTE	13.6	15.5	15.5		24.0	24.0		25.0	25.0

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Trade and Economic Development, Department of
PROGRAM: Business and Community Development
ACTIVITY: Community Development

ITEM TITLE: Urban Contaminated Sites Cleanup

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$14,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$14 million in F.Y. 1996 for contamination cleanup grants to the cities of Minneapolis and St. Paul, and to the inner-ring suburbs of the Twin Cities metropolitan area.

RATIONALE:

The purpose of this program is to assist Minneapolis, St. Paul, and the Twin Cities inner-ring suburbs to cleanup contaminated sites where there is serious private or public redevelopment potential. The program would help transform contaminated sites from a blighting influence to a marketable asset. Only sites that do not qualify for or are not scheduled for imminent funding under existing cleanup programs qualify for this program.

Currently, the existing Contamination Cleanup Program is funded from 2 sources, the contamination tax and state bonding authority. The contamination tax has not generated sufficient revenue to have a significant impact on contaminated sites in the state. State bond proceeds are limited for use on projects that serve a public purpose, not for private development.

The first round of applications for 1995 submitted to Trade and Economic Development are for 6 projects with requests of approximately \$11 million. There are approximately 27-37 sites that PCA estimates are approved or will be approved for F.Y. 1995 for Response Action Plan and are awaiting sufficient resources to begin cleanup.

PROGRAM OUTCOMES:

Based on the budgets from existing applications for the Contaminated Site Cleanup program, the requested amount of \$14 million would assist with the cleanup of approximately 15 contaminated sites. The clean sites would all be available for redevelopment, thus converting 15 unusable properties into marketable assets. This projected outcome is predicated on the assumption that the local grant recipients would provide a local match of 50%. In addition, existing applications also suggest that after cleanup property values (and corresponding tax capacity) were 250% higher than the value of the sites in a contaminated state.

LONG-TERM IMPACT:

Minneapolis and St. Paul report the most number of sites that may be eligible and putting this land back in production is critical to attract business development and essential for job creation in the core cities.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Trade and Economic Development, Department of
PROGRAM: Business and Community Development
ACTIVITY: Community Development

ITEM TITLE: Biotech Endowment

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$3,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$3 million be appropriated to leverage private funds to contribute to an endowment fund for the Biomedical Engineering Center at the University of Minnesota.

RATIONALE:

Biotechnology is defined as the production of useful products from living organisms. Currently there are 50 biomedical firms in the state and biotechnology has become a significant and growing segment in the pharmaceutical, biotherapeutic, medical diagnostic, animal health, food and agricultural production, bioprocessing and bioremediation fields.

The Biomedical Engineering Center (BMEC) at the University of Minnesota was launched by Medtronic, Inc. in a joint venture with the University's Institute of Technology and Medical School with a gift of \$2 million. An additional \$12 million must be raised by mid-1997 as an endowment for the center, yielding approximately \$1 million to support the programs of the BMEC.

PROGRAM OUTCOMES:

The endowment will go to support the activities of the Biomedical Center which includes several program elements: (12 core faculty assigned to the center)

■ Graduate student support:	
(24-36 students per year)	\$660,000
■ Biomedical research seed fund	100,000
■ Curriculum development	50,000
■ Director's salary (1/4 time)	25,000
■ 4 full-time support staff	150,000

LONG-TERM IMPACT:

Minnesota's economic development organizations, business assistance groups, and state agencies recognize that biotechnology holds the promise of providing long term, sustainable, and environmental safe solutions to basic human needs. There are many state sponsored programs in Minnesota aimed to help developmental state biotechnology companies overcome barriers to commercializing their technology.

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1996-97 Biennial Budget

BUDGET ACTIVITY: Business and Community Development (BCD) Support Services
PROGRAM: Business and Community Development
AGENCY: Trade and Economic Development, Department of (DTED)

ACTIVITY DESCRIPTION:

BCD administration includes the deputy commissioner's office, the Office of Information, analysis, and Evaluation, and the Marketing and Communications Office.

Costs associated with this activity include funding for the women owned business study and other unfunded initiatives; administrative services and support staff; printing and publications budgets; computer support for the division; research and analysis on business expansions and relocations, economic trends and public policy impacts on the economy. The Office of Information, Analysis and Evaluation also conducts all performance monitoring for the department.

BUDGET ISSUES:

None

REVENUE:

This activity generates dedicated and non-dedicated revenue.

	Dollars in Thousands				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Non-dedicated - Gen'l	\$15	\$1	\$1	\$1	\$1
Non-dedicated - State Gov't	-0-	-0-	-0-	-0-	-0-
Dedicated - Special	174	-0-	-0-	-0-	-0-
Dedicated - Federal	99	-0-	-0-	-0-	-0-
Dedicated - Gift	<u>53</u>	<u>12</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	341	13	6	6	6

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: TOURISM

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TOURISM MARKETING	9,104	8,927	9,194	8,540	8,585	10,245	8,540	8,540	10,060
TOTAL EXPENDITURES BY ACTIVITY	9,104	8,927	9,194	8,540	8,585	10,245	8,540	8,540	10,060
AGENCY PLAN ITEMS:			FUND						
LCMR NEW ALLOCATIONS			MNR		45				
TOTAL AGENCY PLAN ITEMS					45				
GOV'S INITIATIVES:			FUND						
(B) INCREASED MARKETING			GEN			1,000			1,000
(B) NTA CONVENTION/GROUP TOUR MARKETING			GEN			100			175
(B) EXPANDED TRAVEL INFORMATION			GEN			225			225
(B) PATHFINDER			GEN			335			120
TOTAL GOV'S INITIATIVES						1,660			1,520
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,611	7,207	7,109	6,777	6,777	8,437	6,777	6,777	8,297
MN RESOURCES					45	45			
TRUNK HIGHWAY	716	668	671	670	670	670	670	670	670
STATUTORY APPROPRIATIONS:									
GENERAL	6								
SPECIAL REVENUE	771	823	1,343	1,093	1,093	1,093	1,093	1,093	1,093
FEDERAL		229	71						
TOTAL FINANCING	9,104	8,927	9,194	8,540	8,585	10,245	8,540	8,540	10,060
FTE BY EMPLOYMENT TYPE:									
REGULAR	53.8	55.5	59.7		59.7			59.7	
TEMP/SEAS/PART_TIME	33.1	27.9	29.6		29.6			29.6	
OVERTIME	.3	.4							
TOTAL FTE	87.2	83.8	89.3		89.3	89.3		89.3	89.3

1996-97 Biennial Budget

BUDGET ACTIVITY: Tourism Marketing
PROGRAM: Tourism
AGENCY: Trade and Economic Development, Department of (DTED)

ACTIVITY DESCRIPTION:

The budget plan will allow the reported performance measures from the 1994 Annual Report to be accomplished or accelerated as follows:

Generate additional incremental revenue from nonresident travel to Minnesota and retain travel dollars from Minnesotans within the state.

Continue to develop partnerships that maximize resources with organizations and businesses to support statewide tourism objectives.

Provide travelers with the highest quality information and service based on their needs and achieve competitive advantage in the marketplace.

BUDGET ISSUES:

Generating and Retaining Travelers: The ability to generate new travelers into Minnesota as well as retaining Minnesota resident travelers is directly related to the state's ability to compete with other states and regions of the country. Media and production costs have risen at an average of four percent each year while the amount of available resources has declined. Growth in existing markets and expansion to new markets cannot be achieved given this situation.

With the current economic situation, the potential for increased overseas and group travel to Minnesota is positive for the long term. The high levels of expenditures by these travelers result in a high rate of return for the state. Although partnerships with organizations have enabled Minnesota to expand this area, the ability to maximize potential is directly related to the resources invested.

Serving Travelers: The continuing costs to provide information are outstripping resources at two levels. The first is the cost to produce information, literature, etc. as well as mailing costs. These trends will continue along with reduced lead time for travel planning, and the need to deliver information to the consumer in time for their decision may impact the ability to use third class and other economy-oriented delivery methods. Technology and other delivery methods will need to be developed requiring additional investment.

The costs of servicing travelers continues to grow. This will place extra burdens on program finances in order to maintain services which generate sales tax dollars to the state.

Developing Information: Critical in the office's overall program is the ability to acquire, update, and disseminate, on a regular basis, quality tourism related information. The continued application of computer technology and data base management in this area will help, and in the long term, contribute to both more efficiency in the Office's travel service area and a competitive position in the market place.

Partnerships: Increased pressure on local convention bureau budgets will increase reliance on the state to maintain Minnesota's presence in the marketplace.

Finding better cooperative ways to maintain and increase the economic impact of retaining travelers in Minnesota, as well as generating nonresident travel expenditures to the state, is imperative to statewide sustained tourism activity.

Partnerships/Grants: Partnerships are operated according to M.S. 116J.58, Subd. 3. The purpose is to maximize both state and local resources to attract visitors to Minnesota, generate nonresident travel expenditures to Minnesota, and retain travel dollars from Minnesotans within the state. Partnerships are based on measurable outcomes and the relationship of investment to outcome.

Partners/recipients include any nonprofit tourism organization which is formed for the primary purpose of promoting tourism or has tourism marketing as a major component of its programming. Access to the program is ongoing. Program resources include both cash and services. Criteria for determination of aid/partnerships are the measurable outcome of sales tax revenue to the state (a goal of \$3 in sales tax revenue for each \$1 of state investment) and the level of partner participation in a proposed project.

The program has been retitled Partnerships to transition from the traditional grant/entitlement concept based on a match to state funds, to a program that provides a measurable economic return to the state.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Non-dedicated - Gen'l	\$5	\$4	\$1	\$1	\$1
Non-dedicated - State Gov't	-0-	-0-	-0-	-0-	-0-
Dedicated - Special	771	823	1,343	1,093	1,093
Dedicated - Federal	0	229	71	0	0
Total	\$776	\$1,056	\$1,415	\$1,094	\$1,094

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: TOURISM
ACTIVITY: TOURISM MARKETING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	3,241	3,232	3,443	3,443	3,443	3,443	3,443	3,443	3,443
EXPENSES/CONTRACTUAL SRVCS	3,724	3,687	3,805	3,295	3,340	4,484	3,295	3,295	4,606
MISC OPERATING EXPENSES	821	749	785	769	769	970	769	769	978
SUPPLIES/MATERIALS/PARTS	390	278	218	178	178	178	178	178	178
CAPITAL EQUIPMENT	66	18	137	120	120	435	120	120	120
OTHER		11	4						
SUBTOTAL STATE OPERATIONS	8,242	7,975	8,392	7,805	7,850	9,510	7,805	7,805	9,325
LOCAL ASSISTANCE	862	952	802	735	735	735	735	735	735
TOTAL EXPENDITURES	9,104	8,927	9,194	8,540	8,585	10,245	8,540	8,540	10,060
AGENCY PLAN ITEMS:			FUND						
LCMR NEW ALLOCATIONS			MNR		45				
TOTAL AGENCY PLAN ITEMS					45				
GOV'S INITIATIVES:			FUND						
(B) INCREASED MARKETING			GEN			1,000			1,000
(B) NTA CONVENTION/GROUP TOUR MARKETING			GEN			100			175
(B) EXPANDED TRAVEL INFORMATION			GEN			225			225
(B) PATHFINDER			GEN			335			120
TOTAL GOV'S INITIATIVES						1,660			1,520
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,611	7,207	7,109	6,777	6,777	8,437	6,777	6,777	8,297
MN RESOURCES					45	45			
TRUNK HIGHWAY	716	668	671	670	670	670	670	670	670

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: TOURISM
ACTIVITY: TOURISM MARKETING

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
GENERAL	6								
SPECIAL REVENUE	771	823	1,343	1,093	1,093	1,093	1,093	1,093	1,093
FEDERAL		229	71						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	9,104	8,927	9,194	8,540	8,585	10,245	8,540	8,540	10,060
FTE BY EMPLOYMENT TYPE:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	53.8	55.5	59.7		59.7			59.7	
TEMP/SEAS/PART_TIME	33.1	27.9	29.6		29.6			29.6	
OVERTIME	.3	.4							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	87.2	83.8	89.3		89.3	89.3		89.3	89.3

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINNESOTA TECHNOLOGY INC
PROGRAM: MINNESOTA TECHNOLOGY
ACTIVITY: COLD WEATHER RESEARCH CENTER

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE		75	75	75	75	75	75	75	75
TOTAL EXPENDITURES		75	75	75	75	75	75	75	75
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		75	75	75	75	75	75	75	75
TOTAL FINANCING		75	75	75	75	75	75	75	75
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

AGENCY: Minnesota World Trade Center Corporation (MWTCC)

AGENCY DESCRIPTION:

The Minnesota World Trade Center Corporation (MWTCC) is a facility-based public corporation established to promote international business partnerships, foster increased participation in world trade and encourage mutual assistance and cooperation among members.

The MWTCC is a member of the WTCA - a global network with over 160 locations throughout the world. This membership provides global networking for Minnesota businesses.

The MWTCC is managed by the Minnesota Trade Office (MTO) and works in collaboration and partnership with the MTO to deliver services which promote, facilitate and develop international business ties between Minnesota businesses and international markets.

REVENUES:

The agency generates revenue from conference center usage, membership dues and education programs. Staffing, rent, vendor costs and all related day-to-day operating expenses are paid from these dedicated revenues. In the past, general appropriations have been received to support operating expenses and debt service, but due to their one-time nature, there is no General Fund current spending level for the 1996-97 biennium.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Dedicated - Special	\$412	\$412	\$585	\$633	\$633
General Fund Appropriations	\$-0-	\$278	\$111	\$-0-	\$-0-

ISSUES AFFECTING AGENCY'S OPERATIONS:

Each year, the MWTCC must meet its debt service obligation for furniture, fixtures and equipment purchase totaling \$750,587 made under a lease agreement entered into in 1988. To preserve the existing assets and WTCA charter, terms of lease agreement must be met.

Current operating revenues are not sufficient to refurbish and replace due to normal wear and tear the World Trade Center fixtures, furnishings and equipment.

The goal of the World Trade Center Corporation is to improve Minnesota's economic position in the global marketplace. To satisfy that goal, the MWTCC hosts delegations (i.e., Irish Prime Minister Reynolds) with no financial support except from MWTCC operating revenues.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The MWTCC has divided its revenue requirements into 2 parts. Dedicated special revenue is generated from operations: conference center, membership costs and education programs. These monies - with management assistance from the MTO - allow the MWTCC to operate day-to-day.

The MWTCC also has an unpaid debt with remaining payments totalling \$543,438. Annual debt service is about \$156,000. Revenue generated from operations is not sufficient to provide debt service.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding not to exceed \$450,000 in F.Y. 1996 for the full and final payment of the remaining 1988 debt of the Minnesota World Trade Center Corporation which was incurred for conference center furniture, fixtures, and equipment.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: WORLD TRADE CENTER
PROGRAM: WORLD TRADE CENTER CORP
ACTIVITY: WORLD TRADE CENTER CORP

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	489	134	129	129	129	129	129	129	129
EXPENSES/CONTRACTUAL SRVCS	441	521	340	365	365	365	400	400	400
MISC OPERATING EXPENSES	68	24	30	30	30	30	30	30	30
SUPPLIES/MATERIALS/PARTS	38	24	11	11	11	11	11	11	11
OTHER			111			450			
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,036	703	621	535	535	985	570	570	570
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,036	703	621	535	535	985	570	570	570
GOV'S INITIATIVES:			FUND						
-----			-----						
(B) DEBT SERVICE PAYOFF			GEN			450			
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						450			
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL						450			
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1,036	703	621	535	535	535	570	570	570
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,036	703	621	535	535	985	570	570	570
FTE BY EMPLOYMENT TYPE:									

REGULAR	10.1	5.0	5.0		5.0			5.0	
OVERTIME	.1	.1	.1		.1			.1	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	10.2	5.1	5.1		5.1	5.1		5.1	5.1

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: WORLD TRADE CENTER

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	621	621			621	621		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<111>	<111>			<111>	<111>		
DED STAT APPROP SPENDING	25	60			25	60		
SUBTOTAL BASE ADJ.	<86>	<51>			<86>	<51>		
CURRENT SPENDING	535	570			535	570		

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Minnesota World Trade Center Corporation
PROGRAM: Minnesota World Trade Center Corporation
ACTIVITY: Minnesota World Trade Center Corporation

ITEM TITLE: Debt Service Pay-Off

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$450	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that full and final payment of the remaining 1988 debt of the Minnesota World Trade Center Corporation be negotiated and paid off.

RATIONALE:

In 1988, the Minnesota World Trade Center Corporation incurred a debt of \$750,587 for furniture, fixtures, and equipment under a lease agreement.

In the past, appropriations have been provided for debt service. This has required extra management time and effort to communicate and negotiate this process through the public and private sectors. It is now appropriate to negotiate final resolution to this debt.

PROGRAM OUTCOMES:

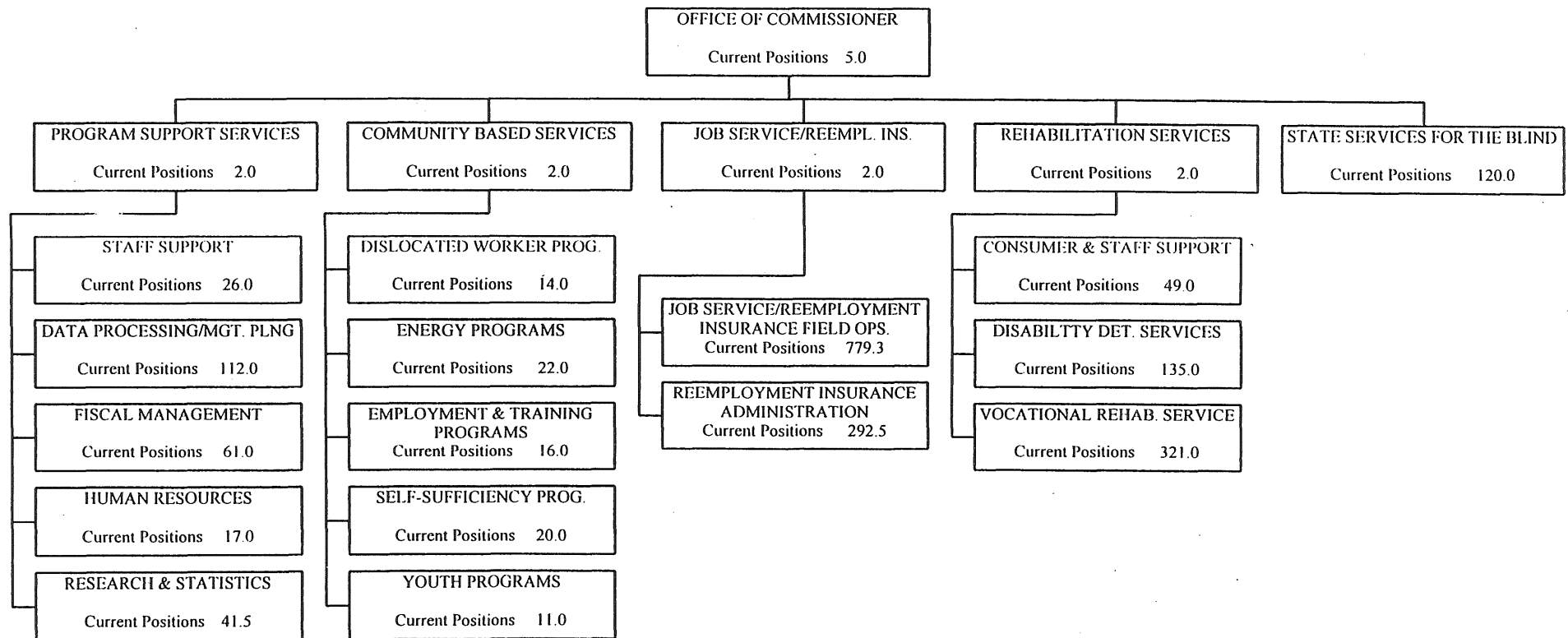
Resolution of this debt will allow management time to be directed toward carrying out the WTCC mission.

LONG-TERM IMPACT:

The WTCC balance sheet will improve and the preservation of this asset for the state of Minnesota will be enhanced.

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Department of Economic Security Organization Chart 7/1/94



June 30, 1994 FTE Employees: 2050.3

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Economic Security, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$50,696	\$50,696	\$101,392
<u>BASE ADJUSTMENT:</u>			
One-time Appropriations	\$(3,306)	\$(3,306)	\$(6,612)
Biennial Appropriations	801	50	851
Appropriations Carried Forward	(153)	(153)	(306)
Documented Rent/Lease Increase	<u>19</u>	<u>40</u>	<u>59</u>
<u>CURRENT SPENDING</u>	\$48,057	\$47,327	\$95,384
<u>AGENCY DECISION ITEMS:</u>			
Extended Employment Program Cost	\$ (325)	\$ (325)	\$ (650)
Transitional Housing Program Costs	(43)	(43)	(86)
Extended Employment State Operations	325	325	650
Transitional Housing State Operations	<u>43</u>	<u>43</u>	<u>86</u>
<u>AGENCY PLAN</u>	\$48,057	\$47,327	\$95,384
<u>GOVERNOR'S INITIATIVES:</u>			
Transfer to the Department of Children and Education Services	\$-0-	\$(15,187)	\$(15,187)
Eliminate Lead Abatement Funding	(200)	(200)	(400)
Reduce Funding of Foodshelf Program	<u>(300)</u>	<u>(300)</u>	<u>(600)</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$47,557	\$31,640	\$79,197

Brief Explanation of Agency Plan:

- Extended Employment Activity: Funding for Extended Employment has increased from \$9,989,000 in 1990 to \$10,514,000 in 1995 while funds used to administer this performance-based employment program have decreased from \$255,000 to \$201,000 during this period. Changes in federal law no longer permit the use of basic Vocational Rehabilitation funds for administrative support to this program. The reallocation of funds to allow a maximum of 5%,

or \$525,000 to be available for administrative purposes would permit full implementation of redesign projects, increase training and technical assistance support to local programs, and improve services to Extended Employment customers. MDES will complete a study of the methods to improve interagency collaboration and planning for ongoing employment support services to persons with severe disabilities in their local communities during the biennium. Total reallocation is \$325,000/year.

- Food and Shelter/Self Sufficiency Activity: Since the transitional housing program's inception, funding has dramatically increased from \$170 in 1985 to \$860 in 1994. The 51 transitional housing programs currently funded served 1689 households in 1994. In addition to providing for costs associated with the request for proposal process, reporting requirements and program monitoring, MDES is planning a follow-up evaluation of program participants to assess the long term impact of the program. Allowing for up to 5% administrative costs would provide for the achievement of the above tasks while ensuring performance at agreed upon levels. Total reallocation is \$43,000/year.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following adjustments:

The Governor recommends that the Head Start, Youth Violence Prevention, and Youth Employment and Training budget activities under the Community-Based Services program be transferred to the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

The Governor also recommends that funds be transferred from the Dislocated Worker Fund to the General Fund on a continuing basis at \$3,000,000 a year.

Finally, the Governor recommends that funding for the lead abatement program be eliminated at \$200,000 a year and that funding be reduced for the foodshelf program at \$300,000 a year.

AGENCY: Economic Security, Department of (MDES)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Economic Security (MDES) is to help people help themselves achieve economic security under M.S. 268, 268A, and 248.

Direction for the department's operations are: 1) Minnesotans will be able to live independently and be able to fully participate in their communities; 2) Minnesotans in temporary economic hardship will have their basic needs met and an opportunity for prompt return to suitable employment; 3) Minnesotans will have the training and skills to be successful in the workforce; and, 4) Minnesota employers, educators and individuals will have labor market information that supports business growth and a labor exchange that provides the workforce needed to compete in the world economy.

MDES is organized into 4 programmatic divisions: Rehabilitation Services; Services for the Blind; Job Service/Reemployment Insurance; and Community-Based Services. These divisions provide: employment and independent living assistance for people with disabilities; disability determination; employment assistance; veterans' employment services; labor statistics; reemployment insurance; job training; dislocated workers' services; displaced homemakers' services; youth employment and training services; low-income weatherization and energy assistance; Head Start; emergency food and housing; and economic opportunity programs.

Some MDES programs are provided directly from MDES offices throughout the state (job service, reemployment insurance, rehabilitation services, and services for the blind). Other programs are contracted to community-based agencies which provide the services (Extended Employment, Job Training Partnership Act, dislocated workers, displaced homemakers, emergency food and housing, economic opportunity, Head Start, energy assistance and weatherization). In these programs, MDES serves as the administrator, which includes monitoring, training and providing technical assistance.

MDES is committed to the integration and redesign of employment and training services for employers and job seekers. The department is currently developing One-Stop Career Centers to establish collaborative service delivery systems to more effectively serve our customers.

The customers of MDES programs are: persons with disabilities, unemployed individuals, businesses needing a trained workforce, individuals needing further training or education, students in educational and vocational training facilities, veterans, students needing help with career choices, and economically disadvantaged individuals and families. To enhance customer outcomes, we are working with our customers to clearly define outcome measures to better determine the success of services and to promote continuous improvement.

MDES, through the services listed above, plays a leading or supporting role in 4 of the General Milestones Themes and corresponding Milestone Goals: A Caring and Secure Community; A Prosperous People; Learning; and, We the People.

AGENCY CHALLENGES:

The following factors are shaping the development of policies and programs at the Minnesota Department of Economic Security.

A skilled workforce. MDES is concentrating on identifying employer needs and working with educators and employers to ensure that these needs are communicated and met. National reports highlight the growing mismatch between employers' need for a skilled workforce and the skill levels of American workers. A prevention-based system is needed that helps people develop the goals and skills they need to make the transition from quality education to a high-skill, high-wage job. Both educators and employers must work cooperatively to strengthen the link between education and employment.

Paradoxically, we are facing workforce shortages at the same time that companies are down-sizing which has created a number of unemployed, college-educated, middle-aged professionals. As a result, MDES is currently revamping its job training and placement efforts to make a closer fit with today's and tomorrow's unemployed Minnesotans.

Increased Poverty in Minnesota. The overall poverty rate for all families increased in Minnesota in the last decade. This is primarily due to the increase of poor, single, female-head of households. Poverty in Minnesota is not limited to the metropolitan area; in fact, the census shows a higher percentage of families in poverty in Greater Minnesota. The increase in poverty raises demand for many of MDES' self-sufficiency programs. MDES is faced with the problem of meeting the needs of many high-risk groups with limited resources.

Youth concerns. Substance abuse has had a profound impact on law enforcement and on both juvenile and criminal justice systems in the last decade. Schools increasingly are sites of violence and victimization, although the school is not the point of origin. Gangs seem to fill a desperate need on the part of many at-risk youth for stability, structure, and a sense of belonging. There is a major correlation between neighborhood poverty, social disorganization and gang activity. There is a growing mismatch between students' classroom learning experience and the knowledge and skills needed to begin and advance in their life's work. If youth are to be successful in tomorrow's workforce, they must be better prepared.

Americans with Disabilities Act (ADA). Minnesota has been a leader in working with residents who have disabilities or impairments, helping them to: realize their full potential, become integrated into the total community, find meaningful employment, and live independently. Federal legislation has reaffirmed the need for these types of programs and has heightened everyone's awareness. As a result, there is an increased demand for MDES' services.

AGENCY STRATEGIES:

The agency's budget plan is constructed to achieve the following outcomes:

- To improve services to customers by bringing programs together into "local collaboratives."
- To provide labor market information that supports business growth and provides a workforce needed to compete in the world economy.

AGENCY: Economic Security, Department of (MDES)
(Continuation)

- To effectively utilize technologies to improve program operations and service delivery systems.
- To provide employment and training services which link people to the world of work.
- To increase the number of Job Service-listed openings in targeted occupations and industries.
- To promote self-sufficiency by funding locally designed programs.
- To create and build coalitions to further choices and opportunities for Minnesotans with disabilities.
- To ensure that all people with severe disabilities have equitable access to opportunities for living and working in communities.
- To increase employment of blind persons and people with disabilities.
- To increase the number of blind persons managing their own homes or living independently.
- To increase the number of blind citizens who gain access to the printed word, through alternative reading media.

See the Annual Performance Report, dated 9-15-94, for agency results and outcomes.

REVENUE SUMMARY:

Department programs are funded from the following sources:

Federal funds (77%) from 7 different federal agencies, primarily the Department of Labor, State General Fund (15%), and Special Revenue (8%) resulting from a surtax on employer Reemployment Insurance (RI) Contributions dedicated to serve Dislocated Workers.

Funds realized from the dislocated worker surtax of 1/10 of 1% will increase by \$2 million during the biennium due to an increase in the state's employment tax base. Federal funds are estimated to be lower than in previous years in selected programs: Reemployment Insurance, Job Service and Energy Assistance.

No fee increases/decreases are proposed.

SUMMARY OF BUDGET REQUEST:

Food and Shelter/Self-Sufficiency Activity: Since the transitional housing program's inception, funding has dramatically increased from \$170 in 1985 to \$860 in 1994. The 51 transitional housing programs currently funded served 1689 households in 1994. In addition to providing for costs

associated with the request for proposal process, reporting requirements and program monitoring, MDES is planning a follow-up evaluation of program participants to assess the long term impact of the program. Allowing for up to 5% administrative costs would provide for the achievement of the above tasks while ensuring performance at agreed upon levels.

Extended Employment Activity: Funding for Extended Employment has increased from \$9,989,000 in 1990 to \$10,514,000 in 1995 while funds used to administer this performance-based employment program have decreased from \$255,000 to \$201,000 during this period. Changes in federal law no longer permit the use of basic Vocational Rehabilitation funds for administrative support to this program. The reallocation of funds to allow a maximum of 5%, or \$525,000 to be available for administrative purposes would permit full implementation of redesign projects, increase training and technical assistance support to local programs, and improve services to Extended Employment customers. MDES will complete a study of the methods to improve interagency collaboration and planning for ongoing employment support services to persons with severe disabilities in their local communities during the biennium.

Other: Decreases in federal funding of various programs are projected in the area of energy assistance and Job Service and Reemployment Insurance. Minor increases are projected in the Rehabilitation Services and Services for the Blind programs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following adjustments:

The Governor recommends that the Head Start, Youth Violence Prevention, and Youth Employment and Training budget activities under the Community-Based Services program be transferred to the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

The Governor also recommends that funds be transferred from the Dislocated Worker Fund to the General Fund on a continuing basis at \$3,000,000 a year.

Finally, the Governor recommends that funding for the lead abatement program be eliminated at \$200,000 a year and that funding be reduced for the foodshelf program at \$300,000 a year.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
REHABILITATION SERVICES	57,547	58,527	65,170	65,948	65,948	65,948	66,836	66,836	66,836
SERVICES FOR THE BLIND	13,966	11,953	13,698	13,864	13,864	13,864	13,885	13,885	13,885
JOB SERVICE/REEMPLOYMENT INSURANCE	65,198	69,307	68,120	66,703	66,703	66,703	66,762	66,762	66,762
COMMUNITY BASED SERVICES	152,652	191,595	181,171	165,572	165,572	165,322	164,821	164,821	132,597
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	289,363	331,382	328,159	312,087	312,087	311,837	312,304	312,304	280,080
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	38,084	48,184	50,696	48,057	48,057	47,557	47,327	47,327	31,640
STATUTORY APPROPRIATIONS:									
GENERAL	1,415	1,273	2,209	636	636	636	636	636	636
STATE GOVT SPEC REV	905	1,553	1,100	1,000	1,000	1,000	1,000	1,000	1,000
SPECIAL REVENUE	15,580	21,576	22,041	22,205	22,205	22,455	22,205	22,205	23,455
FEDERAL MDES	231,558	256,867	251,339	239,365	239,365	239,365	240,312	240,312	222,525
AGENCY	1,181	1,292							
GIFTS AND DEPOSITS	640	637	774	824	824	824	824	824	824
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	289,363	331,382	328,159	312,087	312,087	311,837	312,304	312,304	280,080
FTE BY EMPLOYMENT TYPE:									

REGULAR	1,860.8	1,910.7	1,975.0		1,974.4			1,972.6	
TEMP/SEAS/PART_TIME	84.5	102.6	70.8		70.8			70.8	
OVERTIME	11.4	13.6	14.6		14.6			14.6	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	1,956.7	2,026.9	2,060.4		2,059.8	2,059.8		2,058.0	2,032.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: ECONOMIC SECURITY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	328,159	328,159	52,905	52,905	23,915	23,915	251,339	251,339
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<4,279>	<4,279>	<4,279>	<4,279>				
BIENNIAL APPROPRIATIONS	801	50	801	50				
APPROPRIATIONS CARRIED FWD	<156>	<156>	<156>	<156>				
BASE TRANSFER (BTWN AGENCIES)	<588>	<588>	<588>	<588>				
DED STAT APPROP SPENDING	105	105	<9>	<9>	114	114		
DOCUMENTED RENT/LEASE INC/DEC	19	40	19	40				
FEDERAL RECEIPTS	<11,975>	<11,028>					<11,975>	<11,028>
ATTORNEY GENERAL COSTS	1	1					1	1
SUBTOTAL BASE ADJ.	<16,072>	<15,855>	<4,212>	<4,942>	114	114	<11,974>	<11,027>
CURRENT SPENDING	312,087	312,304	48,693	47,963	24,029	24,029	239,365	240,312

1996-97 Biennial Budget

PROGRAM: Services for the Blind
AGENCY: Economic Security, Department of

PROGRAM DESCRIPTION:

The mission of State Services for the Blind (SSB) is to facilitate the achievement of vocational and personal independence by children and adults who are blind or visually handicapped. The program is delivered through:

Rehabilitation Services (RS): Nine field offices statewide provide direct rehabilitation services to persons of all ages who are blind or visually handicapped, including those who have additional physical and/or mental impairments, when the loss of vision causes an impediment to employment, education or personal independence. Distinct service types include: Vocational Rehabilitation (VR), Child Rehabilitation (CR), Independent Living (IL) and Self Care (SC) for the elderly. Services include counseling; instruction in alternative techniques including braille and cane travel; vocational training; job placement; and adaptive equipment.

Business Enterprises (BE): The Business Enterprises program creates statewide small business franchise opportunities for persons who are blind. Vendors function as subcontractors in public and private buildings, including post-secondary institutions and rest areas on interstate and state highways. The businesses include lunchrooms, snack bars, gift shops, vendeterias and vending routes.

Communication Center (CC): Through paid staff and over 450 trained volunteers, the Communication Center provides lifelong information, library and reading services statewide to Minnesotans who are unable to read normal newsprint because of a visual or physical disability. Custom recorded and/or braille textbooks, job and leisure material assist persons who are blind in achieving their ultimate goal of personal or vocational independence. The Radio Talking Book, a radio reading service, broadcasts daily newspapers, current magazines and books 24 hours per day. Dial-In News, a newspaper reading service, enables a consumer to access the daily newspaper at home by touchtone telephone 24 hours a day. Center programs give persons who are blind access to the same information as the general public.

Client/Staff Support (CSS): CSS supports other division programs to assist clients in reaching their rehabilitation goals and in maintaining positive relationships with partners. Services include: certification of legal blindness for homestead and tax benefits; "The Store" (an outlet for client adaptive aids and devices); client equipment lease and device distribution programs; advisory council support; program development and evaluation; financial management of client and administrative budgets; purchasing; contract management; and administrative and technical support.

PROGRAM STATUS:

Several relevant federal legislative, funding, and policy factors have impacted on current state policy and funding levels. With the reauthorization of the Rehabilitation Act which governs several major program activities, the state is now required to determine eligibility for service within 60 days of receipt of an application. There is an increased emphasis on consumer participation, choice, and serving people with the most severe disabilities. The Rehabilitation Act mandated the establishment

of a Rehabilitation Advisory Council for the Blind (RACB) to advise the Vocational Rehabilitation Program. It also mandated the establishment of a Statewide Independent Living Council (SILC) to jointly develop and sign, in conjunction with the Divisions of Rehabilitation Services and State Services for the Blind, the State Plan for Independent Living services. The SILC is also required to monitor, review and evaluate the implementation of the State Plan. There were also several changes in the financial elements of the Act related to state match requirement, required maintenance of effort, carryover provision, and set-aside funds for strategic planning activities.

Nationally, due to states' efforts to maximize third-party match alternatives, less federal funds are available to SSB from the year-end reallocation process. These one-time federal funds had previously been efficiently used by SSB to purchase direct service supplies in the Communication Center and to augment aid to individual services. As this funding source diminishes, there will be an additional strain on existing resources.

In addition, due to the changes in the Act, state agencies for the blind are now excluded from receiving direct CIL grants for serving clients with severe, multiple disabilities. This change resulted in a \$102,596 loss of revenue to SSB which has impacted on service delivery levels to blind persons with severe, multiple disabilities. An additional shift at the federal level restricted the use of Social Security reimbursement funds to support only the vocational rehabilitation, supported employment, and independent living programs. This program shift has decreased the financial support available for the state-only programs.

Inflationary increases for services and goods purchased on behalf of clients (as part of their rehabilitation plans) have decreased the purchasing power of Rehabilitation Services' resources. There has also been an increased demand made on client service dollars, particularly for access to and training on assistive technology and adjustment to blindness training.

In addition, there has been a rapid increase in the demand for Communication Center's lifelong information, library and reading services. This increasing demand is spurred on by heightened consumer expectations, strengthened Braille Law and the passing of the Americans with Disabilities Act. It is further compounded by a diminishing volunteer base due to the natural aging process and the technical nature of the workload.

In the Business Enterprises program, many of the vending machines used in the vending operations do not meet the Americans with Disabilities Act accessibility requirements. Due to the age and obsolescence of the equipment, they cannot be retro-fitted.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from 1994 Annual Report to be accomplished or accelerated as follows:

Despite the anticipated strain on dollars available for direct client services, it is projected that there will be an increase in persons employed and persons regaining their ability to manage their own home or live independently. This is primarily due to programmatic shifts for increased efficiency such as increased focus on blindness skills training and careers, simplified eligibility, continual quality improvements, and efforts to work more closely with employers and community resources.

Although the numbers of persons being provided transcribed materials in the Communication Center are projected to increase slightly, it is anticipated that there will be more need/demand than the

1996-97 Biennial Budget

PROGRAM: Services for the Blind
AGENCY: Economic Security, Department of
(Continuation)

Center will be able to provide. Because of this overwhelming increase in need, services to some of the Communication Center's customers will either have to be postponed or denied.

The performance outcomes reflected in the 1994 Annual Report may be impacted based on the anticipated decrease in federal reallocated funds.

BUDGET AND REVENUE SUMMARY:

(Statutory References: M.S. 248.07; Minn. Rules Chap. 3321 and 3325; the Rehabilitation Act of 1973, as amended through 1992; the Americans with Disabilities Act; the Randolph-Sheppard Act; and P.L. 93-112 S102 87 Stat. 369.)

State Services for the Blind receives revenue from the following sources: 1) State General Appropriation; 2) Special Revenue related to Business Enterprises, Communication Center and The Store; 3) Federal grants including Vocational Rehabilitation, Supported Employment, In-Service Training, Independent Living-B, Title I Library grant, and subgrant from Department of Education; and 4) Other - Social Security reimbursement funds, program income, Friends of the Communication Center and Memorandum of Understanding with the Minnesota Foundation. SSB has also just been notified that it has been awarded a federal grant through a competitive process serving persons who are blind and elderly (Chapter 2 of Title VII of the Rehabilitation Act).

Due to relatively flat state level funding (only premises differential increase and a \$97,000 reduction in non-personal services for F.Y. 1994-95 biennium), and only a projected minimal increase in federal funding for the Vocational Rehabilitation Program, there is an increased possibility that Rehabilitation Services will have to implement an "Order of Selection." This would limit the federal portion of the program to serving only those blind individuals with the most severe disabilities.

REVENUE:

	<u>Dollars in Thousands</u>				
Type of Revenue	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Dedicated Special	\$938	\$763	\$866	\$910	\$910
Dedicated Federal	9,347	7,575	9,179	9,282	9,282
Dedicated Federal (SSA)	539	653	500	520	520
Gifts & Deposits	<u>2</u>	<u>20</u>	<u>34</u>	<u>34</u>	<u>34</u>
Total	\$10,916	\$9,011	\$10,579	\$10,746	\$10,746

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: JOB SERVICE/REEMPLOYMENT INSURANCE
ACTIVITY: EMPLOYMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	18,244	19,155	18,779	18,659	18,659	18,659	18,659	18,659	18,659
EXPENSES/CONTRACTUAL SRVCS	2,006	2,768	2,070	2,030	2,030	2,030	2,030	2,030	2,030
MISC OPERATING EXPENSES	789	966	814	810	810	810	808	808	808
SUPPLIES/MATERIALS/PARTS	968	909	785	785	785	785	785	785	785
CAPITAL EQUIPMENT	714	1,301	917	767	767	767	767	767	767
OTHER	121	260	227	304	304	304	365	365	365
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	22,842	25,359	23,592	23,355	23,355	23,355	23,414	23,414	23,414
AIDS TO INDIVIDUALS	1,095	1,800	2,534	1,934	1,934	1,934	1,934	1,934	1,934
LOCAL ASSISTANCE	197	169	160	160	160	160	160	160	160
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	24,134	27,328	26,286	25,449	25,449	25,449	25,508	25,508	25,508
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

STATUTORY APPROPRIATIONS:									
FEDERAL MDES	24,134	27,328	26,286	25,449	25,449	25,449	25,508	25,508	25,508
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	24,134	27,328	26,286	25,449	25,449	25,449	25,508	25,508	25,508
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	423.0	419.6	433.4		431.0			431.0	
TEMP/SEAS/PART_TIME	13.1	39.4	7.6		7.6			7.6	
OVERTIME	1.6	1.6	1.6		1.6			1.6	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	437.7	460.6	442.6		440.2	440.2		440.2	440.2

1996-97 Biennial Budget

BUDGET ACTIVITY: Reemployment Insurance
PROGRAM: Job Service/Reemployment Insurance
AGENCY: Economic Security, Department of

ACTIVITY DESCRIPTION:

Reemployment Insurance (RI) provides economic relief through payment of benefits to minimize the personal, economic, and social impact of unemployment.

The RI program encompasses the following activities:

- Determine the tax liability of over 100,000 employers for RI coverage, collect contributions of over \$350 million per year, audit accounts to ensure proper tax payments, and enforce the collecting of delinquent taxes.
- Administer state and federal laws relating to RI to ensure prompt, accurate payment of benefits to eligible claimants.
- Determine benefit entitlement and employer liabilities, and through a 2-level appellate process, provide impartial due-process hearings to persons appealing MDES decisions.

These activities are to provide temporary relief until claimants return to work.

BUDGET ISSUES:

The RI program has limited flexibility due to the terms of the federal grant which provides administrative funds for the program.

However, within the federally mandated terms of the grant, there is some flexibility. The grant requires the activity to meet a number of efficiency measures. When those are not met or exceeded, the activity may, within the dollar limits of the grant, accomplish additional enhancements. One area of federal encouragement is the development of a system of RI client profiling. The intent of developing a unique profile for each client is to customize service in order to facilitate a return to quality employment.

Issues which have impact on the program include the uncertainty of federal funding at the congressional level, new federal initiatives which may or may not be funded, and the national and state economies.

REVENUE:

This activity generates dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue					
Dedicated - Special*	\$2,089	\$2,002	\$2,000	\$2,000	\$2,000
Dedicated - Federal	37,794	38,661	39,731	39,254	39,254
Hq Modularization-Agency	<u>1,181</u>	<u>1,292</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$41,064	\$41,955	\$41,731	\$41,254	\$41,254

* Dedicated to this activity by statute for transfer to federal fund accounts.

1996-97 Biennial Budget

PROGRAM: Community-Based Services
AGENCY: Economic Security, Department of
(Continuation)

PLANNED RESULTS:

Energy Assistance

The Energy Assistance Program plans to serve approximately 110,000 households each year of the biennium. The benefit levels will be designed to provide the maximum assistance to eligible households within the limits of federal funding.

Weatherization

With a stable level of funding from the Department of Energy, Weatherization will serve slightly fewer households than the 7,169 households served in F.Y. 1994. The average energy savings per household should increase over previous years. A Liquified Petroleum fee generates special revenue that is used to improve the energy efficiency of furnaces in homes that use LP gas as the primary heating fuel. Funds from this special revenue account will serve approximately 640 households each year of the biennium. A state appropriation designed to increase the energy efficiency of fuel-oil-fired heating systems in low-income homes will serve approximately 930 households.

Head Start

If funding continues at current levels, the Head Start program will continue to serve approximately 1/3 of eligible children and their families.

Community Action/Self-Sufficiency

Same-level funding will maintain the number of households achieving economic self-sufficiency, reduce the impact of poverty upon the 200,000 households utilizing Community Action Agencies (CAA) services, increase the resources leveraged by CAAs, and increase the volunteer support of community action programs and projects. With same-level funding, the numbers of displaced homemakers served will continue to decrease.

Food and Shelter/Self-Sufficiency

If funding continues at current levels, supplemental commodities and food shelf products will help maintain food sources while community food and nutrition program efforts will increase participation in federal programs. Same-level funding will result in a smaller percentage of the people using shelters having access to prevention, transitional housing and permanent housing resources.

The recently funded Rural Homeless Initiative Project should provide considerable assistance in the prevention of homelessness in much of greater Minnesota.

Workforce Training and Development

During the next 2 years, JTPA Programs will continue to serve approximately 3 to 5 % of eligible Minnesotans. It is planned that approximately 9,000 individuals will be served during each of the next 2 years statewide with a minimum of 65 % "hard-to-serve" individuals.

Youth Violence Prevention

Juvenile Justice Program

Minnesota is in compliance with the federal juvenile justice mandates of deinstitutionalization of status offenders, sight and sound separation, and the juvenile jail removal mandate. In the next 2 years, federal funds will be used for prevention programs. In F.Y. 1994 Minnesota's federal allocation totaled \$906,000; it is expected that over 8,600 youth and families will be served. At least 80% will be from communities of color. In 1995, it is anticipated that Minnesota's allocation will total \$1,064,000. Minnesota received a \$228,000 allocation of Title V Prevention Funds in 1994. This new program will be continued in 1995 and Minnesota's allocation is expected to increase to approximately \$350,000.

Youth Intervention Program

In 1995, Youth Intervention Programs will provide early intervention and prevention services to 8,500 youth (ages 8 to 17) and their families. Funded at a level of \$550,000 per year, the program addresses issues such as: shoplifting, vandalism, theft, prostitution, fire starting, family problems, child abuse and chemical abuse. The program currently operates in 23 communities: 12 in the Twin Cities metropolitan area and 11 in Greater Minnesota.

Minnesota City Grants Program

Demonstration grants totaling \$1.1 million were awarded to the cities of Minneapolis, St. Paul and Duluth in 1994. The program will impact over 48,000 youth between 7/1/94 and 6/30/95. The City Grants funds were used as matching funds to leverage federal Title V Prevention resources from the Department of Justice.

Bonding Initiative - Truancy and Curfew Centers

Two Truancy and Curfew Centers will be constructed with \$500,000 capital improvement funds provided in the 1994 Bonding Bill: 1 in Hennepin County and 1 in Ramsey County. A portion (25 %) of the funding will be used to provide employment and training services to youth in the construction of the new facilities.

Youth Employment and Training

JTPA Title IIB Summer Program

MDES is expecting that the SDAs/PICs will serve approximately 8,000 economically disadvantaged youth in the summer of 1995. Federal funding is expected to remain at the 1994 level: approximately \$10 million.

1996-97 Biennial Budget

PROGRAM: Community-Based Services
AGENCY: Economic Security, Department of
(Continuation)

Minnesota Youth Program

The Minnesota Youth Program was re-structured by MDES and the SDAs/PICs to provide the Youth Service Corps which focuses on community service projects that address unmet human service, public safety, environmental and educational needs. Base-level funding will result in services for 3,500 youth in 1996. In the last biennium, the legislature provided MDES with supplemental funding that resulted in service to 6,000 disadvantaged youth each year of the biennium.

JTPA Title IIC Youth Training Program

MDES is expecting to serve approximately 4,000 economically disadvantaged youth in 1994 due to the anticipated 9% reduction in federal IIC funding.

Minnesota Youth Build

Funded at a level of \$300,000 per year, the 6 YouthBuild sites will serve approximately 250 economically disadvantaged youth each year. Each site is required to provide a dollar-for-dollar funding match from local resources.

Dislocated Workers

More than 20,000 workers each year are dislocated as a result of foreign competition, management and investment decisions, changes in consumption, technological change, and regulatory measures. A sizable number of dislocations will occur in the form of plant closings and mass layoffs. When these workers begin their transition to new employment, most discover their job skills are insufficient to compete effectively for a new job. They require either updating of current skills or complete retraining. Due to an increase in both federal and state funding, the number of individuals served by the program is expected to increase. Some of the increased funding will be offset by the increased cost of tuition, books and supplies.

BUDGET AND REVENUE SUMMARY:

Energy Assistance

Energy Assistance is an entirely federally funded program in Minnesota. In F.Y. 1994, the average grant per household was \$467. This was a \$113 increase over the previous year's average due to higher heating costs, increased energy prices and the release of additional federal emergency supplemental funding to Minnesota. Supplemental funding also allowed increased availability of funds for households facing utility disconnections or needing furnace repairs. The budget for all Energy Assistance activities will likely be reduced as a result of decreases in federal funding.

Weatherization

Federal grants from the Departments of Energy and Health and Human Services provide over 75% of the funding for Weatherization activities. Overall funding for Weatherization activities is expected to remain stable.

Head Start

In F.Y. 1995, the average cost per child for Minnesota Head Start programs is \$4,364.

JTPA Programs

During F.Y. 1995, approximately \$8.9 million will be available statewide to serve economically disadvantaged adults. In addition, approximately \$575,000 will be available to support programs which target economically disadvantaged older workers (age 55 and over). Approximately \$1.5 million will be available to support programs which contain coordination mechanisms between JTPA and educational institutions. These coordinated programs benefit both adults and youth.

Youth Violence Prevention

Federal funding for the Juvenile Justice Program is expected to increase slightly in the next biennium. State funding for the Youth Intervention Program (currently \$550,000 per year) supports 23 community-based programs: 12 in the Twin Cities metropolitan Area and 11 in Greater Minnesota. State funding totalling \$1.15 million supported community-based violence prevention programs (known as City Grants Program) in Minneapolis, St. Paul and Duluth. Capital improvement funds in the amount of \$500,000 will be used to construct 2 Truancy and Curfew Centers.

Youth Employment and Training

Federal funding for the JTPA Title IIB Summer Youth Program is expected to remain at approximately \$10 million per year of the biennium. Federal funding for the JTPA Title IIC Youth Training Program is expected to be reduced 9% per year of the biennium. Base-level funding for the Minnesota Youth Program of \$3,128,500 will serve 3,500 youth per year compared to the 6,000 per year served in 1994 and 1995, through the help of supplemental funding. The Minnesota YouthBuild Program serves 250 economically disadvantaged youth per year with annual funding of \$300,000.

Dislocated Workers

Dislocated Worker activities will continue as in the past. Even with the improving economy, there continue to be large and small dislocation events that occur during the year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following adjustments:

The Governor recommends that the Head Start, Youth Violence Prevention, and Youth Employment and Training budget activities be transferred to the Department of Children and Education Services in F.Y. 1997. A detailed description of the new agency can be found in the Children and Families budget document.

The Governor also recommends that funds be transferred from the Dislocated Worker Fund to the General Fund on a continuing basis at \$3,000,000 a year. Approximately \$1,500,000 in additional funds for the 1996-97 biennium will be available for expenditure out of the Dislocated Worker Fund over the F.Y. 1995 expenditure level.

Finally, the Governor recommends that funding for the lead abatement program be eliminated at \$200,000 a year and that funding be reduced for the foodshelf program at \$300,000 a year.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ENERGY ASSISTANCE	50,691	68,391	58,390	49,410	49,410	49,410	49,410	49,410	49,410
WEATHERIZATION	14,578	19,663	18,266	14,527	14,527	14,327	14,527	14,527	14,327
HEAD START	8,540	11,546	11,606	11,606	11,606	11,606	11,606	11,606	
COMMUNITY ACTION/SELF-SUFFICIENCY	12,563	12,893	12,912	12,962	12,962	12,962	12,962	12,962	12,962
FOOD AND SHELTER/SELF-SUFFICIENCY	2,118	3,838	3,751	4,294	4,294	3,994	4,294	4,294	3,994
WORKFORCE TRAINING AND DEVELOPMENT	25,331	15,580	14,709	14,709	14,709	14,709	14,709	14,709	14,709
YOUTH VIOLENCE PREVENTION	1,552	1,969	3,238	2,068	2,068	2,068	2,068	2,068	
YOUTH EMPLOYMENT AND TRAINING	13,943	22,114	22,351	20,051	20,051	20,051	19,300	19,300	
WORK AND TRAINING	1,181	1,298	1,438	1,435	1,435	1,435	1,435	1,435	1,435
DISLOCATED WORKER	22,155	34,303	34,510	34,510	34,510	34,760	34,510	34,510	35,760
TOTAL EXPENDITURES BY ACTIVITY	152,652	191,595	181,171	165,572	165,572	165,322	164,821	164,821	132,597
AGENCY PLAN ITEMS:	FUND								
TRANSITIONAL HOUSING PROGRAM COSTS	GEN			<43>			<43>		
TRANSITIONAL HOUSING STATE OPERATIONS	GEN			43			43		
TOTAL AGENCY PLAN ITEMS									
GOV'S INITIATIVES:	FUND								
(P) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES	GEN						<15,187>		
(P) TRANSFER TO DEPT OF CHILDREN & EDUC SERVICES	FES						<17,787>		
(B) CONTINUE DISLOCATED WORKER FUND TRANSFER TO GF	SR			250			1,250		
(B) ELIMINATE LEAD ABATEMENT FUNDING	GEN			<200>			<200>		
(B) FOODSHELF REDUCTION	GEN			<300>			<300>		
TOTAL GOV'S INITIATIVES				<250>			<32,224>		
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	17,032	26,953	28,989	26,407	26,407	25,907	25,656	25,656	9,969
STATUTORY APPROPRIATIONS:									
GENERAL	1,400	1,257	2,182	636	636	636	636	636	636
STATE GOVT SPEC REV	905	1,553	1,100	1,000	1,000	1,000	1,000	1,000	1,000
SPECIAL REVENUE	14,642	20,813	21,175	21,295	21,295	21,545	21,295	21,295	22,545

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FEDERAL MDES	118,100	140,539	127,235	115,744	115,744	115,744	115,744	115,744	97,957
GIFTS AND DEPOSITS	573	480	490	490	490	490	490	490	490
TOTAL FINANCING	152,652	191,595	181,171	165,572	165,572	165,322	164,821	164,821	132,597
FTE BY EMPLOYMENT TYPE:									
REGULAR	108.5	135.2	145.4		146.3			146.3	
TEMP/SEAS/PART_TIME	11.6	9.8	9.8		9.8			9.8	
TOTAL FTE	120.1	145.0	155.2		156.1	156.1		156.1	130.1

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES
ACTIVITY: ENERGY ASSISTANCE

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	654	650	650	650	650	650	650	650	650
EXPENSES/CONTRACTUAL SRVCS	31	40	75	28	28	28	28	28	28
MISC OPERATING EXPENSES	68	65	86	51	51	51	41	41	41
SUPPLIES/MATERIALS/PARTS	30	38	40	25	25	25	25	25	25
CAPITAL EQUIPMENT	19	20	50	20	20	20	20	20	20
OTHER	17	24	30	31	31	31	41	41	41
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	819	837	931	805	805	805	805	805	805
LOCAL ASSISTANCE	49,872	67,554	57,459	48,605	48,605	48,605	48,605	48,605	48,605
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	50,691	68,391	58,390	49,410	49,410	49,410	49,410	49,410	49,410
=====									
SOURCES OF FINANCING:									

STATUTORY APPROPRIATIONS:									
FEDERAL MDES	50,691	68,391	58,380	49,400	49,400	49,400	49,400	49,400	49,400
GIFTS AND DEPOSITS			10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	50,691	68,391	58,390	49,410	49,410	49,410	49,410	49,410	49,410
=====									
FTE BY EMPLOYMENT TYPE:									

REGULAR	16.0	15.5	15.0		15.0			15.0	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	16.0	15.5	15.0		15.0	15.0		15.0	15.0

1996-97 Biennial Budget

BUDGET ACTIVITY: Weatherization
PROGRAM: Community-Based Services
AGENCY: Economic Security, Department of

ACTIVITY DESCRIPTION:

The Weatherization Assistance Program for Low-Income Persons provides funds to local non-profit and governmental organizations (subgrantees) to weatherize individual dwelling units where eligible households reside. A household may be an individual, a family or multiple families living in owned or rented individual dwelling units. Program funds are used to purchase conservation materials and labor; supports such as vehicles, tools and equipment; and training and administration. Conservation activities are determined through an energy audit of the dwelling. The work order may call for attic and sidewall insulation, air infiltration reduction measures, heating system efficiency activities and replacement of doors and windows when it is deemed cost effective. The household receives energy education and the dwelling receives a health and safety check before and after the weatherization work. During the last program year, 7,169 households received weatherization services.

State funds from the oil and liquefied petroleum (LP) account are used to make efficiency improvements to the respective heating systems and, when necessary, to provide weatherization services to the homes.

The Lead Abatement Program provides funds to non-profit organizations to provide lead hazard reduction services in low-and moderate-income households at high risk for toxic lead exposure. The goal of this program is to reduce the health effects of toxic lead exposure to children under 6 years old and pregnant women. Services to households include: removal of lead dust by washing or vacuuming surfaces, removal of loose paint and paint chips, covering or removing contaminated soil and education of residents on reducing lead hazards.

BUDGET ISSUES:

Federal appropriations for the Weatherization Program should remain stable. However, the Department of Energy is discussing rule changes in the allocation formula that would have a negative impact on Minnesota's program. The proposed formula changes would shift additional funds to states that emphasize cooling measures. Petroleum Violation Escrow funds will be uncertain pending the outcome of the remaining court cases against affected oil companies.

Subgrantee budgets will be adjusted according to fluctuations in funding. Reductions in funding will create smaller programs with less resources and program administrative capabilities to conduct complete weatherization activities on eligible dwelling units. An increase in funding will allow the respective programs to provide comprehensive energy conservation service to a greater number of eligible households. With the same level of funding, the number of dwellings weatherized will decline due to inflation affecting the cost of labor and materials. In addition, more comprehensive conservation services are being provided to eligible households including expanded heating system modifications and the addressing of health and safety issues as they relate to the weatherization process.

The Liquefied Petroleum Conservation Program revenues will be affected by weather and other factors that impact the consumption of LP gas.

Lead abatement swab team work has been impeded by the difficulty contractors have had finding affordable lead hazard reduction insurance and the concern over liability issues.

REVENUE:

The Liquefied Petroleum Conservation Program generates dedicated revenue through a tax on LP gas levied at the terminal. The collected funds and the interest earned are appropriated to the Commissioner of MDES to improve the energy efficiency of residential liquefied petroleum heating equipment in low-income households, and, when necessary, to provide weatherization services to the homes. F.Y. 1993 and 1994 funds were general fund appropriations to the Energy and Conservation account. In 1994 the legislature created a special revenue account for these funds, which are collected by the Department of Revenue.

	Dollars in Thousands				
	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Type of Revenue:					
Special Revenue	\$1,408	\$2,161	\$1,922	\$1,345	\$1,345
Dedicated Federal	\$12,340	\$16,701	\$15,556	\$12,502	\$12,502
Gifts and Deposits	573	480	480	480	480
Total	\$14,321	\$19,342	\$17,958	\$14,327	\$14,327

GRANTS:

Weatherization is funded by the Department of Energy's Office of Conservation and Renewable Energy. Program authority and appropriations derive from the State Energy Efficiency Programs Improvement Act of 1990, P.L. 101-440. Additional funds are provided through the Petroleum Violation Escrow account. Weatherization program funds are allocated by county to local subgrantees who are either a Community Action Agency or other non-profit or public agency. Additional mechanical and weatherization activities are funded from oil funds of the Department of Public Service Energy and Conservation Account, M.S. 216B.241, Subd 2a, and are available until 6-30-95. Liquefied petroleum funds are authorized under Minn. Laws 1994, Chap. 632, Art. 4, Sec. 61, and will be spent during the biennium at the MDES discretion.

Lead Abatement funds are granted using an RFP process. They are available to eligible organizations as defined by Minn. Stat. 268.92, Subd. 1. Priority is given to Community Action Programs in Greater Minnesota and Community Action Programs and non profit neighborhood organizations in cities of the first class.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES
ACTIVITY: WEATHERIZATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	472	541	520	490	490	483	490	490	483
EXPENSES/CONTRACTUAL SRVCS	50	150	51	50	50	50	50	50	50
MISC OPERATING EXPENSES	51	67	59	49	49	49	44	44	44
SUPPLIES/MATERIALS/PARTS	9	30	16	13	13	13	13	13	13
CAPITAL EQUIPMENT	30	38	15	15	15	15	15	15	15
OTHER	17	11	13	<578>	<578>	<578>	<573>	<573>	<573>
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	629	837	674	39	39	32	39	39	32
LOCAL ASSISTANCE	13,949	18,826	17,592	14,488	14,488	14,295	14,488	14,488	14,295
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	14,578	19,663	18,266	14,527	14,527	14,327	14,527	14,527	14,327
=====									
GOV'S INITIATIVES:			FUND						
-----			-----						
(B) ELIMINATE LEAD ABATEMENT FUNDING			GEN			<200>			<200>
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						<200>			<200>
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	257	321	308	200	200		200	200	
STATUTORY APPROPRIATIONS:									
GENERAL	503	608	597						
STATE GOVT SPEC REV	905	1,553	1,100	1,000	1,000	1,000	1,000	1,000	1,000
SPECIAL REVENUE			225	345	345	345	345	345	345
FEDERAL MDES	12,340	16,701	15,556	12,502	12,502	12,502	12,502	12,502	12,502
GIFTS AND DEPOSITS	573	480	480	480	480	480	480	480	480
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	14,578	19,663	18,266	14,527	14,527	14,327	14,527	14,527	14,327

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES
ACTIVITY: WEATHERIZATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	11.5	13.0	12.3		11.5			11.5	
TOTAL FTE	11.5	13.0	12.3		11.5	11.5		11.5	11.5

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1996-97 Biennial Budget

BUDGET ACTIVITY: Head Start
PROGRAM: Community-Based Services
AGENCY: Economic Security, Department of

ACTIVITY DESCRIPTION:

Head Start was designed to help break the cycle of poverty by providing preschool children of low-income families with a comprehensive program to meet their emotional, social, health, nutritional, and psychological needs. The overall goal of the program is to bring about a greater degree of social competence in the children and to promote economic self-sufficiency for the parents. Every child receives a comprehensive health care program including medical, dental, mental health and nutrition services as well as a variety of individualized learning experiences. Every parent is encouraged to become involved in parent education, and program planning and operating activities. Parents have a voice in administrative and managerial decisions. The social services component represents an organized method of assisting families to assess their needs and then providing those services or linking them with appropriate community services that will build upon the individual strengths of families to meet their own needs.

BUDGET ISSUES:

Because the cost of delivering the program increases annually, funding must grow to maintain the current level of services. About one third of eligible children and their families are currently served by Head Start.

	Dollars in Thousands					
	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Funding:						
Federal						
Federal HHS*	\$14,849	\$17,600	\$21,900	\$25,056	\$33,549	40,537
HHS Collaboration Grant	-0-	-0-	-0-	100	100	100
State						
General Fund	5,503	5,502	6,506	6,500	11,506	11,506
Bonding**	-0-	-0-	-0-	2,000	-0-	2,000
TOTAL:	\$20,352	\$23,102	\$28,406	\$33,656	\$45,155	\$54,143

* Federal Head Start funds are distributed directly to the Head Start grantees from the U.S. Department of Health and Human Services. Federal totals are provided here for information only.

** To finance construction or rehabilitation of Head Start and other early childhood intervention education programs.

In the 1992-1993 Minnesota Head Start program year:

10,127 children were enrolled at a cost per child of \$3,382
 23% were funded by state funds
 100% were medically screened
 82% were enrolled in Child and Teen Checkups/Medicaid
 15% were professionally diagnosed as disabled and requiring special services

99% received dental screening
 39% of paid staff were current or former Head Start parents
 573,989 hours were volunteered in Head Start programs
 97% of families identified as needing social services received them

REVENUE:

This activity generates dedicated revenue.

	Dollars in Thousands				
Type of Revenue	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Dedicated Federal	\$59	\$48	\$100	\$100	\$100

GRANTS:

State Head Start funds, authorized under Minn. Stat. 268.912, are allocated to all Head Start Program grantees in the State to provide services to additional low-income children and their families. Money is allocated based equally on the grantees' share of federal funds and on the proportion of eligible children in the grantee service area who are not currently being served. In the state, 26 community action agencies and single purpose agencies, 1 school district and 7 Indian Reservation Governments deliver the program.

Up to 11% of the state Head Start funds appropriated annually may be used to provide grants to local Head Start agencies for innovative programming designed either to target Head Start resources to particular at-risk groups of children or to provide services in addition to those currently allowable under federal Head Start regulations. Innovative grants are awarded on a competitive basis. Since F.Y. 1994 the major portion of state Head Start innovative funding has gone to fund Head Start collaboration projects.

The bonding initiative, in addition to helping programs meet the pressing need for additional space and rehabilitation of facilities to comply with licensing standards, also makes possible the leveraging of additional dollars from public and private resources in communities.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES
ACTIVITY: FOOD AND SHELTER/SELF-SUFFICIENCY

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	188	167	199	230	273	267	230	273	268
EXPENSES/CONTRACTUAL SRVCS	10	10	14	8	8	8	8	8	8
MISC OPERATING EXPENSES	165	200	176	172	172	172	170	170	170
SUPPLIES/MATERIALS/PARTS	3	7	5	4	4	4	3	3	3
CAPITAL EQUIPMENT	1	1	2	2	2	2	2	2	2
OTHER	8	11	9	12	12	12	15	15	15
SUBTOTAL STATE OPERATIONS	375	396	405	428	471	465	428	471	466
LOCAL ASSISTANCE	1,743	3,442	3,346	3,866	3,823	3,529	3,866	3,823	3,528
TOTAL EXPENDITURES	2,118	3,838	3,751	4,294	4,294	3,994	4,294	4,294	3,994
AGENCY PLAN ITEMS:			FUND						
TRANSITIONAL HOUSING PROGRAM COSTS			GEN		<43>			<43>	
TRANSITIONAL HOUSING STATE OPERATIONS			GEN		43			43	
TOTAL AGENCY PLAN ITEMS									
GOV'S INITIATIVES:			FUND						
(B) FOODSHELF REDUCTION			GEN			<300>			<300>
TOTAL GOV'S INITIATIVES						<300>			<300>
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	918	1,557	1,557	1,557	1,557	1,257	1,557	1,557	1,257
STATUTORY APPROPRIATIONS:									
FEDERAL MDES	1,200	2,281	2,194	2,737	2,737	2,737	2,737	2,737	2,737
TOTAL FINANCING	2,118	3,838	3,751	4,294	4,294	3,994	4,294	4,294	3,994

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES
ACTIVITY: FOOD AND SHELTER/SELF-SUFFICIENCY

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	4.5	3.7	4.3		6.0			6.0	
TOTAL FTE	4.5	3.7	4.3		6.0	6.0		6.0	6.0

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1996-97 Biennial Budget

BUDGET ACTIVITY: Workforce Training and Development
PROGRAM: Community-Based Services
AGENCY: Economic Security, Department of

ACTIVITY DESCRIPTION: This activity includes special programs to address needs of those seeking assistance in obtaining meaningful employment, and/or needing intensive services or training to obtain employment, and economic and social self-sufficiency. A major purpose of this activity is to direct special services, training, and work experience to people experiencing barriers to employment.

These programs are targeted to specific populations who are deemed to be "hard-to-serve" economically disadvantaged youth and adults, older workers, veterans, minorities, public assistance recipients, individuals with disabilities, individuals who are offenders, and individuals who are basic skills deficient. The majority of funding comes from federal sources.

In addition to targeted programming, the Job Training Partnership Act (JTPA) includes funds for education coordination and incentive funds for service-provider performance.

The only state-funded program under this activity is Opportunities Industrialization Centers (OICs). This program provides comprehensive job training and placement services for economically disadvantaged persons who are unemployed or underemployed.

Following is additional information about each of the programs in this activity:

JTPA Title II-A This basic grant provides various types of employment and training services to economically disadvantaged adults and youth, designed to make these individuals economically and socially self-sufficient. Additionally, certain population groups are targeted for service, including: older workers, veterans, minorities, public assistance recipients, individuals with handicaps, offenders and ex-offenders, individuals who are basic skills deficient, and women. At least 65% of the participants must be "hard-to-serve." There is an emphasis on individualized assessment and on training which meets the labor market needs of the local, regional, or state area. Service-provider performance incentive funds are included within this program.

JTPA Title IV-C Veteran Employment and Training. This program provides employment and training services to meet the needs of identified hard-to-serve veterans including service-connected veterans, veterans of the Vietnam Theater, and minority veterans.

JTPA Education Coordination Allocations totaling 8% of the resources are directed to facilitate coordination and cooperation between education and employment and training agencies to develop and provide services to economically disadvantaged persons.

JTPA Older Worker JTPA allocates 5% of the Title II-A basic grant to support employment and training services to economically disadvantaged persons 55 years of age and older. The goal of the program is to assure the training and placement of eligible individuals in employment opportunities with private business concerns.

Title V Senior Community Service Employment Program (SCSEP) This program was established to foster and promote the creation of part-time jobs in community service activities for low-income individuals 55 years of age and older. The goal of the program is to annually place 20% of the participants in unsubsidized employment.

Opportunities Industrialization Centers (OIC) OICs provide comprehensive job training and placement services to people who are economically disadvantaged, unemployed or underemployed. The centers provide instruction in basic academic skills, vocational training and other supportive services. There are 6 OICs in Minnesota: Ramsey County, Twin Cities, American Indian, Anishinabe (Mille Lacs), Bemidji Indian, and Fond Du Lac. A program at Stillwater Correctional Facility provides remedial education and services to inmates prior to their release.

BUDGET ISSUES: In 1992, JTPA was amended with new provisions effective on 7-1-93. The impact of JTPA was significant. Among the changes were: programming for youth ages 16 through 21 was separated from programming for adults; at least 65% of the participants had to belong to 1 or more of the "hard-to-serve" categories; and assessment needed to be comprehensive and individualized.

JTPA programs are 100% federally funded. MDES anticipates a small decline in resources in each of the next 3 years.

SCSEP is 100% federal funding. Economic Security anticipates a small decline in resources in each of the next 3 years.

REVENUE: This activity generates dedicated revenue.

	Dollars in Thousands				
Type of Revenue	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Dedicated Federal	\$24,981	\$15,230	\$14,359	\$14,359	\$14,359

GRANTS: JTPA Title IIA, (Public Law 97-300 as amended): 77% of the Title II-A grant is allocated by formula to the JTPA Service Delivery Areas, including counties, cities and non-profit organizations designated by the Governor.

JTPA Title IVC, (Public Law 97-300): \$123,000 was subcontracted to local service providers, including a state agency, county and non-profit organization.

JTPA Education Coordination, (Public Law 97-300 as amended) 20% is available to oversee coordination; 60% of the funds available are allocated by formula to the JTPA Service Delivery Areas; 20% of the funds available is contracted with local service providers by the Request for Proposal (RFP) process.

JTPA Older Workers Program, (Public Law 97-300 as amended): This program is allocated by formula to the JTPA Service Delivery Areas, including counties, cities, and non-profit organizations as designated by the Governor.

Title V SCSEP, (Public Law 95-478): This program was originally let on an RFP basis. Sixteen grantees have received continued funding since the original RFP selection. Current grantees include Community Action Agencies, counties, the City of Duluth, Chippewa Tribes, Minnesota Green Thumb and JTPA Service Delivery Areas.

OIC, (Minnesota Statute 268.60): 100% of the state funds is contracted with community-based Opportunities Industrialization Centers.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY
PROGRAM: COMMUNITY BASED SERVICES
ACTIVITY: DISLOCATED WORKER

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,217	2,169	2,305	2,305	2,305	2,328	2,305	2,305	2,420
EXPENSES/CONTRACTUAL SRVCS	85	253	187	186	186	187	186	186	188
MISC OPERATING EXPENSES	51	83	66	63	63	63	57	57	60
SUPPLIES/MATERIALS/PARTS	12	34	34	31	31	31	24	24	24
CAPITAL EQUIPMENT	84	119	110	110	110	111	110	110	116
OTHER	11	31	31	38	38	39	51	51	53
SUBTOTAL STATE OPERATIONS	1,460	2,689	2,733	2,733	2,733	2,759	2,733	2,733	2,861
LOCAL ASSISTANCE	20,695	31,614	31,777	31,777	31,777	32,001	31,777	31,777	32,899
TOTAL EXPENDITURES	22,155	34,303	34,510	34,510	34,510	34,760	34,510	34,510	35,760
GOV'S INITIATIVES:			FUND						
(B) CONTINUE DISLOCATED WORKER FUND TRANSFER TO GF			SR			250			1,250
TOTAL GOV'S INITIATIVES						250			1,250
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	14,642	20,813	20,950	20,950	20,950	21,200	20,950	20,950	22,200
FEDERAL MDES	7,513	13,490	13,560	13,560	13,560	13,560	13,560	13,560	13,560
TOTAL FINANCING	22,155	34,303	34,510	34,510	34,510	34,760	34,510	34,510	35,760
FTE BY EMPLOYMENT TYPE:									
REGULAR	27.7	48.1	50.0		50.0			50.0	
TOTAL FTE	27.7	48.1	50.0		50.0	50.0		50.0	50.0

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Economic Security, Department of
PROGRAM: Community-Based Services
ACTIVITY: Dislocated Worker

ITEM TITLE: Continue Transfer of Dislocated Worker Fund to the General Fund

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Special Revenue Fund				
- State Operations	\$26	\$128	\$128	\$128
- Grants	\$224	\$1,122	\$1,122	\$1,122
Transfer Between Funds: (\$000s)				
General Fund	\$3,000	\$3,000	\$3,000	\$3,000
Special Revenue Fund	\$(3,000)	\$(3,000)	\$(3,000)	\$(3,000)

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends that funds be transferred from the Dislocated Worker Fund to the General Fund on a continuing basis at \$3,000,000 a year.

RATIONALE:

Under current revenue projections for the Dislocated Worker Fund and with this transfer, there would be an additional \$250,000 in F.Y. 1996 and \$1,250,000 in F.Y. 1997 available for expenditure over the F.Y. 1995 level of \$20,950,000. These funds would be spent according to the statutory requirements for their use.

Current legislation requires transfers from the Dislocated Worker Fund to the General Fund of \$3,054,000 in F.Y. 1994 and \$2,303,000 in F.Y. 1995. This proposal would level out the amount of the transfers, and allow the agency to expend any increased revenues collected into the fund.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Labor and Industry, Department of (DOLI)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$3,934	\$3,934	\$7,868
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	(77)	(77)	(154)
Documented Rent/Lease Inc/Dec	21	38	59
Attorney General Costs	(12)	(12)	(24)
<u>CURRENT SPENDING</u>	\$3,866	\$3,883	\$7,749
<u>AGENCY DECISION ITEMS:</u>			
Non-Dedicated Fee Spending (up to 3%)	8	16	24
<u>AGENCY PLAN</u>	\$3,874	\$3,899	\$7,773
GOVERNOR'S RECOMMENDATIONS	\$3,874	\$3,899	\$7,773

Brief Explanation of Agency Plan:

The agency plan anticipates a 3% inflation increase in the fee-supported Code Services activity. Internal adjustments will be made within all other activities supported by this fund to cover any inflationary increases.

Revenue Summary:

- Present fee levels in the Code Services activity are sufficient to support the proposed increase for inflation.
- The agency plan proposes an addition to the statutes which would provide for deposit of managed care revenues in the W.C. Special Fund rather than the General Fund--\$28,000 for the biennium.

Affected Statutes:

M.S. 176.1351

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Labor and Industry, Department of (DOLI)

Fund: Workers' Comp. Special

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
BASE YEAR (F.Y. 1995)	\$20,886	\$20,886	\$41,772
<u>BASE ADJUSTMENT:</u>			
One-time appropriations	(4,187)	(4,187)	(8,374)
Appropriations carried fwd	(924)	(924)	(1,848)
Documented Rent/lease inc/dec	<u>46</u>	<u>101</u>	<u>147</u>
<u>CURRENT SPENDING</u>	\$15,821	\$15,876	\$31,697
<u>AGENCY DECISION ITEMS:</u>			
Fed requirements (state match)	110	139	249
Move investigators to General Support	223	223	446
Move investigators from Workers' Compensation	(223)	(223)	(446)
Rental increase for W.C. judges	90	90	180
DAEDALUS project funding	5,000		5,000
Increased funding for OSHA Compliance	377	343	720
Increased funding for OSHA Consultation	252	229	481
Training officer	55	55	110
Add'l position for Investigative Services	<u>65</u>	<u>65</u>	<u>130</u>
<u>AGENCY PLAN</u>	\$21,770	\$16,797	\$38,567
Governor's Initiatives:			
DAEDALUS Project Temporary Staff	\$320	\$-0-	\$320
GOVERNOR'S RECOMMENDATIONS	\$22,090	\$16,797	\$38,887

Brief Explanation of Agency Plan:

The agency plan provides for the following items:

- Anticipates an increase in the federal base funding for OSHA activities and provides \$249,000 for the additional state funding commitment which will be necessary for the agency to be able to accept any additional federal funding as it becomes available.
- Provides for the organizational restructuring of 5.0 F.T.E. from the Special Compensation Fund investigative process to be placed in the Investigative Services unit. This moves this function from the Workers' Compensation Regulation and Enforcement program to the General Support program.

- Additional funding of \$180,000 for the biennium to cover the cost of off-site office space for the workers' compensation judges and support staff.
- \$5 million in funding for the DAEDALUS imaging project for the biennium. The Information Policy Office has reviewed and supports this project, consistent with any requirement identified in its analysis.
- Additional biennial funding of \$1,201,000 for the OSHA Compliance and Consultation activities to put a stronger emphasis on prevention of workplace injuries and illnesses and have greater flexibility in handling consultation requests than what is allowed under the federal grant.
- Addition of 1 training officer position to deal with increased skill levels needed under the enhanced technology which is being introduced into the agency--\$110,000 for the biennium.
- Funding only for the 1996-97 biennium of 1 investigator position to enable the Investigative Services unit to achieve a 25% increase in the effectiveness of criminal investigations while also providing investigative training to the present staff--\$130,000 for the biennium.
- Continuation of funding for the labor-management program at the Bureau of Mediation Services with funds from the dedicated Assigned Risk Safety Account--\$280,000 for the biennium.
- Funding of \$90,000 for the biennium from the Assigned Risk Safety Account to provide materials and education for prevention of violence in the workplace.

Revenue Summary:

The agency plan provides for the carry-forward of any unexpended funds from the DAEDALUS and ergonomics litigation appropriations for the 1994-95 biennium.

The plan also provides for the addition of statutory language to allow deposit of managed care fees to the W.C. Special Fund rather than the General Fund--\$28,000 for the biennium.

Affected Statutes:

M.S. 176.1351

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$320,000 be added to the agency plan for temporary staff to assist with the conversion of records from paper to computer imaged documents for the DAEDALUS project.

1996-97 Biennial Budget

AGENCY: Labor and Industry, Department of (DOLI)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Labor and Industry (DOLI) is to help create a safe and productive working environment for the citizens of Minnesota.

To achieve this end, DOLI establishes and enforces workplace safety standards; inspects workplaces to ensure compliance with workplace safety standards; conducts labor standards investigations to ensure compliance with state labor laws; provides education and training for employers and employees; collects and analyzes workers' compensation costs and increase system efficiency and responsiveness; establishes and monitors effectiveness of employment training programs; and advises the Governor and the Legislature on a variety of workforce issues.

The Department is divided into three programmatic areas: Workers' Compensation Regulation and Enforcement, Workplace Safety Regulation and Enforcement, and General Support. The clientele for these programs include the employer and employee communities, medical providers, attorneys, insurance companies, government agencies and units of government.

DOLI supports Minnesota Milestones goals regarding advanced education and training, employment in fields in which training was provided, standard of living for citizens, respect of people in all cultures, and cost-efficient and responsive government services.

AGENCY CHALLENGES:

The following factors help to shape the development of policies and programs at DOLI:

- **Workers' Compensation Law Reforms.** DOLI has implemented several measures designed to reduce workers' compensation costs, improve workers' compensation system efficiency, increase access to DOLI workers' compensation professionals, streamline the dispute resolution process and minimize pointless litigation and friction costs, and expedite return to work of the injured employee. The department must build on existing reforms to help create a system that strives for further efficiency and cost reduction. The department's ultimate goal is to create a system that provides the health care necessary for an expedient return to work while at a level of cost that does not impede job growth and development.
- **Workforce Diversity.** The number of women, people of color, and persons with disabilities entering the workforce demands that our modern day workplace be more responsive to the individual. DOLI has and will continue to respond to this challenge by developing education and training programs that will enable the non-traditional employee to obtain skills necessary for productive employment and citizenship. DOLI must also work to educate employers of important cultural differences and work to remove artificial barriers in the workplace that many protected class group individuals face.
- **Technology and New Workplace Challenges.** Technological advancements will change the way DOLI approaches workplace safety issues. New careers created by advancing technology require flexibility and future oriented planning. The department's workplace safety consultation

and compliance activities must provide foresight and sensitivity to these new challenges in order to establish new safety standards and ensure safe working conditions for all Minnesotans.

- **Budget Constraints.** Government at all levels must strive to do more with less. Budget constraints at the state level challenge DOLI management to plan ahead and work smart. DOLI has already initiated steps to decentralize decision making authority and create a more efficient and accountable management structure. The department has eliminated inefficient or duplicative programs and combined effort with other state agencies when appropriate. Minnesota taxpayers expect efficiency, DOLI delivers.

AGENCY STRATEGIES:

DOLI concentrates resources to achieve the following outcomes:

- prevention of workplace injuries and illnesses;
- promotion and maintenance of fair wages and working conditions as provided by law;
- regulation of major portions of Minnesota's Workers' Compensation Law and helping to ensure the prompt and efficient delivery of statutory benefits and services;
- establishing apprenticeship programs that train employees for highly skilled careers and expand the scope of apprenticeship to include non-traditional apprenticeable occupations and increasing the enrollment of women and minorities in registered apprenticeship programs;
- making state government more efficient and responsive to citizens.

See the Annual Performance Report, dated September 1994, for agency results and outcomes.

REVENUE SUMMARY:

Departmental Earnings of the Department of Labor and Industry consist of the following sources:

- Fees collected for exemptions, licenses, inspections, and permits in the Code Services activity (approximately \$1,750,000 annually) are sufficient to cover the costs of this unit, a fee-supported activity.
- Fees collected in the Labor Standards unit for the licensing of fee employment agencies and their personnel are sufficient to cover the costs involved in performing this particular responsibility. These fees (\$64,000), along with insignificant amounts collected for child labor fines and records fines (\$2,000), represent approximately 12.5% of the funding for this unit from the general fund.
- Fees collected in the Rehabilitation and Medical Affairs unit for licensing of qualified rehabilitation consultants (QRCs), their firms and vendors (approximately \$94,000 annually) are sufficient to cover the effort supporting this responsibility. The unit also collects fees from the certification of managed care organizations. These fees (approximately \$14,000 annually) are not sufficient to cover all of the costs of enforcement of this responsibility. We will be examining this responsibility in more detail during the coming biennium to determine if the amount of effort is proper. Fees will then be adjusted accordingly. The above fees, totalling \$108,000 annually, recover less than 40% of the cost of operating this unit. The agency plan proposes that statutory language be amended to provide that the fees collected from managed care organizations be deposited to the W.C. Special Fund rather than to the General Fund.

1996-97 Biennial Budget

AGENCY: Labor and Industry, Department of (DOLI)
(Continuation)

- Fees collected in the Assigned Risk Safety Account are sufficient to maintain a grant and loan program as specified in the statutes. Annual revenue in this account is approximately \$550,000.
- The Loggers Targeted Industry Fund with revenues of approximately \$800,000 annually, is scheduled to sunset on 7-1-1995.
- The major revenue supporting this agency is from the W.C. Special Fund. Annual revenues in this fund are \$135-\$140 million. Although the assessment rate to insurers and self-insurers has been decreased from 30% to 28% effective 1-1-1995, annual revenues are not expected to decline.

SUMMARY OF BUDGET REQUEST:

The agency budget plan includes the following items:

- Inflation funding of \$24,000 for the biennium for the fee-supported Code Services activity.
- Biennial funding of \$5 million for the DAEDALUS imaging project.
- Funding for office space for the workers' compensation judges at an off-site location--\$180,000 for the biennium.
- Additional state match funding for federal OSHA grants--\$249,000 for the biennium.
- Additional funding for the OSHA Compliance and Consultation activities to provide a stronger emphasis on prevention of workplace injuries and illnesses and greater flexibility in handling consultation requests than what is allowable under the federal grant--\$1,201,000 for the biennium.
- Funding for the labor-management program with the Bureau of Mediation Services. Funding of \$280,000 annually to be provided from the Assigned Risk Safety Account.
- Funding from the Assigned Risk Safety Account of \$90,000 for the biennium for a program on prevention of violence in the workplace.
- Additional funds of \$110,000 for the biennium for a training officer position to deal with the increased skill levels needed under the enhanced technology which is being introduced into the agency.
- The transfer of 5 positions and \$446,000 for the biennium from the Workers' Compensation Special Compensation Fund to the Investigative Services unit to provide up to \$200,000 in savings on investigative service contracts with outside vendors.
- Funding of \$130,000 for the biennium for an additional experienced investigator in the Investigative Services unit.

- A statutory change to provide for deposit of managed care fees to the W.C. Special Fund rather than to the General Fund--\$28,000 for the biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$320,000 be added to the agency plan, from the Workers Compensation Fund, to hire temporary staff to assist with the conversion of records from paper to computer-imaged documents for the DAEDALUS Project.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
WRKS COMP REG/ENFC	115,456	95,264	137,650	110,737	115,604	115,924	110,458	110,325	110,325
WORKPLACE SERVICES	7,031	7,518	8,213	7,674	8,421	8,421	7,760	8,487	8,487
GENERAL SUPPORT	6,126	6,098	6,566	6,365	6,708	6,708	6,372	6,715	6,715
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	128,613	108,880	152,429	124,776	130,733	131,053	124,590	125,527	125,527
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	4,021	3,771	3,934	3,866	3,874	3,874	3,883	3,899	3,899
WORKERS COMP SPECIAL	15,397	16,894	20,886	15,821	21,770	22,090	15,876	16,797	16,797
OPEN APPROPRIATIONS:									
WORKERS COMP SPECIAL	104,782	83,627	121,974	100,474	100,474	100,474	100,194	100,194	100,194
STATUTORY APPROPRIATIONS:									
GENERAL	1								
SPECIAL REVENUE	318	266	518	518	518	518	518	518	518
FEDERAL	2,895	3,277	3,150	3,330	3,330	3,330	3,402	3,402	3,402
WORKERS COMP SPECIAL	992	1,018	1,952	752	752	752	702	702	702
AGENCY	207	27	15	15	15	15	15	15	15
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	128,613	108,880	152,429	124,776	130,733	131,053	124,590	125,527	125,527
FTE BY EMPLOYMENT TYPE:									

REGULAR	353.3	369.6	390.5		389.9			391.9	
TEMP/SEAS/PART_TIME	7.6	5.3	1.0		1.0			1.0	
OVERTIME	.6	1.5							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	361.5	376.4	391.5		390.9	404.9		392.9	392.9

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: LABOR & INDUSTRY, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	152,429	152,429	3,934	3,934	145,345	145,345	3,150	3,150
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<4,187>	<4,187>			<4,187>	<4,187>		
APPROPRIATIONS CARRIED FWD	<1,001>	<1,001>	<77>	<77>	<924>	<924>		
SUNSET PROGRAM/AGENCY	<900>	<900>			<900>	<900>		
DED STAT APPROP SPENDING	<21,800>	<22,130>			<21,800>	<22,130>		
DOCUMENTED RENT/LEASE INC/DEC	67	139	21	38	46	101		
FEDERAL RECEIPTS	180	252					180	252
ATTORNEY GENERAL COSTS	<12>	<12>	<12>	<12>				
SUBTOTAL BASE ADJ.	<27,653>	<27,839>	<68>	<51>	<27,765>	<28,040>	180	252
CURRENT SPENDING	124,776	124,590	3,866	3,883	117,580	117,305	3,330	3,402

1996-97 Biennial Budget

PROGRAM: Workers' Compensation Regulation and Enforcement
AGENCY: Labor and Industry, Department of (DOLI)

PROGRAM DESCRIPTION:

The Workers' Compensation Regulation and Enforcement program exists to provide a fast, responsive and easy to use workers' compensation system that minimizes waste and which reduces and resolves disputes with fair and predictable results. Activities of this program are: administrative support, dispute resolution, assistance and compliance, rehabilitation and medical affairs, vocational rehabilitation services, and special compensation fund.

Issues associated with these activities are:

- Access to file information on workers' compensation claims. The cumulative volume of claims on file is presenting challenges to the agency in its efforts to fulfill the statutory responsibility of establishing and maintaining a file on every claim from receipt of the First Report of Injury until 18 years after all activity has ceased. Customers are suffering delays in the processing of their claims and getting answers to their questions because of the massive overload of paper in the system.
- Disaster recovery. Protection of the over 1.1 million claims on file with the agency is critically important to claimants. The entire workers' compensation system and the daily lives of thousands of claimants would be completely disrupted if a major disaster, such as a fire or serious water damage, struck the agency.
- Timely and fair resolution of medical, rehabilitation, and benefit disputes arising out of claims for workers' compensation. State law prescribes deadlines for scheduling disputes covering discontinuance of benefits and claim petitions. The objective is to expedite resolution of disputes through the appropriate forums such as mediation, settlement conferences, or the Office of Administrative Hearings.
- Ensuring that quality providers are registered and certified to administer rehabilitative and medical cost containment services in the workers' compensation system.
- Reducing the incidence of uninsured workers' compensation claims by enforcing employers' responsibility to comply with Minnesota's mandatory workers' compensation insurance coverage requirement. Noncompliance by employers puts workers at greater risk of losing appropriate benefits and increases the financial burden on the Special Compensation Fund which is funded by assessments on insurers.
- Administration of workers' compensation claims for uninsured employers, bankrupt self-insured employers, situations where there are disputes as to the liability between two or more insurers, and asbestosis claims. Obtaining and enforcing reimbursement of monies from uninsured employers is important in the effort to mitigate the impact of uninsured claims to the Special Compensation Fund.
- Providing timely and accurate reimbursement of Supplementary and Second Injury benefits to insurers. Settlement and resolution of such claims through assessment of current value (i.e., cost) versus potential future value reduces the long-term financial impact on the Special Compensation Fund.

- Assuring that workers' compensation benefits due are paid promptly and accurately by insurers. The importance of efficient, effective, and accurate claims processing is emphasized through prompt warnings and penalty assessments.
- Providing vocational rehabilitation assistance to injured workers requiring help to return to work. Intervention with work-injured employees whose employer denies responsibility for the injury is a high priority.
- Continuing the agreement with the Bureau of Mediation Services to provide OSHA safety and health expertise to the Labor-Management Committee program operated at the Bureau. Funding is from the Assigned Risk Plan Account and was used during F.Y. 1995 to fund a position and a half, using experienced OSHA inspectors. The joint program was approved for only 1 year by the 1994 Legislature. The program allows many smaller private and public employers to implement the requirement of M.S. 176.2332 that all employers have a labor-management safety committee with the goal to reduce workplace accidents and injuries.

PROGRAM STATUS:

The Minnesota Department of Labor and Industry (DOLI) works directly with the goals that: Minnesotans will be healthy and will have the economic means to maintain a reasonable standard of living. Workplace wellness is achieved in this program by promoting and facilitating the fastest possible recovery and return to work after a work-related injury. Proper regulation and enforcement of workers' compensation laws, which facilitates both payment of benefits to disabled workers and rapid return to work, supports individuals having the economic means to maintain a reasonable standard of living.

In the pursuit of these goals, the Legislature authorized funding in 1993 for the DAEDALUS Imaging Project. The purpose of this project was improvement of customer service through the development and implementation of a fully integrated electronic information environment. Re-engineering of the business processes of the workers' compensation division, replacing paper files with electronic images, and maximizing the use of electronic data interchange (EDI), were among the primary objectives of the project.

Progress toward achieving the goals of the DAEDALUS project has been significant. A board of directors was established to guide the project. Membership of the board includes agency managers, employers, organized labor, and insurers. The project's scope and budget were defined with the assistance of Coopers & Lybrand. An evaluation of the division's work processes was conducted with the assistance of CSC Consulting. Recommendations on redesigning the business processes have been adopted and are guiding the implementation of the DAEDALUS project. A vendor (i.e., Unisys) has been selected to develop and implement the computer applications essential for making the redesign effort effective. Computer hardware and software have been acquired and developed for the program and are being installed.

PLANNED RESULTS:

The agency plan proposes to complete the DAEDALUS project during the 1996-97 biennium. Its completion is essential for the program to achieve its performance goals and objectives as presented in the department's 1994 Annual Performance Report. The agency budget plan will allow the reported measures from the 1994 Annual Performance Report to be accomplished as follows:

- By the end of F.Y. 1996, the agency will provide accurate responses to inquiries within 1 day of contact. Current response rates are approximately 80%. Creation of customer assistance teams dedicated to helping claimants with their workers' compensation claims, combined with the new computer imaging technology, will enable timely, accurate responses to inquiries.

1996-97 Biennial Budget

PROGRAM: Workers' Compensation Regulation and Enforcement
AGENCY: Labor and Industry, Department of (DOLI)
(Continued)

Existing staff and financial resources are being reallocated to establish the customer assistance teams.

- By the end of F.Y. 1996, the agency will have 98% compliance on all first payments of workers' compensation claims made by insurers within the statutory 14 days of a reported injury. Current compliance is at 95%. The DAEDALUS project, when fully implemented, will allow the agency to conduct automated audits of claim files for timely payment of benefits, focus enforcement policy and efforts, and provide technical assistance to employers and insurers to assure compliance with the workers' compensation statutes. Existing staff and financial resources are being reallocated to establish the compliance and education unit.
- By the end of F.Y. 1999, the agency will have reduced the number of benefit disputes and litigation by 50%. The redesigned business processes and organization being implemented through the DAEDALUS project focusing on early intervention are key to achieving this objective. The customer assistance teams, compliance and education team, and other changes arising out of the DAEDALUS project will contribute significantly to the reduction in disputes and litigation. Additional contributors to the decline include a more matured body of case law arising from the 1982 workers' compensation amendments and promulgation of rules to implement the 1992 medical care reforms in workers' compensation.
- By the end of F.Y. 1997, the agency will have identified additional objectives and measures appropriate to demonstrating effective performance on agency goals. The DAEDALUS project will influence the establishment of performance measures as the remainder of the workers' compensation division has its work processes redesigned. Timeliness of dispute resolution and incidence of uninsured claims and employers are two possible measures that could be developed. Identification of performance measures is an important outcome of the DAEDALUS project.
- By the end of F.Y. 1998, the agency will provide vocational rehabilitation consultations to injured workers whose workers' compensation claims are denied, within an average of 45 days after the claim has been denied. Achievement of this objective is tied to implementation of the DAEDALUS project and redesigning the work processes used to achieve early intervention with workers' compensation claimants. The existing staff complement and operational budget are not projected to change during the biennium. The DAEDALUS project, however, will provide the technology improvements and perform the re-engineering work necessary to accomplish this objective.
- By the end of F.Y. 1997, the agency will have established appropriate performance objectives and measures to evaluate the timeliness of resolving disputes and litigation. Formal measures for gauging compliance with the statutory timeframes established for processing claim petitions, discontinuance conferences, and medical and rehabilitation disputes do not exist. The DAEDALUS project is scheduled to address this problem during its next phase by implementing a conference and hearing scheduling system in cooperation with the Office of Administrative Hearings, providing access to the imaged workers' compensation claims, and redesigning the work processes within the department's judicial services unit. Technology improvements and

work process redesign are components of the DAEDALUS project. The existing staff complement and operational budget are not projected to change during the biennium.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- Revise M.S. 176.1351 to provide for the deposit of all fees collected under the managed care provisions of the workers' compensation law to be deposited to the WC Special Fund.
- The agency plan proposes additional funding of \$90,000 in F.Y. 1996 and \$90,000 in F.Y. 1997 for leased space to house the program's judicial services unit. This funding supplements \$70,000 annually allocated from existing program funds to move the judicial services activity to a new location. This move was recommended as part of the business plan to redesign the program's processes. Space limitations in the agency's current location were also a significant contributor to the decision to relocate this activity.
- The agency plan transfers 5 complement positions and \$223,000 in F.Y. 1996 and \$223,000 in F.Y. 1997 to the agency's general support program. This transfer will consolidate agency investigative staff into a single unit.
- The agency plan proposes a \$5,000,000 biennial appropriation from the WC Special Fund for completion of the DAEDALUS project. This funding represents the second half of a funding request of \$10,000,000 made in 1993 when half of it was appropriated for the 1994-95 biennium. The Information Policy Office (IPO) has reviewed this request and supports its continuation. The required IPO documentation has been submitted for review and recommendation.
- The agency plan provides for the carry-forward of any unexpended funds from the DAEDALUS appropriation for the 1994-95 biennium.
- The agency plan provides for continuing the funding of the labor-management workplace safety activities with \$140,000 in F.Y. 1996 and \$140,000 in F.Y. 1997 to be designated for the funding of 2 full positions for this program. This funding is requested from the Assigned Risk Safety Account in the W.C. Special Fund.
- The agency plan also provides for the designation of \$45,000 in F.Y. 1996 and \$45,000 in F.Y. 1997 from the Assigned Risk Safety Account to be used by the OSHA compliance activity in the workplace services program to provide materials and education for the prevention of violence in the workplace.
- The agency plan includes a statutory change which would allow for charging of fees to organizations for exchange of data and information with the department's computer system. This will allow the agency to recover costs associated with allowing attorneys and insurers access to appropriate claim information.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$320,000 be added to the agency plan, from the Workers' Compensation Fund, to hire temporary staff to assist with the conversion of records from paper to computer-imaged documents for the DAEDALUS Project.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY, DEPARTMENT OF
PROGRAM: WRKS COMP REG/ENFC

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
WC ADMIN	1,887	2,654	5,538	1,290	6,290	6,610	1,299	1,299	1,299
WC DISPUTE RESOLUTION	2,927	3,290	3,191	3,196	3,286	3,286	3,203	3,293	3,293
WC ASSISTANCE & COMPLIANCE	932	948	1,009	1,011	1,011	1,011	1,014	1,014	1,014
REHAB & MEDICAL AFFAIRS	514	344	410	410	410	410	410	410	410
VOCATIONAL REHABILITATION	1,566	1,644	1,693	1,695	1,695	1,695	1,698	1,698	1,698
WC SPEC COMP FUND	107,630	86,384	125,809	103,135	102,912	102,912	102,834	102,611	102,611
TOTAL EXPENDITURES BY ACTIVITY	115,456	95,264	137,650	110,737	115,604	115,924	110,458	110,325	110,325
AGENCY PLAN ITEMS:									
			FUND						
MOVE INVESTIGATORS FROM WORKERS COMP PROG			WCS	<223>			<223>		
ASSIGNED RISK FUNDS NOT USED FOR GRANTS			WCS	<185>			<185>		
RENTAL INCREASE FOR W.C. JUDGES - OFFSITE			WCS	90			90		
DAEDALUS PROJECT FUNDING			WCS	5,000					
LABOR-MANAGEMENT PROGRAM FUNDING			WCS	140			140		
ASSIGNED RISK FUNDS FOR VIOLENCE IN WKPLC			WCS	45			45		
TOTAL AGENCY PLAN ITEMS				4,867			<133>		
GOV'S INITIATIVES:				FUND					
(B) DAEDALUS PROJECT - TEMPORARY EMPLOYEES			WCS	320					
TOTAL GOV'S INITIATIVES				320					
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		100	100	100	100	100	100	100	100
WORKERS COMP SPECIAL	9,664	10,520	13,607	9,394	14,261	14,581	9,445	9,312	9,312
OPEN APPROPRIATIONS:									
WORKERS COMP SPECIAL	104,782	83,627	121,974	100,474	100,474	100,474	100,194	100,194	100,194
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	18	1	19	19	19	19	19	19	19
WORKERS COMP SPECIAL	992	1,016	1,950	750	750	750	700	700	700
TOTAL FINANCING	115,456	95,264	137,650	110,737	115,604	115,924	110,458	110,325	110,325

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY, DEPARTMENT OF
PROGRAM: WRKS COMP REG/ENFC

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TEMP/SEAS/PART_TIME	2.9	2.5							
OVERTIME	.4	1.1							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	173.4	171.0	178.0		168.5	168.5		168.5	168.5

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY, DEPARTMENT OF
PROGRAM: WRKS COMP REG/ENFC
ACTIVITY: WC ADMIN

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,028	847	1,048	874	874	1,194	874	874	874
EXPENSES/CONTRACTUAL SRVCS	417	950	1,700	353	3,353	3,353	362	362	362
MISC OPERATING EXPENSES	30	24	26	26	26	26	26	26	26
SUPPLIES/MATERIALS/PARTS	79	503	361	34	1,034	1,034	34	34	34
CAPITAL EQUIPMENT	333	330	2,403	3	1,003	1,003	3	3	3
SUBTOTAL STATE OPERATIONS	1,887	2,654	5,538	1,290	6,290	6,610	1,299	1,299	1,299
TOTAL EXPENDITURES	1,887	2,654	5,538	1,290	6,290	6,610	1,299	1,299	1,299
AGENCY PLAN ITEMS:			FUND						
DAEDALUS PROJECT FUNDING			WCS		5,000				
TOTAL AGENCY PLAN ITEMS					5,000				
GOV'S INITIATIVES:			FUND						
(B) DAEDALUS PROJECT - TEMPORARY EMPLOYEES			WCS			320			
TOTAL GOV'S INITIATIVES						320			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
WORKERS COMP SPECIAL	1,743	2,518	5,388	1,140	6,140	6,460	1,149	1,149	1,149
STATUTORY APPROPRIATIONS:									
WORKERS COMP SPECIAL	144	136	150	150	150	150	150	150	150
TOTAL FINANCING	1,887	2,654	5,538	1,290	6,290	6,610	1,299	1,299	1,299

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Labor and Industry, Department of
PROGRAM: Workers' Compensation Regulation and Enforcement
ACTIVITY: Workers' Compensation Administration

ITEM TITLE: DAEDALUS Project - Temporary Employees

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
- W.C. Special	\$320	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$320,000 from the Workers' Compensation Fund, to hire temporary staff to assist with the conversion of records for the DAEDALUS Project.

RATIONALE:

The \$5,000,000 appropriation request from the Special Compensation Fund for the agency's DAEDALUS Project is supplemented by \$320,000 for a total appropriation of \$5,320,000. The \$320,000 supplement is needed to employ 14 temporary employees for the Information Processing Center (i.e., Workers' Compensation Administration) to staff the existing paper file management function as it is phased out of existence during F.Y. 1996.

The DAEDALUS Project anticipated the need for temporary staff during the phase-in period of converting the Worker's Compensation Division's records from paper to computer imaged documents. The Project budgeted funding for 8 temporary employees to fill in behind staff assigned new tasks and responsibilities.

In March, 1995, the agency begins the phased implementation of the DAEDALUS Project. Commencing at that time and concluding when the entire Workers' Compensation Division is "image enabled," a dual process will be operating to assure that both paper records of workers' compensation claim files and imaged files are available. Once the project is fully implemented throughout the Workers' Compensation Division and other users, the paper files and records may be destroyed. Until then, the agency must staff for 2 record management systems.

The number of staff needed during the transition from the existing paper file management system to the new computer imaged management system was finalized as part of the Project's detail design

for imaging documents. An additional 14 temporary staff were identified as essential in order to maintain the existing paper file management system for current customers (i.e., OAH, DOLI, Judicial Services) until they can be converted to the new system.

Without the increase in funding to the DAEDALUS Project, cuts in the current plans for completing the project would be required. Examples of possible cuts include: elimination of optical mark/character recognition (OMR, OCR) technology which would relieve much of the data entry burden from the current staff and the consequent incidence of repetitive motion stress (i.e., carpal tunnel); limitations on the computer applications to be used by the Customer Assistance and Compliance and Education Units to assure injured workers receive the information or service they need; elimination of the calendaring system needed by OAH and DOLI to assure coordination of hearings and conferences for insurers and attorneys' and limitations on computer applications for the agency's Vocational Rehabilitation Unit, Special Compensation Fund, and Judicial Services which are part of the next phase of the Project.

The Information Policy Office has reviewed and supports this request.

PROGRAM OUTCOMES:

The additional \$320,000 will assure the successful implementation of the DAEDALUS Project and that injured workers and the various stakeholders will be well served during the phase in period. A significant outcome will be the ability of the agency to destroy paper records after they have become an imaged document. This simple act will allow the agency to more effectively respond to customer needs instead of managing paper.

LONG-TERM IMPACT:

The agency will have successfully implemented the DAEDALUS Project without a serious disruption in the process of assisting injured workers.

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1996-97 Biennial Budget

BUDGET ACTIVITY: Workers' Compensation Dispute Resolution
PROGRAM: Workers' Compensation Regulation and Enforcement
AGENCY: Labor and Industry, Department of (DOLI)

ACTIVITY DESCRIPTION:

The workers' compensation program exists to assure the "quick and efficient delivery of indemnity and medical benefits to injured workers at a reasonable cost to employers." Workers' Compensation Dispute Resolution employs several strategies to resolve disputes arising out of claims for workers' compensation benefits. This activity attempts to prevent disputes from being formally filed with the agency by using specialists in workers' compensation monetary, rehabilitation, medical benefits who are knowledgeable in dispute prevention tactics. When disputes are filed, however, this activity provides alternative dispute resolution services that result in their prompt, efficient, and final resolution without the delay, uncertainty, and high cost of formal litigation. Resolution of disputes occur through telephone intervention; mutually agreeable solutions negotiated by trained mediators and settlement judges; or by order of the small claims court or administrative conference. Those disputes which cannot be resolved are referred to the Office of Administrative Hearings for formal hearings. In this manner the economic status of injured workers who are entitled to workers' compensation benefits are preserved.

BUDGET ISSUES:

The agency budget plan will result in the redesign and restructuring of the dispute resolution activity. A clear, distinct separation of the negotiated resolution (i.e., informal) process and the litigation resolution (i.e., formal) process from each other will occur. The former will be transformed into a customer assistance activity. The latter will retain its focus on pre-litigation settlement conferences and undergo a redesign of its work processes to better serve customers utilizing the technology being acquired through the DAEDALUS project. The agency plan will result in the following changes:

- The current dispute resolution services unit, which focuses on non-litigation alternatives to resolving disputes, will be replaced by customer assistance teams focused on early intervention and alternative dispute resolution. The customer assistance teams will combine several elements of program activities into one that is more customer-friendly and easy to use. Injured workers will be able to contact the agency regarding their claim and be served by a member of a team, responsible for his/her claim, to obtain the information and dispute resolution service the claimant needs. Customer assistance teams will provide numerous alternative dispute resolution methods, such as mediation and non-conference decisions, to avoid the more costly and time consuming alternative of litigation.
- High-risk claims (i.e., claims which tend to result in litigation) will be targeted by customer assistance teams for early intervention services to mitigate unnecessary litigation.
- The agency plan provides additional funding of \$90,000 in F.Y. 1996 and \$90,000 in F.Y. 1997 for leased space for the program's judicial services unit. This unit, which focuses on settling disputes using administrative conferences, will continue providing pre-litigation dispute resolution services. The agency's plan, however, moves this function to a location off-site from the department's central offices. This decision is based on the recommendations by CSC

Consulting, Inc., in its Business Process Redesign Assessment and Recommendations (BPR) report and the need for space to house the new customer assistance teams and compliance and education team.

- The activity will use computer imaged claim documents in the performance of its responsibilities instead of the current paper file system.
- The judicial services unit will redesign its work processes to take full advantage of the document imaging technology to better serve its customers. The DAEDALUS project will provide this service which includes computers for the compensation judges, a scheduling system, and implementation of a redesigned process for providing settlement conference services to injured workers and employers.
- The activity will implement new work processes redesigned under the DAEDALUS project to improve efficiency and effectiveness of the activity.

REVENUE:

No revenue is generated by this activity.

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**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: State Board of Investment

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$2,079	\$2,079	\$4,158
<u>BASE ADJUSTMENT:</u>			
Appropriations carried forward	(41)	(41)	(82)
Documented rent/lease increase	3	6	9
Attorney General costs	(6)	(6)	(12)
<u>CURRENT SPENDING</u>	\$2,035	\$2,038	\$4,073
<u>AGENCY DECISION ITEMS:</u>			
Non-salary operating inflation	<u>17</u>	<u>15</u>	<u>32</u>
<u>AGENCY PLAN</u>	\$2,052	\$2,053	\$4,105
<u>GOVERNOR'S INITIATIVES:</u>			
Local Relief Assoc. Acct. Mgmt.	<u>\$40</u>	<u>\$40</u>	<u>\$80</u>
GOVERNOR'S RECOMMENDATIONS	\$2,092	\$2,093	\$4,185

Brief Explanation of Agency Plan:

The agency expects that it can continue to deliver the same level of investment services to the state within the base level appropriation plus an adjustment for inflation.

As reflected in the Revenue Summary section below, the net impact upon the General Fund of providing an inflationary adjustment to the Board of Investment is very marginal. With over \$23 billion in assets under management, even a minor impairment of the Board's ability to maximize returns due to insufficient staff or other resources could have significant impacts on state operating and retirement funds from a cost/benefit perspective.

Revenue Summary:

By statute, the State Board of Investment bills the statewide retirement funds and non-General Fund cash accounts for the indirect costs incurred by the General Fund to invest those other assets. The assessment, deposited in the General Fund as non-dedicated receipts, amounts to approximately 90% of the General Fund annual operating appropriation to the Investment Board, which implies a 10% *net* impact to the General Fund for any change in appropriations.

Base level appropriations	\$2,035,000	\$2,038,000
Assessment revenue from non-General Funds	<u>1,832,000</u>	<u>1,834,000</u>
Net General Fund expenditure for operations	\$203,000	\$204,000

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends a biennial appropriation of \$80,000 from the General Fund to support 1 new full-time accounting position to manage local relief association accounts for funds participating in the Supplemental Investment Fund. The net impact to the General Fund is \$8,000.

1996-97 Biennial Budget

AGENCY: State Board of Investment
(Continuation)

by both the stock and bond managers contributed to the unfavorable returns.

Generally, performance over the longer term has been favorable. Over the latest 3 and 5 year periods, the Basic Funds have exceeded their market index composite by nearly 0.5 % annualized, and the median fund by approximately 0.2%. The Basic Funds continue to keep well ahead of the inflation rate and have surpassed the actuarially assumed rate of return as well over the long term.

POST RETIREMENT INVESTMENT FUND Market Value on 6/30/94: \$8.772 Billion

	Period Ending 6/30/94		
	<u>1 Year</u>	<u>Annualized 3 Years</u>	<u>Annualized 5 Years</u>
Post Fund	1.6%	NA	NA
Actuarial Assumption	5.0%	5.0%	5.0%
Benefit Increase Granted	3.3%*	4.6%	4.6%
Inflation (CPI)	2.5%	2.9%	3.6%

* Estimated

The Post Retirement Investment Funds contain the assets of retired employees in the 3 statewide retirement plans: MSRS, PERA, TRA. The asset mix of the portfolio on 6/30/94 was 60% stocks, 37% bonds and 3% cash.

Through F.Y. 1992, the statutory retirement benefit increase formula required the fund to generate realized earnings (dividends, interest, and net gain or loss from the sale of securities) in order to provide benefit increases to retirees. In fact, the benefit increases granted were among the highest in the nation. However, as interest rates fell during the 1980s, the fund was forced to invest an increasing percentage of the portfolio in fixed income securities in order to maintain high levels of realized income. This diminished the prospect for future benefit increases and reduced the long term earning power of the fund.

Beginning in F.Y. 1993, the statutory formula is based on total return and actual market value of the portfolio. The new formula has 2 components:

- An inflation adjustment which will provide 100% of the CPI, capped at 3.5%. This will be provided regardless of investment performance.
- An investment adjustment which will be based on Post Fund returns over a 5-year period. This will be provided only if the fund generates returns above the actuarial assumed rate of 5% and the cumulative value of all inflation based adjustments previously granted.

The new formula, which was sought by the retirement systems and enacted by the 1992 Legislature, has allowed the Post Fund to increase its exposure to stocks and should increase the long term

growth potential of its assets.

SUPPLEMENTAL INVESTMENT FUND

	Market Value 6/30/94	Period Ending 6/30/94		
		<u>1 Year</u>	<u>Annualized 3 Years</u>	<u>Annualized 5 Years</u>
Income Share Account	\$280 M	1.2%	9.5%	9.6%
TUCS Median Fund		2.4%	9.8%	9.4%
Growth Share Account	\$102 M	.6%	10.4%	9.3%
TUCS Median Stock Mgr.		3.7%	11.0%	10.4%
Common Stock Index Account	\$47 M	2.2%	10.8%	10.3%
Wilshire 5000 Stock Index		.9%	10.0%	9.8%
Bond Market Account	\$21 M	(1.8)%	9.2%	9.0%
Salomon Broad Bond Index		(1.2)%	8.1%	8.6%
Money Market Account	\$58 M	3.4%	4.0%	5.7%
91 Day Treasury Bills		3.3%	3.7%	5.2%
Fixed Interest Account	\$68 M	91-94 GIC	92-95 GIC	93-96 GIC
Interest Rate Obtained		6.634%	5.280%	4.65%

The Supplemental Investment Fund is an investment vehicle available to a wide range of state and local public employee groups for retirement related purposes. The largest participants in the Fund are the Deferred Compensation Plan and the Unclassified Employees Retirement Plan.

Overall, F.Y. 1994 was a weak year for the fund. The Growth Share, Income Share and Bond Market Accounts all trailed their performance targets for the year, while the Common Stock Index and Money Market Accounts slightly exceeded their performance objective.

Over the last 3 and 5 year periods, the Common Stock Index, Bond Market and Money Market Accounts have met or exceeded their targets. The small to medium capitalization stock bias in the Growth Share Account hurt performance over the same periods relative to the median stock manager.

The Fixed Interest Account provides a series of 3-year, fixed interest rate investments in guaranteed investment contracts (GIC's) available through insurance companies and banks. While the fixed rate has fallen over time along with the decline in overall interest rates, the account has consistently obtained rates that surpass the yields on other 3-year instruments.

Permanent School Trust Fund Market Value on 6/30/94: \$ 415.6 Million

The Permanent School Trust fund is a trust established for the benefit of Minnesota public schools. Income from the trust is used to offset state expenditures for school aid payments. Due to the state's need for a high, consistent level of current income as well as restrictive statutory accounting provisions, the trust has been invested entirely in fixed income securities. While this investment strategy maximizes current income, it will reduce the long term growth of the trust.

The 1992 Legislature approved statutory changes, suggested by the SBI, which make common stocks a more attractive investment vehicle for the trust. Stocks will help the trust grow over the long term

1996-97 Biennial Budget

AGENCY: State Board of Investment
(Continuation)

because they are a higher returning asset class. Adding common stocks to the portfolio will, however, reduce spendable income over the short-run because stocks produce lower current income than bonds. Converting to an asset mix of 50% stock/50% bonds at this time would reduce spendable income F.Y. 1996-97.

Time Period	Income Generated
F.Y. 1994	\$ 36.0 million
F.Y. 1993	\$ 33.5 million
F.Y. 1992	\$ 33.3 million
F.Y. 1991	\$ 32.3 million
F.Y. 1990	\$ 30.4 million

Environmental Trust Fund
Market Value on 6/30/94: \$ 77.5 Million

The Environmental Trust Fund is to be used to supplement traditional sources of funding for environmental and natural resource activity. The Trust will receive a portion of the net lottery proceeds until 2001.

The SBI added stocks to the portfolio during F.Y. 1994. Currently, the asset mix of the Trust is targeted at 50% common stocks and 50% fixed income to provide for long term growth.

Time Period	Income Generated
F.Y. 1995 Est.	\$ 4,006,000
F.Y. 1994	\$ 3,936,000
F.Y. 1993	\$ 3,321,000

Assigned Risk Plan
Market Value on 6/30/94: \$ 444.6 Million

The Minnesota Assigned Risk Plan is the insurer of last resort for Minnesota companies seeking to obtain workers compensation insurance. The Plan is administered by the Dept. of Commerce. Investment management responsibility for the assets of the plan was transferred to the SBI by the Legislature in 1991.

The investment goals of the Plan are to match the projected liability/payment stream and to provide sufficient liquidity/cash for payment of claims and operating expenses. Due to the relatively short duration of the liability stream, the asset mix of the plan was 15% stocks and 85% bonds during F.Y. 1994. This allocation is reviewed annually upon receipt of new actuarial valuations and will be changed to reflect changes in plan liabilities.

Period Ending 6/30/94

	1 Year	3 Year
Actual Return	.6%	7.6%
Comparison:		
Market Composite	.6%	7.2%

State Cash Accounts

The SBI invests the cash balances in more than 400 separate accounts in the Minnesota State Treasury. These accounts range in size from \$5,000 to over \$400 million. Most of these accounts are invested through 2 pooled funds.

The Trust Fund Pool holds cash balances for retirement related accounts and trust funds that are not managed by external money managers. The Treasurer's Cash Pool holds the balances in the Invested Treasurer's Cash as well as special or dedicated accounts.

Period Ending 6/30/94

	Market Value 6/30/94	1 Year	Annualized 3 Years
Treasurers Cash Pool	\$2,915 M	3.0%	4.8%
Trust Fund Cash Pool	\$ 57 M	3.6%	4.7%
Comparison:			
3 Month T-Bill		3.3%	3.7%

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, and further recommends an increase of \$40,000 each year from the General Fund to support 1 new full-time position to manage the accounts of local relief associations participating in the Minnesota Supplemental Investment Fund. The net cost to the General Fund is \$4,000 per year.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INVESTMENT OF FUNDS	1,967	1,975	2,079	2,035	2,052	2,092	2,038	2,053	2,093
REFUNDS/RETIRE FUNDS	18,241	30,810	34,865	34,865	34,865	34,865	34,865	34,865	34,865
TOTAL EXPENDITURES BY PROGRAM	20,208	32,785	36,944	36,900	36,917	36,957	36,903	36,918	36,958
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,967	1,975	2,079	2,035	2,052	2,092	2,038	2,053	2,093
OPEN APPROPRIATIONS:									
MONEY MGR FIXED INC	4,000	7,745	8,000	8,000	8,000	8,000	8,000	8,000	8,000
MONEY MGR EQUITY	12,655	22,050	25,000	25,000	25,000	25,000	25,000	25,000	25,000
STATUTORY APPROPRIATIONS:									
SUPP INVEST INDEX	4	4	4	4	4	4	4	4	4
STATE SUPPL BOND	3	3	3	3	3	3	3	3	3
SUPP INVEST G I C	8	8	8	8	8	8	8	8	8
MONEY MARKET	50	50	50	50	50	50	50	50	50
MN SUPP RET INCOME	100	100	100	100	100	100	100	100	100
MN SUPP RET GROWTH	100	100	100	100	100	100	100	100	100
MN POST RETIREMENT	1,321	750	1,500	1,500	1,500	1,500	1,500	1,500	1,500
SUPP INT'L EQUITY			100	100	100	100	100	100	100
TOTAL FINANCING	20,208	32,785	36,944	36,900	36,917	36,957	36,903	36,918	36,958
FTE BY EMPLOYMENT TYPE:									
REGULAR	24.4	24.1	24.1		24.1			24.1	
TOTAL FTE	24.4	24.1	24.1		24.1	25.1		24.1	25.1

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: BOARD OF INVESTMENT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	36,944	36,944	2,079	2,079	34,865	34,865		
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<41>	<41>	<41>	<41>				
DOCUMENTED RENT/LEASE INC/DEC	3	6	3	6				
ATTORNEY GENERAL COSTS	<6>	<6>	<6>	<6>				
SUBTOTAL BASE ADJ.	<44>	<41>	<44>	<41>				
CURRENT SPENDING	36,900	36,903	2,035	2,038	34,865	34,865		

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT
PROGRAM: INVESTMENT OF FUNDS
ACTIVITY: INVESTMENT OF FUNDS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,431	1,447	1,479	1,479	1,479	1,519	1,479	1,479	1,519
EXPENSES/CONTRACTUAL SRVCS	312	381	416	398	410	410	401	411	411
MISC OPERATING EXPENSES	69	71	77	77	82	82	77	82	82
SUPPLIES/MATERIALS/PARTS	59	31	35	35	35	35	35	35	35
CAPITAL EQUIPMENT	96	45	72	46	46	46	46	46	46
SUBTOTAL STATE OPERATIONS	1,967	1,975	2,079	2,035	2,052	2,092	2,038	2,053	2,093
TOTAL EXPENDITURES	1,967	1,975	2,079	2,035	2,052	2,092	2,038	2,053	2,093
AGENCY PLAN ITEMS:			FUND						
NON-SALARY OPERATING INFLATION ADJUSTMENT			GEN		17			15	
TOTAL AGENCY PLAN ITEMS					17			15	
GOV'S INITIATIVES:			FUND						
(P) LOCAL RELIEF ASSOC'S - ACCOUNTS MANAGEMENT - 1 FTE			GEN			40			40
TOTAL GOV'S INITIATIVES						40			40
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,967	1,975	2,079	2,035	2,052	2,092	2,038	2,053	2,093
TOTAL FINANCING	1,967	1,975	2,079	2,035	2,052	2,092	2,038	2,053	2,093
FTE BY EMPLOYMENT TYPE:									
REGULAR	24.4	24.1	24.1		24.1			24.1	
TOTAL FTE	24.4	24.1	24.1		24.1	25.1		24.1	25.1

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Investment Board
PROGRAM: Operations
ACTIVITY: Investment of Funds

ITEM TITLE: Local Relief Association Accounts Management

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$40	\$40	\$40	\$40
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$36	\$36	\$36	\$36
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$80,000 from the General Fund to the State Board of Investment to support one new full-time position to manage the accounts of local relief associations that participate in the Minnesota Supplemental Investment Fund pool.

RATIONALE:

Participation by local relief associations in the Supplemental Investment Fund has grown dramatically in recent years. Participation is likely to increase even more rapidly in the future due to a number of factors, including increased interest and oversight of investment activity by these local funds on the part of the Legislature and the State Auditor.

Three years ago, fewer than 20 firefighter relief associations used the Fund. At present, more than 80 associations participate. This is only a small portion of the more than 800 funds who could choose to direct their investments through the Supplemental Investment Funds. As participation grows, additional resources are necessary to process a much higher volume of monthly contribution and withdrawal transactions, together with providing regular statements to all participants. The amount shown in the following table will fund one additional position along with related space, equipment, supplies and other costs.

Salary	\$35,000
Other expenses	<u>5,000</u>
Total General Fund Cost	\$40,000
Less:	
Indirect cost assessment	<u>(36,000)</u>
Total <i>Net</i> General Fund Cost	\$4,000

The net impact of this request to the General Fund is 10% of the increased appropriation to the board, or \$4,000 each year of the biennium. The Investment Board assesses the non-state cash accounts for approximately 90% of all its operating costs. \$36,000 each year will be netted from returns in the Supplemental Fund assets attributable to the relief associations, and will be deposited in the General Fund as non-dedicated receipts.

PROGRAM OUTCOMES:

Effective management of accounts, quality of service, timely and accurate transactions and reports will be maintained as the number of participating local funds increases.

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1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF INVESTMENT
PROGRAM: REFUNDS/RETIRE FUNDS
ACTIVITY: REFUNDS/RETIRE FUNDS

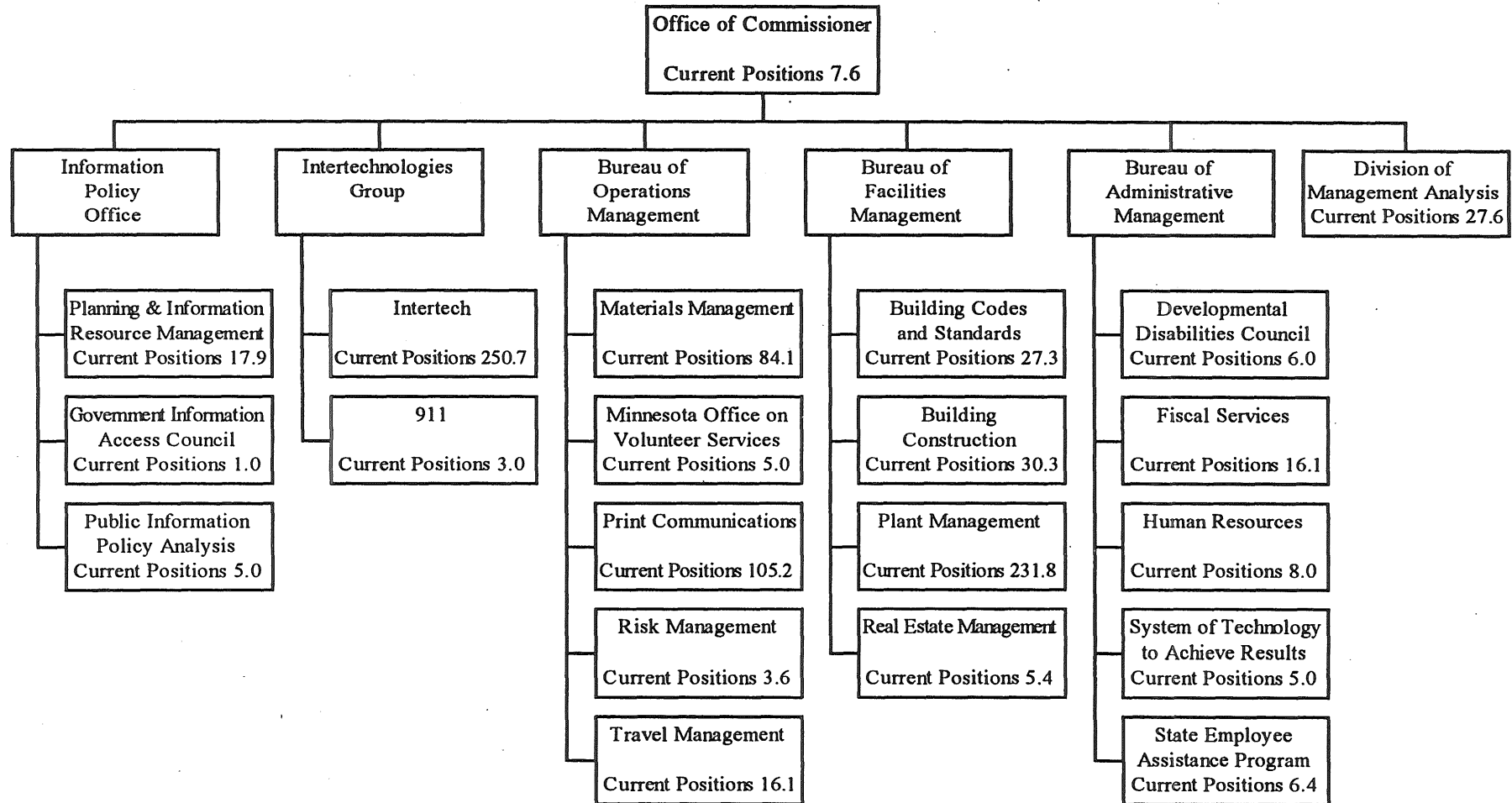
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
=====									
SOURCES OF FINANCING:									

STATUTORY APPROPRIATIONS:									
SUPP INVEST INDEX	4	4	4	4	4	4	4	4	4
STATE SUPPL BOND	3	3	3	3	3	3	3	3	3
SUPP INVEST G I C	8	8	8	8	8	8	8	8	8
MONEY MARKET	50	50	50	50	50	50	50	50	50
MN SUPP RET INCOME	100	100	100	100	100	100	100	100	100
MN SUPP RET GROWTH	100	100	100	100	100	100	100	100	100
MN POST RETIREMENT	1,321	750	1,500	1,500	1,500	1,500	1,500	1,500	1,500
SUPP INT'L EQUITY			100	100	100	100	100	100	100
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,586	1,015	1,865	1,865	1,865	1,865	1,865	1,865	1,865
=====									
FTE BY EMPLOYMENT TYPE:									

=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE									

DEPARTMENT OF ADMINISTRATION ORGANIZATIONAL CHART 7/1/94



JUNE 30, 1994 FTE EMPLOYEES: 863.1 .

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of (Admin)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$16,934	\$16,934	\$33,868
<u>BASE ADJUSTMENT:</u>			
One-time Appropriations	(1,042)	(1,042)	(2,084)
Appropriations Carried Forward	(1,099)	(1,099)	(2,198)
Base Transfer (BTWN Agencies)	(136)	(178)	(314)
Documented Rent/Lease Inc./Dec	52	80	132
Attorney General Costs	(66)	(66)	(132)
<u>CURRENT SPENDING</u>	\$14,643	\$14,629	\$29,272
<u>AGENCY PLAN</u>	\$14,643	\$14,629	\$29,272
<u>GOVERNOR'S INITIATIVES:</u>			
Electronic Commerce Service	\$875	\$875	\$1,750
Telecomm Infrastructure	\$2,250	\$2,250	\$4,500
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$17,768	\$17,754	\$35,522

Brief Explanation of Agency Plan:

Because the department made major budget reallocations in F.Y. 1994-95 to implement its 5-year strategic plan, the department's F.Y. 1996-97 budget plan includes few additional reallocations:

- The budget plan calls for same-level funding for its core programs and activities.
- It transfers \$200,000 from the materials management activity to the Department of Finance to support the statewide systems activity.
- It provides for continued funding of the Minnesota Government Information Access Council and the commissioner's data practices advisory opinion activity.

Revenue Summary:

There are no impacts on revenue.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends funding levels as requested in the agency budget plan except for a biennial increase of \$4,500,000 for the Telecommunication Infrastructure and \$1,750,000 for the Statewide Electronic Commerce Services.

1996-97 Biennial Budget

AGENCY: Administration, Department of (Admin)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Administration (Admin) is to provide business management and administrative services that improve the productivity and quality of Minnesota government.

Admin serves both state and local government agencies. Its primary clientele is state agencies. In 1994, the department received broad statutory authorization to serve local government, and services to them are expanding. The department's primary statutory duties are detailed in M.S. 16B.

The department is organized into 6 programmatic areas:

- **Operations Management:** contracting and purchasing services, sale of office supplies, sale of surplus property, printing services, sale of state documents, mailing services, micrographic and records storage services, risk management, and travel management services.
- **InterTechnologies:** data processing, telecommunications, and 9-1-1 emergency telephone service.
- **Facilities Management:** building construction; building, maintenance, and grounds services; energy management; resource recycling/recovery services; parking services; leasing; and building codes and standards.
- **Administrative Management:** statewide employee assistance services, fiscal and personnel services for the department, grants administration, and administrative support to several small agencies and programs.
- **Information Policy Office:** data and technology policies, standards, and guidelines; information planning; review of information systems budget requests; data practices.
- **Management Analysis:** management consulting services.

Seventy-five percent of the department's budget is comprised of self supporting, fee-based operations such as data processing, printing, and vehicle rental. Ten percent of Admin's budget is federal funds, gift monies, and clearing accounts. General fund appropriations for department operations comprise 15%. See Figure A.

AGENCY CHALLENGES:

In 1992, Admin developed a 5-year strategic plan. With the input of department employees, legislators, legislative staff, and state and local government agency clientele, the department redefined its mission and examined every Admin program and activity to determine its core services. The plan details which services to continue, which to close or downsize, which to develop or expand, and which to target for restructuring and for quality and productivity improvements. The department began implementation of the plan in 1993 and used the plan to make major budget reallocations in F.Y. 1994-95. Implementation of the plan will continue in F.Y. 1996-97.

The following factors are shaping the development of Admin programs, policies, and budgets:

- **Growing demand for Admin services.** Demand for Admin's core services continues to grow. While Admin's fee-based operations can respond to increased demand by using increased revenues to add staff and other required resources, Admin's general fund operations cannot. There is intense competition for scarce general fund monies. Low-demand services have already been cut or curtailed, and many cost reduction measures have already been implemented. It is difficult to find funds internally to reallocate to meet increasing demand or to invest in new services, technology, and productivity and quality improvements with long-term paybacks.
- **Rapid changes in telecommunications and information technology.** Minnesota state and local government agencies are lagging behind other states and private businesses in using telecommunications and information technology to deliver services and conduct business. Major statewide investments will be needed to enable agencies to acquire and use the latest technology and meet the growing public demand for electronic access to government services and information. State and local government agencies, businesses, and citizens in Greater Minnesota are especially disadvantaged because of the greater cost of providing voice, video, and data services outside the Twin Cities.
- **Increasing environmental, energy, and social policy requirements.** In response to public concerns, the federal government, Minnesota state legislature, and state regulatory agencies are imposing an increasing number of environmental, energy, and social requirements on state agencies. The legislature, for example, has directed that state government purchase from small businesses, correctional industries, sheltered workshops, and businesses owned by women, minorities, and persons with disabilities. State government is frequently used as pilot or demonstration sites; and requirements are often more stringent than those imposed on private businesses and organizations. Implementation of many of these requirements falls to Admin.
- **Deferred maintenance and repair of state buildings.** The state has long deferred the adequate maintenance and repair of many of its buildings, reducing their useful life, increasing operating costs, and creating a large backlog of critical repairs. The state's capital reform efforts are beginning to address the problem, but long-term solutions are needed.
- **Over-reliance on leasing state office facilities.** The state owns less than half of the office space it needs for state agency operations in the Twin Cities. The state leases over 2 million square feet of office space scattered throughout the Twin Cities; it has not built a central office facility since 1967. The department's 20-year strategic plan for locating state agencies calls for increased state ownership to significantly reduce costs. Implementation of the plan began in 1994.
- **Impact of the Higher Education merger.** The impact of the merger on Admin and the other staff agencies is not as yet fully known. The impact depends on the extent to which the merged systems will develop their own administrative services unit. If they do not create their own unit, Admin will need to expand its services to include the 34 technical colleges.

AGENCY STRATEGIES:

The agency's budget plan is constructed to achieve the following:

- Provide quality products and services needed by state and local agencies at the lowest cost by leveraging economies of scale;

1996-97 Biennial Budget

AGENCY: Administration, Department of
(Continuation)

- Expand state and local government use of information and telecommunications technology to deliver services, provide information, and equalize electronic access to government services and information in urban and rural Minnesota;
- Maximize the state's investments in its information assets;
- Maximize the state's investments in its capital assets;
- Improve state government's management and business practices.

See the Annual Performance Report, dated September 1994, for agency goals, objectives, and outcomes.

REVENUE SUMMARY:

Admin's dedicated funds are expected to remain stable over the next biennium. Examples of such funds include federal funds, parking funds, membership funds, and 9-1-1 funds. Non-dedicated receipts, the majority of which come from the building code and standards activity, are also expected to remain stable.

SUMMARY OF BUDGET REQUEST:

Because the department made major budget reallocations in F.Y. 1994-95 to implement its 5-year strategic plan, the department's F.Y. 1996-97 budget plan includes few additional reallocations:

- The budget plan calls for same-level funding for its core programs and activities.
- It transfers \$200,000 from the materials management activity to the Department of Finance to support the statewide systems activity.
- It provides for continued funding of the Minnesota Government Information Access Council and the commissioner's data practices advisory opinion activity.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency budget plan except for a biennial increase of \$4,500,000 for the Telecommunication Infrastructure and \$1,750,000 for the Statewide Electronic Commerce Services.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
OPERATIONS MANAGEMENT	15,500	14,134	15,823	14,717	14,717	14,717	14,682	14,682	14,682
INTERTECHNOLOGIES GROUP	8,773	5,132	7,874	7,678	7,678	9,928	7,678	7,678	9,928
FACILITIES MANAGEMENT	7,169	9,001	9,005	8,659	8,659	8,659	8,673	8,673	8,673
ADMINISTRATIVE MANAGEMENT	4,350	5,992	4,153	3,987	6,102	6,102	3,992	3,992	3,992
INFORMATION POLICY OFFICE	1,365	1,274	2,471	2,002	2,002	2,877	2,003	2,003	2,878
MANAGEMENT ANALYSIS	3,325	649	635	565	565	565	566	566	566
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	40,482	36,182	39,961	37,608	39,723	42,848	37,594	37,594	40,719
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,854								
GENERAL	17,980	13,780	16,934	14,643	14,643	17,768	14,629	14,629	17,754
MN RESOURCES	353								
STATE GOVT SPEC REV	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
HEALTH CARE ACCESS	27								
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	98	2,067	62		2,115	2,115			
SPECIAL REVENUE	2,515	1,485	1,413	1,413	1,413	1,413	1,413	1,413	1,413
FEDERAL	3,171	3,434	3,029	3,029	3,029	3,029	3,029	3,029	3,029
AGENCY	10,492	10,387	11,198	11,198	11,198	11,198	11,198	11,198	11,198
GIFTS AND DEPOSITS	644	932	900	900	900	900	900	900	900
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	40,482	36,182	39,961	37,608	39,723	42,848	37,594	37,594	40,719
FTE BY EMPLOYMENT TYPE:									

REGULAR	830.5	825.8	826.7		824.4			824.4	
TEMP/SEAS/PART_TIME	55.4	29.4	28.5		27.8			27.8	
OVERTIME	6.8	7.9	7.9		7.9			7.9	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	892.7	863.1	863.1		860.1	860.1		860.1	860.1

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: ADMINISTRATION, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	39,961	39,961	16,934	16,934	19,998	19,998	3,029	3,029
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<1,042>	<1,042>	<1,042>	<1,042>				
APPROPRIATIONS CARRIED FWD	<1,099>	<1,099>	<1,099>	<1,099>				
BASE TRANSFER (BTWN AGENCIES)	<136>	<178>	<136>	<178>				
DOCUMENTED RENT/LEASE INC/DEC	52	80	52	80				
LCMR-FUNDED PROJECTS	<62>	<62>			<62>	<62>		
ATTORNEY GENERAL COSTS	<66>	<66>	<66>	<66>				
SUBTOTAL BASE ADJ.	<2,353>	<2,367>	<2,291>	<2,305>	<62>	<62>		
CURRENT SPENDING	37,608	37,594	14,643	14,629	19,936	19,936	3,029	3,029

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INTERTECH	5,425	1,035	1,449	1,253	1,253	3,503	1,253	1,253	3,503
9-1-1 EMERGENCY SERVICES	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
TOTAL EXPENDITURES BY ACTIVITY	8,773	5,132	7,874	7,678	7,678	9,928	7,678	7,678	9,928
GOV'S INITIATIVES:			FUND						
(B) TELECOMMUNICATION INFRASTRUCTURE			GEN			2,250			2,250
TOTAL GOV'S INITIATIVES						2,250			2,250
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST	1,854								
GENERAL	2,319	1,035	1,449	1,253	1,253	3,503	1,253	1,253	3,503
MN RESOURCES	353								
STATE GOVT SPEC REV	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
HEALTH CARE ACCESS	27								
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	872								
TOTAL FINANCING	8,773	5,132	7,874	7,678	7,678	9,928	7,678	7,678	9,928
FTE BY EMPLOYMENT TYPE:									
REGULAR	271.3	248.2	248.2		248.2			248.2	
TEMP/SEAS/PART_TIME	9.6	1.3	1.3		1.3			1.3	
OVERTIME	3.8	4.2	4.2		4.2			4.2	
TOTAL FTE	284.7	253.7	253.7		253.7	253.7		253.7	253.7

1996-97 Biennial Budget

BUDGET ACTIVITY: InterTech
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The InterTechnologies Revolving Fund provides data processing and telecommunications services including: shared processing, network management, electronic mail, data entry, computer-output-to-microfilm, long distance voice network service, local voice service, data transmission, and interactive video service.

The primary market of InterTech's enterprise servers (or central computer facility) totals over 13,500 customers in various state and local government agencies throughout Minnesota. The largest concentration of customers are in the departments of Human Services, Revenue, Public Safety, Transportation, Finance, and Employee Relations. Approximately 60% of state agency external data processing budgets are spent on InterTech's revolving fund services.

The voice communications network (Centron) serves over 38,000 customers throughout the state; it is the third-largest carrier of voice traffic in Minnesota (behind AT&T and MCI). The primary customers of InterTech's voice services are the State University System and the departments of Natural Resources, Human Services, Public Safety, and Transportation.

MNet is the statewide digital network installed by InterTech over the past 2 years to serve state agencies, education, local governments, federal agencies, and private colleges. Currently, MNet consists of 11 backbone "hubs" located in major cities around the state and connected to the hub in St. Paul. The hub sites are Duluth, Rochester, St. Cloud, Hibbing, Marshall, Mankato, Willmar, Moorhead, Bemidji, Brainerd, and Thief River Falls.

An interactive video conference service is being deployed to improve communications between rural and urban parts of the state, reduce travel costs, and improve productivity. Twenty-two interactive video sites are operational on the network, an additional 24 are planned by the end of CY 1994, and significant expansion is expected after that date.

BUDGET ISSUES:

Historically, periods marked by poor economic indicators and tight budgets have resulted in increased business for the InterTechnologies revolving fund. This increase results from 2 sources: additional volumes from citizens' use of public assistance systems and increased interest on the part of government agencies in leveraging technology to accomplish their program goals. These impacts on the fund create corresponding budget issues. Overhead costs increase as a result of assessing the costs and benefits of technical solutions to customers' business problems. Overhead must be carefully managed to minimize the impact on InterTech's rates. Another budget issue is the difficulty of making accurate volume predictions with customers in sufficient time to anticipate additional resource needs.

Customer agencies project increased workload volume of InterTech services in the next biennium. As a result of the refocusing effort, InterTech has improved deployment and management of

resources to meet customer needs. Staffing and expenditure levels have remained stable while meeting the demands of increased workload volume.

In preparing the F.Y. 1996-97 biennial budget, InterTech consulted with key customers (agencies which account for about 80% of the revolving fund's business) and used this information to validate utilization and cost estimates. For example:

- Data center services will see a moderate increase in usage, while per unit costs will decline. Increased usage will cause aggregate costs to increase moderately.
- Telecommunications services will see a significant increase in usage, while per unit costs will decline. Aggregate costs will increase moderately.

Telecommunications network services offer significant opportunities to take advantage of economies of scale throughout Minnesota's public sector. A shift in funding policy will allow Minnesota to leverage these economies of scale, improve technology transfer to customers, and speed communications service deployment. As a result, Minnesota will more rapidly achieve the goal of a high-capacity, high-connectivity, statewide network. A network of contemporary technology will permit the state to implement more efficient government operations, avoid the cost of maintaining outdated systems, and realize savings.

General fund expenditures for telecommunications were reduced each year in the past biennium to meet budget guidelines. However, as MNet grows, so do public sector demands for consulting services for data transmission, interactive video, and local area network (LAN).

REVENUE:

This activity generates revolving fund revenue. (See financial page.)

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: 9-1-1 EMERGENCY SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	131	136	142	142	142	142	142	142	142
EXPENSES/CONTRACTUAL SRVCS	3	3,839	6,142	6,142	6,142	6,142	6,142	6,142	6,142
MISC OPERATING EXPENSES	3,188	11	13	13	13	13	13	13	13
SUPPLIES/MATERIALS/PARTS		1	1	1	1	1	1	1	1
CAPITAL EQUIPMENT	6	10							
OTHER	20		27	27	27	27	27	27	27
=====									
SUBTOTAL STATE OPERATIONS	3,348	3,997	6,325	6,325	6,325	6,325	6,325	6,325	6,325
LOCAL ASSISTANCE		100	100	100	100	100	100	100	100
=====									
TOTAL EXPENDITURES	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
STATE GOVT SPEC REV	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
=====									
TOTAL FINANCING	3,348	4,097	6,425	6,425	6,425	6,425	6,425	6,425	6,425
FTE BY EMPLOYMENT TYPE:									

REGULAR	3.0	3.0	3.0		3.0			3.0	
=====									
TOTAL FTE	3.0	3.0	3.0		3.0	3.0		3.0	3.0

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1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: OIL OVERCHARGE

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	90	36	49						
EXPENSES/CONTRACTUAL SRVCS	8	14	9						
OTHER		5	4						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	98	55	62						
LOCAL ASSISTANCE		2,012			2,115	2,115			
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	98	2,067	62		2,115	2,115			
=====									
AGENCY PLAN ITEMS:			FUND						
-----			-----						
LCMR NEW ALLOCATIONS			SGS		2,115				
=====			=====	=====			=====		
TOTAL AGENCY PLAN ITEMS					2,115				
=====									
SOURCES OF FINANCING:									

STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV	98	2,067	62		2,115	2,115			
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	98	2,067	62		2,115	2,115			
=====									
FTE BY EMPLOYMENT TYPE:									

REGULAR	1.1	1.1	.9		.9			.9	
TEMP/SEAS/PART_TIME	1.0								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	2.1	1.1	.9		.9	.9		.9	.9

1996-97 Biennial Budget

PROGRAM: Information Policy Office
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Information Policy Office (IPO) is responsible for ensuring that the state's information resources are: well-managed to avoid duplication of efforts and the potential waste of resources; developed and operated in a manner that maximizes the use of technology to the benefit of the state's citizens; and responsive to a variety of public policy requirements relating to information. IPO establishes state information resource management policies, standards and guidelines; reviews and approves state information resource investments; supports the work of the Government Information Access Council (GIAC) in developing policy for electronic access by citizens to information and services; and works to assure that governmental entities comply with public policy requirements relating to information.

PROGRAM STATUS:

Current state policy requires all information resource budget requests meet IPO requirements in order to be included in the governor's budget. IPO has established information resource management requirements for budget review consistent with the information resource management (IRM) policies, standards and guidelines established by IPO. These policies, standards, and guidelines set direction and provide guidance and requirements for agencies as they continue to expand their information resource management and investment activities.

The Information Strategies and Planning Division (ISPD) supports projects that improve the statewide management of the state's investment in information resources. This includes support for information resource projects that cross organizational lines and move the state closer to the goal of data sharing and less duplication of investment. This includes support for multi-agency projects to manage data and for multi-agency efforts to more effectively target investments in information resource infrastructure.

During the F.Y. 1994-95 biennium, ISPD expanded performance review/risk assessment activities as required by the legislature. A major review/assessment of a critical statewide system is currently underway.

The Public Information Policy Analysis Division (PIPA) assists government agencies and private organizations to understand and comply with a variety of laws that constitute policy decisions about data practices, records management, and access to government data and to other types of data and information. PIPA provides assistance to the legislature in the development of statutes relating to data access, practices affecting data, data sharing, and the disposition of both governmental and nongovernmental data. PIPA also prepares, issues and publicizes interpretive advisory opinions concerning rights of data subjects, classification of data, and public access to data. Assignment of the responsibility for preparing public information policy opinions to the PIPA has increased the demand for the division's services and expanded usage by citizens of PIPA's consultative and referral services.

The 1994 legislature created a Minnesota Government Information Access Council. Its mission is to improve public access to government information and help government become more efficient,

effective, and responsive through the use of information technology. The council is to develop guiding principles and promote coordinated statewide efforts in the area of providing electronic access to government information and services.

PLANNED RESULTS:

IPO expects to meet the performance measures as outlined in the 1994 Annual Performance Report with base level funding.

BUDGET AND REVENUE SUMMARY:

The only revenue included in this program is generated by the Public Information Policy Analysis Division and is non-dedicated.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for a biennial increase of \$1,750,000 for the statewide Electronic Commerce Services.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INFORMATION POLICY OFFICE

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
INFORMATION STRATEGIES & PLANNING	1,193	1,055	1,693	1,336	1,336	2,211	1,337	1,337	2,212
PUBLIC INFORMATION POLICY ANALYSIS	172	219	378	266	266	266	266	266	266
GOVERNMENT INFO ACCESS COUNCIL			400	400	400	400	400	400	400
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,365	1,274	2,471	2,002	2,002	2,877	2,003	2,003	2,878
GOV'S INITIATIVES:			FUND						
-----			-----						
(B) ELECTRONIC COMMERCE SERVICES			GEN			875			875
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						875			875
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,365	1,274	2,471	2,002	2,002	2,877	2,003	2,003	2,878
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,365	1,274	2,471	2,002	2,002	2,877	2,003	2,003	2,878
FTE BY EMPLOYMENT TYPE:									

REGULAR	19.3	23.0	23.0		23.0			23.0	
TEMP/SEAS/PART_TIME		.9	.9		.9			.9	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	19.3	23.9	23.9		23.9	23.9		23.9	23.9

1996-97 Biennial Budget

BUDGET ACTIVITY: Information Strategies and Planning
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity provides the legislature and government organizations (management and staff) with direction and guidance for managing the state's information resource investment. Services include: providing direction and guidance through the development and implementation of Information Resource Management (IRM) policies, standards, and guidelines; helping clients to implement IRM; completing performance review/risk assessment activities designed to provide managers and the legislature with recommendations for managing risk and performance to help information resource projects be successful; and supporting statewide information resource initiatives that cross organizational boundaries and have potential to provide improved management of the state's information resource investment (e.g., criminal justice data community, uniform business identifier (UBI), and electronic data exchange (EDE)).

BUDGET ISSUES:

This activity will continue to provide statewide direction for information resource management by: providing IRM policies, standards, and guidelines; reviewing agency information resource investments through budget review; and through performance review/risk assessment activities.

A critical issue for this activity is the increasing demand, particularly from legislators, to expand performance review/risk assessment. This activity does not have the financial and human resources to meet this growing demand; the department and the program are currently exploring ways to meet this demand. No initiative is requested for this biennium; however, in the future an initiative may be required.

There is a critical need across state agencies to have a "one-stop shop" for cost effective and flexible electronic data exchange services. Technology is available that can provide easy access to government services and programs. Statewide services, such as value-added networks for electronic data interchange or telecommunications for computers and kiosks, are essential in order for agencies to deliver information and programs to state clients.

REVENUE:

None.

1996-1997 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DEPARTMENT OF
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: INFORMATION STRATEGIES & PLANNING

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	826	765	977	977	977	977	977	977	977
EXPENSES/CONTRACTUAL SRVCS	254	221	391	293	293	1,168	294	294	1,169
MISC OPERATING EXPENSES	26	18	267	33	33	33	33	33	33
SUPPLIES/MATERIALS/PARTS	31	23	15	15	15	15	15	15	15
CAPITAL EQUIPMENT	56	28	18	18	18	18	18	18	18
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,193	1,055	1,668	1,336	1,336	2,211	1,337	1,337	2,212
LOCAL ASSISTANCE			25						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,193	1,055	1,693	1,336	1,336	2,211	1,337	1,337	2,212
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:			FUND						
-----			-----						
(B) ELECTRONIC COMMERCE SERVICES			GEN			875			875
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES						875			875
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,193	1,055	1,693	1,336	1,336	2,211	1,337	1,337	2,212
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,193	1,055	1,693	1,336	1,336	2,211	1,337	1,337	2,212
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	16.8	18.0	17.0		17.0			17.0	
TEMP/SEAS/PART TIME		.9	.9		.9			.9	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	16.8	18.9	17.9		17.9	17.9		17.9	17.9
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Administration, Department of (Admin)
PROGRAM: Information Policy Office
ACTIVITY: Information Strategies and Planning Division

ITEM TITLE: Statewide Electronic Commerce Services

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,125	\$1,125	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$2,250,000 for the biennium to fund the Statewide Electronic Commerce Services.

RATIONALE:

Citizens and businesses are expecting and demanding that state government provide more information and services electronically. They expect government to provide the same kind of easy, convenient access to information and services that businesses do. Those expectations will only grow as new technologies are developed and adopted by citizens and private businesses. Information technology has become an essential tool to redesigning government services and providing broad, streamlined and timely access to them.

With the explosion of new technologies over the past several years, state agencies are trying to use new technologies to increase productivity and provide better service. State agencies have invested millions of dollars in information technology, mainframes, minicomputers, personal computers, intelligent work stations, communications equipment, networks, imaging systems and geographical information systems. These investments have paid off as they have provided state employees with tools to perform their jobs faster and more accurately than ever before. Further, these investments have allowed state services to be delivered in different and more effective ways.

Although progress has been made in the management of information technology, the rapid pace of technological advances, the multitude of competing vendors, and the fragmented organizational

structure of state government continue to present problems. The enormous patchwork of hardware and software now installed throughout state government has produced multiple, often incompatible islands of computing and communication technologies. State agencies have often implemented these technologies independently, frequently without regard to the needs of other agencies and those of their common customers.

To more effectively deliver services, protect its existing investments and position itself to take advantage of new technologies, state government must make these islands talk and work together and must present a common and easily accessible electronic "face" to citizens and businesses.

We need to design and implement a common, integrated electronic commerce facility for state government. Technology is quickly becoming available to integrate different systems, databases, networks and technology. The time is right to leverage the state's efforts with those of the private sector in designing and implementing solutions.

PROGRAM OUTCOMES:

A common, integrated electronic commerce facility would standardize how the state implements electronic technology. Consolidating facilities will provide better service to customers and enable us to better control costs. It will enable us to add more functionality to the state's communications systems by integrating various voice and data technologies in order to provide faster service and more information. It will provide a common "face" to citizens so that citizens can easily access state information and services.

Examples of technology that a common electronic commerce facility could provide are electronic data interchange, electronic filing systems, electronic funds transfers, fax, electronic bulletin board systems, text retrieval, kiosks, smart cards, automated teller machines, and interactive voice response systems.

The state can better control costs by consolidating common services into an integrated central communications facility. Agencies would not have to create their own separate systems and networks. For instance, the facility could provide a statewide network of kiosks and if in the future the state decides to support a Minnesota "smart card," the facility could also provide for that. The facility could be operated in whole or in part by the private sector.

Agencies would share the costs of communication lines, network capacity and application requirements so that the state can maximize its investments. Agencies would only use the lines, network capacity and technology they require at any given time. This is a particularly attractive feature because of the seasonal nature of many services such as tax information and processing.

The system's design would be flexible so that the state could take advantage of cheaper and more advanced technologies as they become available. Additionally, the system would have an integrated, modular design so that as agency program requirements change, only those portions of the system that have been affected will have to be changed. Maintenance of the technology would be easier in a central facility and would enable state agencies to focus on serving customers rather than developing, implementing, and maintaining the technology.

The drive and emphasis on electronic service delivery and on-line access to government information will also require agencies to ensure that their internal systems are inter-operable with external systems run by citizens and by vendors that supply products and services to government. Electronic

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Employee Relations, Department of (DOER)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$8,628	\$8,628	\$17,256
<u>BASE ADJUSTMENT:</u>			
Base Transfer (between agencies)	300	300	600
One-time Appropriations	(855)	(855)	(1,710)
Appropriations Carried Forward	(417)	(417)	(834)
Documented Rent/Lease Increase	15	25	40
Attorney General Costs	(9)	(9)	(18)
<u>CURRENT SPENDING</u>	\$7,662	\$7,672	\$15,334
<u>AGENCY DECISION ITEMS:</u>			
Internal Reallocations (Net) (See fiscal pages for list)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN</u>	\$7,662	\$7,672	\$15,334
<u>GOVERNOR'S INITIATIVES:</u>			
Enhance Workforce Diversity	\$300	\$300	\$600
WCRA Premium Adjustments	(300)	(250)	(550)
Minnesota Quality College	-0-	-0-	-0-
Human Resource Innovations	<u>650</u>	<u>650</u>	<u>1,300</u>
GOVERNOR'S RECOMMENDATIONS	\$8,312	\$8,372	\$16,684

Brief Explanation of Agency Plan:

The department is making a significant number of reallocations within base level funding among activities within the Human Resources Program to redirect resources where they are most effectively utilized and to reflect workload shifts within the department. Specifically, salary dollars are moving to the Training and Labor Relations functions to fund necessary staffing levels. Data Processing allotments are being consolidated to reflect centralization of this activity within the Administrative Division. Other reallocations shift funds primarily from the Staffing Division to the Information Management and Transaction functions within the Administrative Division.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan, with the following modifications:

- A biennial increase of \$1,300,000 to fund continuation of the Human Resources Innovations project begun in the 1994-95 biennium. This appropriation will maintain efforts to reform the state's performance management and classification systems, development of statewide retraining programs, and improve recruitment and hiring processes.
- A biennial increase of \$600,000 to fund improvements in the Diversity activity such as a Trainee/Internship program for protected class members, more concerted efforts in recruitment and retention of minorities, women, and persons with disabilities, along with more resources to support ADA compliance.
- A biennial reduction of \$550,000 to the Workers' Compensation program to reflect reduced reinsurance premium costs through the WCRA.
- A one-time appropriation of \$1,000,000 from the Health Care Access Fund to provide cash-flow reserves for the Minnesota Private Employers' Insurance program.
- A one-time transfer of \$2,000,000 from the Public Employees' Insurance account within the Employee Insurance Internal Service Fund to the General Fund in F.Y. 1996.

AGENCY: Employee Relations, Department of (DOER)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Employee Relations (DOER) is to provide leadership and partnership in human resource management under M.S. 43.A.

The primary program areas for DOER are human resource management and employee insurance.

The Human Resource Management Program provides services to state agencies which include providing public information concerning state hiring practices and job opportunities; tracking workforce and labor force trends; recruiting, screening and referring qualified applicants to fill vacancies; curriculum development and brokering services to train state employees; providing equal employment opportunities, affirmative action programs, and ensuring incorporation of diverse cultures into all state activities; maintaining a classification framework as a means of determining equitable compensation, negotiating and administering labor-management contracts, and reporting on pay equity compliance for local governments.

The Employee Insurance program includes 5 activities. They are: providing state employees life insurance, hospital, medical and dental benefits; managing state workers' compensation claims; providing cost effective insurance benefits for local units of government and private sector employers, and health promotion programs for the state workforce.

Our stakeholders include: Governor's staff, agency heads, legislature, union representatives, minority councils, agency managers and supervisors, human resource professionals, employees and job applicants.

DOER supports the Minnesota Milestone themes by providing programs to eliminate discrimination and harassment in obtaining and retaining a qualified workforce who serve our citizens and through establishment of the Office of Diversity and Equal Opportunity to promote increased representation of protected group members in our workforce reflective of the population of the state of Minnesota.

AGENCY CHALLENGES:

■ **Recruitment and Retention of a Diverse Workforce**

Recent demographics show that the makeup of the population is becoming more diverse. As one of the largest employers in Minnesota, it will be critical that our programs refocus on recruiting and retaining protected group members. In order to develop a more inclusive workforce that draws on the talents of Minnesotans.

■ **Human Resources Innovations**

The recommended changes, brought about by previous studies and surveys, has moved DOER to changing the delivery of our services; streamlining our selection processes; simplifying the classification processes; and implementing a new performance management system. This is a significant challenge for us. It means changing systems and procedures that

have been institutionalized over decades.

■ **Health Care Changes**

DOER is a purchaser of health care insurance for public employees and some private employers. We strive to produce quality and affordable health care for our clientele. Health care reform at the state and national level will have a significant influence on the program as alliances between physicians, hospitals and payers (HMOs, insurance companies) develop.

■ **State Workers' Compensation**

Any changes to the state's workers' compensation laws, rules or regulations could have an impact on claims costs. It will be critical that we are responsive to any changes in order to maintain a quality and affordable program.

AGENCY STRATEGIES:

Our budget plan was developed to achieve the following outcomes:

- Improve customer satisfaction with our policy leadership and direction.
- Administer and maintain an equitable classification plan and an effective selection system.
- Increase representation of protected group members in the workforce.
- Support opportunities to maximize the productivity of the state's workforce.
- Improve satisfaction with administration of negotiated bargaining agreements.
- Report on local government compliance with the Local Government Pay Equity Act.
- Purchase quality and affordable health and dental insurance.
- Ensure that state employees work in a safe and healthy work environment.
- Resolve workers' compensation claims effectively and efficiently.

See the annual performance report for Employee Relations, dated September 1994 for agency results and outcomes.

REVENUE SUMMARY:

The DOER budget consists of 2 revenue sources. One is the general fund appropriation for the human resource management program; the other is fee based. Fees are assessed for insurance and workers' compensation. These fees generate \$2,904,000 for insurance administration and \$3,588,000 for workers' compensation administration and claims management. Revenue streams occur in our insurance area and are passed through our trust fund accounts to insurance providers.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
HUMAN RESOURCE MGMT	6,429	6,382	7,676	6,768	6,826	7,776	6,778	6,836	7,786
EMPLOYEE INSURANCE	222,192	233,566	254,362	254,056	254,056	254,756	258,966	258,966	258,716
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	228,621	239,948	262,038	260,824	260,882	262,532	265,744	265,802	266,502
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST		35	35						
GENERAL	8,693	7,546	8,628	7,662	7,662	8,312	7,672	7,672	8,372
STATUTORY APPROPRIATIONS:									
GENERAL		1	7						
HEALTH CARE ACCESS						1,000			
SPECIAL REVENUE	24,017	22,294	23,540	22,773	22,831	22,831	22,773	22,831	22,831
EMPLOYERS INS TRUST	480	1,151	3,000	3,600	3,600	3,600	5,690	5,690	5,690
EMPLOYEE INS TRUST	191,127	202,131	216,785	216,746	216,746	216,746	219,566	219,566	219,566
AGENCY	4,304	6,790	10,043	10,043	10,043	10,043	10,043	10,043	10,043
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	228,621	239,948	262,038	260,824	260,882	262,532	265,744	265,802	266,502
FTE BY EMPLOYMENT TYPE:									

REGULAR	174.7	168.7	188.3		191.2			191.2	
TEMP/SEAS/PART_TIME	4.3	7.0	5.0		5.5			5.5	
OVERTIME	1.0	1.1	1.1		.7			.7	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	180.0	176.8	194.4		197.4	202.4		197.4	202.4

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	262,038	262,038	8,635	8,635	253,403	253,403		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<890>	<890>	<855>	<855>	<35>	<35>		
APPROPRIATIONS CARRIED FWD	<631>	<631>	<417>	<417>	<214>	<214>		
NON-RECURRING EXPENDITURES	<599>	<599>	<7>	<7>	<592>	<592>		
BASE TRANSFER (BTWN AGENCIES)	300	300	300	300				
DED STAT APPROP SPENDING	600	5,510			600	5,510		
DOCUMENTED RENT/LEASE INC/DEC	15	25	15	25				
ATTORNEY GENERAL COSTS	<9>	<9>	<9>	<9>				
SUBTOTAL BASE ADJ.	<1,214>	3,706	<973>	<963>	<241>	4,669		
CURRENT SPENDING	260,824	265,744	7,662	7,672	253,162	258,072		

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1996-97 Biennial Budget

PROGRAM: Human Resource Management
AGENCY: Employee Relations, Department of (DOER)

PROGRAM DESCRIPTION:

Human Resource Management program provides policy and leadership in the areas of recruitment, affirmative action, employee development, classification and compensation, bargaining agreement negotiation and administration.

Administration: This activity provides guidance to the executive branch of state government by managing the department's activities, preparing and evaluating legislative proposals, maintaining liaison with the legislature and Governor's office, implementing administrative procedures, interpreting the department's policies for state agencies and the public, administering the statewide payroll certification and providing internal personnel, fiscal and general support to the agency.

Staffing: This activity assists state agencies through the examination and non-competitive and qualifying appointment processes to attract and maintain a qualified workforce to accomplish their missions. This includes consultation and direct service in recruiting, screening, assessing, and referring qualified applicants to state managers and supervisors for selection to fill job vacancies. It maintains the state job classification framework and assigns positions to appropriate classes within that framework as a basis for equitable compensation to work of comparable value. Additionally, it provides assistance to state managers and employees in administering the position classification system and employee place/layoff and bumping procedures during workforce reorganizations or retrenchments.

Office of Diversity and Equal Opportunity: This activity provides state managers and supervisors the policy framework and technical assistance necessary to carry out their responsibilities under federal and state equal employment opportunity laws. It provides state managers and supervisors training, education and assistance to help them achieve and maintain a workforce that reflects the diversity of Minnesota's overall labor force.

Human Resource Development: This activity provides coordination and technical assistance to operating agencies on course design and delivery of training services to meet their organization needs; develops curriculum and provides programs to train state trainers and non-training specialists; develops a course catalog; and serves as a resource for requested training solutions.

Labor Relations and Compensation: The labor relations activity represents state management in its relationships with the exclusive representatives for state employees, and sets statewide policy for management's relationship with labor. The compensation activity provides an overall compensation framework, policy development, and research services to executive branch management in the areas of compensation, pay equity, and related programs.

Pay Equity: This activity is responsible for reporting to the legislature the number of local government jurisdictions who are in compliance with the Local Government Pay Equity Act.

The issues associated with these activities are:

- Recruitment and retention of protected group members
- Employee development and training
- Effective and efficient selection and classification processes

PROGRAM STATUS:

Currently efforts are underway to develop a recruitment program and training and mentoring programs in order to increase minority and disabled representation in our workforce. We have recently refocused and expanded the program scope in our Equal Opportunity Division to incorporate diverse cultures into all activities of state government.

During this biennium, we have established a Labor Management Committee to address the issues and changes recommended from our strategic planning process and the Commission on Reform and Efficiency. We are currently piloting a new performance management system covering approximately 14,000 state employees.

Our Human Resources Development Services area has changed its services to provide coordination and technical assistance to our customers. We will be developing a course catalog and providing programs to train state trainers and non-training specialists. Joint ventures with other levels of government are currently being explored.

PLANNED RESULTS:

The agency plan is to accomplish the following activities during the next biennium:

- We plan to increase delegated authority to state agency management for administration and maintenance of classification plans. We will change our focus to one of providing agencies with a continuum of services from consulting and resources to providing administrative services as needed. We are also reviewing, in conjunction with the exclusive representatives, ways to enhance and streamline the current civil service systems.
- By the year 2000, we plan that the state of Minnesota executive branch workforce will reflect the composition of the workforce in the entire state. Turnover rates for protected group members will be more in line with turnover rates for non-protected group members.
- Our plan is to increase employee development and training hours to be comparable to the private corporation national average by 1997. Also, by the end of the biennium, to have increased the number of joint ventures with other levels of government and maximize existing resources.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan except for the following adjustments: a biennial increase in funding above the agency plan level of \$1,300,000 for Human Resource Innovations, and \$600,000 for Expanding State Workforce Diversity Efforts.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF
PROGRAM: HUMAN RESOURCE MGMT

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRATION	2,574	3,061	3,828	3,151	3,302	3,952	3,161	3,317	3,967
DIVERSITY	241	197	293	213	166	466	213	167	467
LABOR RELATIONS & COMPENSATION	707	597	737	688	711	711	688	711	711
STAFFING SERVICES	2,217	1,869	2,048	2,011	1,843	1,843	2,011	1,836	1,836
HUMAN RESOURCE DEVELOPMENT	688	483	570	505	604	604	505	605	605
HUMAN RESOURCE NON-OP	2	175	200	200	200	200	200	200	200
TOTAL EXPENDITURES BY ACTIVITY	6,429	6,382	7,676	6,768	6,826	7,776	6,778	6,836	7,786
AGENCY PLAN ITEMS:	FUND								
TRAINING - COURSE OVERHEAD ACCT			SR		25			25	
TRAINING - COURSES ACCT			SR		33			33	
TOTAL AGENCY PLAN ITEMS					58			58	
GOV'S INITIATIVES:	FUND								
(P) HUMAN RESOURCES INNOVATIONS PROJECT			GEN			650			650
(P) STATE DIVERSITY PROJECT			GEN			300			300
TOTAL GOV'S INITIATIVES						950			950
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST		35	35						
GENERAL	6,305	5,926	7,120	6,254	6,254	7,204	6,264	6,264	7,214
STATUTORY APPROPRIATIONS:									
GENERAL		1	7						
SPECIAL REVENUE	122	244	313	313	371	371	313	371	371
AGENCY	2	176	201	201	201	201	201	201	201
TOTAL FINANCING	6,429	6,382	7,676	6,768	6,826	7,776	6,778	6,836	7,786

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF
PROGRAM: HUMAN RESOURCE MGMT

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	100.2	90.4	99.6		102.7			102.7	
TEMP/SEAS/PART_TIME	3.4	5.2	3.2		4.2			4.2	
OVERTIME	.3	.4	.4		.4			.4	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	103.9	96.0	103.2		107.3	112.3		107.3	112.3

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relation, Department of (DOER)
 PROGRAM: Human Resource Management
 ACTIVITY: Human Resource Development

ITEM TITLE: Minnesota Quality College

	1996-97 Biennium		1998-99 Biennium	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 43.A				

GOVERNOR'S RECOMMENDATION:

The Governor's supplemental recommendation for this initiative is for no funds in the 1996-97 biennium.

RATIONALE:

As public organizations experience structural change, public employees will need new tools to help them make and manage quality improvements. The *Minnesota Quality College* will help government agencies and public employees find new ways to:

- Improve government's responsiveness to citizens
- Increase workplace innovation at the employee level
- Increase government service productivity
- Build pride in public service

The goals of the Quality College are twofold:

1. To assure that Minnesota government agencies and public employees statewide have access to and are provided high quality and ongoing training on how to apply the principles of quality improvement in the public sector.
2. To develop and maintain a quality improvement curriculum which provides a base for the continuous improvement of quality skills in Minnesota's public workforce.

This "college without walls" will draw upon a wide range of public and private resources to assure that public employees are receiving the best and most appropriate training to meet their needs and that training and quality support services are available on an ongoing basis. The program will help public agencies to choose among a range of resources and approaches:

- Self-dissemination (train-the-trainer)
- Direct staff agency training delivery (e.g., DOER's Training Division or the Management Analysis Division within the Department of Administration)
- Higher education institutions, such as the University of Minnesota, St. Thomas, etc
- Private consultants or professional training organizations

The *Minnesota Quality College* will be managed by a board made up of public sector quality professionals and public agency customers. The Commissioner of Employee Relations will convene the board, and DOER will also provide staff and organizational support through the Training Division. Customer and supplier advisory groups will be organized to provide ongoing guidance on customer training needs and training resources available.

Many agencies and local government organizations are seeking training on quality management, customer service, continuous organizational and staff improvement. There are almost as many public and private sector providers of training in this area. Funding this proposal will, in the short-run, save agencies from "reinventing the wheel" each time they seek training by providing a ready curriculum and access to tested providers. There is considerable demand at the state and local level for the services a *Quality College* would deliver. The most recent conference sponsored by the Minnesota Quality Initiative (an ad hoc organization comprised of state, local and educational professionals) drew 1,200 attendees, with a waiting list that resources regrettably could not accommodate.

In a period when resources are constrained, technology is ever changing the nature of our work and work processes. As organizations become flatter and more team-driven, policy makers, managers and supervisors and staff can all benefit from the application of quality management principles and methods in the workplace. A greater focus on structuring organizations and the work they do around the goals of customer satisfaction and continuous improvement in the quality of services public employees deliver will have significant and lasting positive impacts for the citizens of the state.

PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

PROGRAM DESCRIPTION:

This program exists to meet the insurance needs of state employees and to administer the state's self-insured workers' compensation program. The program includes the development, administration, and management of the following:

State Group Insurance: It is essential to have a healthy and productive workforce to carry out the responsibilities of state government. Employee insurance benefits are an important part of total employee compensation and attracting and retaining a high-quality workforce. The state group insurance activity manages employee insurance benefits to support the state's goals as an employer and to enhance employee health through wellness programs.

Benefits offered by the program include health, dental, life and disability insurance, and pre-tax spending accounts for dependent care and medical/dental expenses. These benefits are available to executive branch employees and to other organizations authorized to participate including the University of Minnesota, the legislative and judicial branches of state government, and 29 smaller organizations such as legislative commissions, employee credit unions, and state employee unions. The health promotion activity works closely in the development of health plans to require health care providers to develop and implement health promotion programs, and to ensure that prevention and health enhancement are key components of all interactions state employees have with the state's network of health care providers.

Included also in this program is the health promotion activity which works closely in the development of health plans to require health care providers to develop and implement health promotion programs.

State Workers' Compensation: Workers' Compensation benefits for injured state employees are administered by this self-insured program. It is responsible for management of all claims activity including accepting and denying claims, payment of indemnity, rehabilitation, medical, and legal benefits, coordination of rehabilitation and return-to-work activities, and legal representation. It also oversees consulting services in occupational safety, industrial hygiene, and injury prevention. The program contracts with a certified managed care plan to provide a specialized network of health care professionals, utilization management, and medical bill processing. This program covers employees of the executive, legislative and judicial branches of state government, and quasi-state agencies such as the State Fair and Historical Society.

Public Employees Insurance Plan (PEIP): PEIP is available to public employers. The program includes group medical, life insurance, and dental coverage. The health care plan is modeled after the State Employees Group Insurance Program, which allows employee choice and rewards insurers which provide cost-effective care. Agency staff direct the operations to comply with applicable laws, rules, and regulations; provide technical expertise; and oversee marketing administration.

Minnesota Employees Insurance Plan (MEIP): MEIP, in conjunction with insurance reform, is designed to provide a health care alternative for private employers. The program is modeled after

the State Employees Group Insurance Program, which allows employee choice and rewards insurers which provide cost-effective care.

PROGRAM STATUS:

The state group insurance program negotiates for cost-effective and competitive life, hospital, medical, and dental benefits. Current health care reform legislation being considered at the state and national level will have a significant influence on the program.

The workers' compensation activity currently is focusing on the identification and prevention of injury, illness, and disease to reduce the amount of compensation claims.

During this biennium, health promotion grants were allocated to state agencies to supplement their health promotion programs. Studies have shown that effective health promotion programs are a cost-effective approach to enhancing employee's health, reducing work-related injuries, and containing costs.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1994 Annual Report to be accomplished or accelerated as follows:

- By the year 1997 to maintain or increase performance relating to overall health care from the previous year's averages across several measures.
- By the year 1997 to maintain or increase performance relating to overall employees' satisfaction with their health plan in comparison to the previous year's average.
- By the year 1997 to reduce the number of workers' compensation claims by identification and prevention of injury, illness and disease.
- By F.Y. 1995 to increase the agency sites with active health programs to at least 75%. Studies have shown that these programs are a cost-effective approach to reducing work-related injuries and containing costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The Governor also recommends that \$2,000,000 in excess reserves in the Public Employees' Insurance Plan account be transferred to the General Fund, and that a one-time appropriation in F.Y. 1996 from the Health Care Access Fund to the Minnesota Private Employers' Insurance Program to provide a cash flow reserve.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF
PROGRAM: EMPLOYEE INSURANCE

	FY 1996						FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATE GROUP INSURANCE	2,659	3,521	3,776	3,676	3,676	3,676	3,676	3,676	3,676
PUBLIC EMPLOYEE INSURANCE	423	381	470	470	470	470	470	470	470
MINNESOTA EMPLOYERS' INSURANCE	480	531	621	621	621	621	621	621	621
STATE WORKERS' COMPENSATION	5,903	5,468	6,006	5,792	5,792	5,792	5,792	5,792	5,792
CLAIMS & PREMIUMS (ALL ACTIVITIES)	212,727	223,665	243,489	243,497	243,497	244,197	248,407	248,407	248,157
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	222,192	233,566	254,362	254,056	254,056	254,756	258,966	258,966	258,716
=====									
AGENCY PLAN ITEMS:	FUND								

FOCUSING RESOURCES - EID SERVICES			EET		4			5	
FOCUSING RESOURCES - HEALTH PROMOTION			EET		<4>			<5>	
FOCUSING RESOURCES - DISABILITY MGMT			SR		4			1	
FOCUSING RESOURCES - ADMIN / INFO MGMT			SR		<2>			<7>	
FOCUSING RESOURCES - CLAIMS MGMT SYSTEM			SR		<52>			<51>	
CLAIMS MANAGEMENT - SALARY ALLOTMENT			SR		43			46	
OFFICE SUPPORT - ALLOTMENT ADJUSTMENTS			SR		7			11	
=====				=====			=====		
TOTAL AGENCY PLAN ITEMS									
=====									
GOV'S INITIATIVES:	FUND								

(P) ADJUST WCRA STATE PREMIUM APPROPRIATION			GEN			<300>			<250>
(P) MEIP CASH FLOW RESERVE - 1996			HCA			1,000			
=====						=====			=====
TOTAL GOV'S INITIATIVES						700			<250>
=====									
SOURCES OF FINANCING:	-----								
DIRECT APPROPRIATIONS:									
GENERAL	2,388	1,620	1,508	1,408	1,408	1,108	1,408	1,408	1,158
STATUTORY APPROPRIATIONS:									
HEALTH CARE ACCESS						1,000			
SPECIAL REVENUE	23,895	22,050	23,227	22,460	22,460	22,460	22,460	22,460	22,460
EMPLOYERS INS TRUST	480	1,151	3,000	3,600	3,600	3,600	5,690	5,690	5,690
EMPLOYEE INS TRUST	191,127	202,131	216,785	216,746	216,746	216,746	219,566	219,566	219,566
AGENCY	4,302	6,614	9,842	9,842	9,842	9,842	9,842	9,842	9,842

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS, DEPARTMENT OF
PROGRAM: EMPLOYEE INSURANCE

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	222,192	233,566	254,362	254,056	254,056	254,756	258,966	258,966	258,716
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	74.5	78.3	88.7		88.5			88.5	
TEMP/SEAS/PART_TIME	.9	1.8	1.8		1.3			1.3	
OVERTIME	.7	.7	.7		.3			.3	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	76.1	80.8	91.2		90.1	90.1		90.1	90.1

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Public Employees' Insurance Plan

ITEM TITLE: Transfer excess reserves to General Fund

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Transfers Out: (\$000s)				
Employee Insurance Trust				
- Excess Reserves	\$ (2,000)	\$ -0-	\$ -0-	\$ -0-
Transfers In: (\$000s)				
General Fund				
- Revenue	\$2,000	\$ -0-	\$ -0-	\$ -0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$2,000,000 in excess reserves be transferred from the Public Employees' Insurance Plan (PEIP) account within the Employee Insurance Trust Fund to the General Fund in F.Y. 1996. These funds are to be reallocated to help fund one-time costs as part of the Governor's overall Welfare Reform Package.

RATIONALE:

PEIP provides group medical, life insurance and dental coverage. The plan is modeled after the State Employees Group Insurance Program, which allows employee choice and rewards insurers that provide cost-effective care. The program was created to pool purchasing power of small public employers in the state, and to merge small public employee groups into larger, more stable risk pools (which stabilizes and lowers premia). Enrollment at the close of F.Y. 1994 was 2,561.

From 1990 through 1994, annual excess Police State Aid collections by the Public Employees' Retirement Association (PERA), about \$2,000,000, were deposited in the PEIP account within the Department of Employee Relations. The cumulative total subsidy over the period was \$9,130,000. Those funds are no longer being allocated to the plan each year, since the subsidy has been discontinued. Beginning in F.Y. 1995, the first \$1,000,000 in excess Police State Aid collections by PERA each year is to fund the ambulance service retirement plan established in M.S. 144C.03, with the balance of collections (approx. \$1,000,000) then cancelling to the General Fund.

The entire excess reserve amount in the PEIP Plan is attributable to the subsidies granted during the period 1990-94. Therefore, any distribution of those excess reserves should be done in the form of a transfer to the General Fund, since it is from the General Fund that the Police State Aid payments to local governments originate.

The Departments of Finance and DOER estimate that reserves are currently \$2,000,000 above actuarial requirements, and these funds are available for distribution. The Governor, therefore recommends a one-time transfer of this amount to free up scarce resources and reallocate the current excess reserves toward more urgent uses.

LONG-TERM IMPACT:

None. This reduction should correct the current imbalance in the Plan, but will leave the program with sufficient reserves to operate, meet all liabilities, and expand enrollments.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relations
 PROGRAM: Employee Insurance
 ACTIVITY: Minnesota Employers' Insurance Program (MEIP)

ITEM TITLE: Supplemental Recommendation - Cash Flow Reserve - F.Y. 1996

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Health Care Access Fund				
- State Operations	\$1,000	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$1,000,000 to the commissioner of Employee Relations in the first year of the biennium to provide a cash flow reserve in the Health Care Access Fund for the Minnesota Private Employers' Insurance Program (MEIP).

RATIONALE:

The Minnesota Employers' Insurance Program was created by the Health Care Access Reform Bill of 1992, and is intended to provide risk pooling and economies of scale to lower the costs of insuring employees for small private employers in Minnesota. The program operates out of its own dedicated fund, supplemented by start-up appropriations from the Health Care Access Fund which are transferred into the MEIP Fund on an as-needed basis. All transfers from the Health Care Access account are, under current law, to be repaid from the MEIP Fund by June 30, 1998.

Implementation of the program and enrollments did not proceed as quickly as contemplated when appropriations were first made for the program in 1992 and 1993. Some of the anticipated start-up costs were, therefore, not realized in the first 2 years. Because there was no carryforward on these appropriations, the remaining appropriations cancelled back to the Health Care Access Fund in those 2 years.

This appropriation is necessary to continue expansion of the program and accommodate enrollment growth anticipated over the next 2 years, and represents, in effect, restoration of a portion of the start-up funds that were cancelled back to the Health Care Access Fund in the first 2 years of operation. As the plan population expands, premium revenues will increase and the expenditure stream will stabilize. No further appropriation requests are anticipated.

FUNDING STATISTICS:

Private Employers' Insurance Program Health Care Access Fund Expenditures

		<u>FISCAL YEAR</u>		
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Original Appropriations	1,679,000	3,554,000	7,125,000	-0-
Actual Expenditures	525,000	550,000	1,000,000	1,000,000
Cancellations	1,154,000	3,004,000	6,125,000	-0-

Cumulative Totals (1993-1997)

Original Appropriations	\$12,358,000
Actual Expenditures	3,075,000
Savings	\$9,283,000

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Employee Relations
PROGRAM: State Workers' Compensation
ACTIVITY: Insurance Division - Non-operating

ITEM TITLE: Supplemental Recommendation - Reduce Appropriation for Reinsurance

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(300)	\$(250)	\$(225)	\$(200)
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction to the appropriation from the General Fund for premiums to the Workers' Compensation Reinsurance Association (WCRA). The total reduction for the 1996-97 biennium is \$550,000.

RATIONALE:

M.S. 79.34 requires that all insurers and self-insured employers in Minnesota must participate in the WCRA, an non-profit organization authorized in statute. Participants are provided capitation of liabilities against per claim total liabilities. The state of Minnesota is a self-insured employer for workers' compensation, with a per occurrence retention level of \$450,000. Any lifetime claim costs in excess of this level become the liability of the reinsurer.

The Department of Employee Relations pays the reinsurance premium from a General Fund appropriation and the Department of Finance assesses non-General Fund accounts for their share of the premium paid. Those billings are collected as non-dedicated receipts in the General Fund.

The premium paid by the state has declined in recent years due to rate reductions by the WCRA, risk audits of state positions, workplace safety training, and more effective claims management through the program. Following is a table showing total premium expenditures for the 6 most recent fiscal years:

<u>Fiscal Year</u>	<u>Premiums</u>
1990	\$2,327,000
1991	1,962,000
1992	1,713,000
1993	791,000
1994	844,000
1995	863,000

The current base level appropriation for this program is \$1,304,000 per year in the 1996-97 biennium. While expenditures are expected to increase over the current spending level due to covered payroll growth and marginal rate increases, the base appropriation exceeds projected requirements by \$300,000 in F.Y. 1996 and \$250,000 in F.Y. 1997.

Anticipated receipts to the General Fund through the billback to non-General Funds will not be affected by this recommendation as the forecast is based on actual expenditures and receipts in F.Y. 1995 rather than the appropriation for premium payments. No net offset to the General Fund expenditure reduction in 1996-97 is required, and the full impact on the fund balance is reflected in the reduced appropriation exclusively.

PROGRAM IMPACT:

None. The state will continue to receive the same levels of coverage. \$550,000 in additional resources are freed up in the 1996-97 biennium to support other state programs or initiatives.

1996-97 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: REVENUE, DEPARTMENT OF

PROGRAM

PAGE

MINNESOTA TAX SYSTEM MANAGEMENT

F-322

Income Tax System

Sales and Special Taxes System

Property Tax and State Aid System

Tax Operations

Legal and Research

Administrative Support

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$77,367	\$77,367	\$154,734
<u>BASE ADJUSTMENT:</u>			
One-Time Appropriations	(171)	(171)	(341)
Carried Forward from F.Y. 1994	(2,550)	(2,550)	(5,100)
Sunset Program/Agency	(2,167)	(2,167)	(4,334)
Base Transfer from LGTF	0	326	326
Documented Rent/Lease Inc	671	1,087	1,758
Base Transfer to Attorney General	<u>(296)</u>	<u>(296)</u>	<u>(592)</u>
<u>CURRENT SPENDING</u>	\$72,854	\$73,596	\$146,450
<u>AGENCY DECISION ITEMS:</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN</u>	\$72,854	\$73,596	\$146,450
<u>GOVERNOR'S INITIATIVES:</u>			
Business Process Investment	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>
GOVERNOR'S RECOMMENDATIONS	\$72,854	\$73,596	\$146,450

Brief Explanation of Agency Plan:

- The budget is decreased by \$171,000 to reflect the agency's completion of the tasks associated with 1994 Omnibus Tax Bill (Ch. 587, Art. 12, Sec. 23) funding.
- Carry forward adjustments from F.Y. 1994 include \$210,000 for agency operating fund; \$217,000 for 1993 Omnibus fund; and \$2,123,000 for Minnesota Collection Entity (MCE) and accounts receivable (A/R) special funds financed by the Department of Finance (DOF).
- The sunset program adjustment relates to the MCE project financed by DOF.

- For F.Y. 1997, the plan includes a transfer of \$326,000 from the Local Government Trust Fund (LGTF) to the general operating fund due to the elimination of the LGTF (1994 Omnibus Tax Bill - Ch. 587, Art. 3, Sec. 20).

- The plan includes rent increases of \$671,000 for F.Y. 1996 and \$1,087,000 for F.Y. 1997.

- The plan includes a transfer of \$296,000 from this agency's base to the Attorney General budget.

Revenue Summary:

No impact on revenue is anticipated.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

While the Governor believes the Business Process Investment initiative has merit, his recommendation has been withdrawn to fund higher priorities elsewhere in the budget.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of

Fund: Health Care Access

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$1,800	\$1,800	\$3,600
<u>BASE ADJUSTMENT:</u>			
Carried Forward from F.Y. 1994	(431)	(431)	(862)
Documented Rent/Lease Inc	<u>6</u>	<u>12</u>	<u>18</u>
<u>CURRENT SPENDING</u>	\$1,375	\$1,381	\$2,756
<u>AGENCY DECISION ITEMS:</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>AGENCY PLAN</u>	\$1,375	\$1,381	\$2,756
<u>GOVERNOR'S INITIATIVES:</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GOVERNOR'S RECOMMENDATIONS	\$1,375	\$1,381	\$2,756

Brief Explanation of Agency Plan:

- The plan includes rent increases of \$6,000 for F.Y. 1996 and \$12,000 for F.Y. 1997.

Revenue Summary:

No impact on revenue is anticipated.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan.

AGENCY: Revenue, Department of

AGENCY DESCRIPTION:

The Minnesota Department of Revenue's mission is to **win taxpayer compliance** with Minnesota's tax system.

The department budget is organized into 6 areas. The budget areas are associated with 3 principal tax systems and 3 tax system support areas.

Tax Systems:

1. Income Tax System
2. Sales and Special Taxes System
3. Property Tax and State Aid System

Tax System Support Areas:

4. Tax Operations
5. Legal and Research
6. Administrative Support

Our vision for the Department of Revenue is closely tied to 2 of the vision statements set forth in the Minnesota Milestones: "Our economic activity will create wealth and provide a good standard of living for all our people," and "our government will be responsive, effective and close to the people." Our vision, as described in the department's strategic plan, is of a tax system that is fair, efficient, reliable, competitive and understandable, in both structure and in operation. We envision a system where people pay their fair share of taxes, have a say in the decisions that affect them, and believe that they get fair value for their tax dollars.

AGENCY CHALLENGES:

In developing our policies and strategies for the future, we anticipate the following challenges.

- *Changing profile of individual and business taxpayers.* Costs of taxpayer mobility on service, compliance and administration: increasingly, people work in one state and live in another, or live in more than one location; many corporations and businesses provide goods and services in many states and/or countries. The steady growth of our over-65 population, our increasingly diverse population, and the greater variety in family composition are some of the demographic changes that must be considered.
- *Changes in technology.* Increasingly, financial transactions will be made electronically, and records of the transactions will be processed, stored and retrieved electronically. We will continue to integrate new technology relating to electronic payment and filing into our operations. In addition, we will need to replace outdated computer systems and develop new ways to audit electronic filing and payment systems. Electronic filing and payment systems will decrease the time required for processing and recording taxpayer transactions. As a result,

information will be available sooner to department employees, taxpayers and policy makers, and processing costs will be reduced over the long term. In developing computer systems, using new technology will require continual upgrading of existing computer hardware.

- *Complex tax system.* Citizen participation in government is impeded by the complexities of the current tax system and the methods by which local government services are financed. The department needs to continue to work in close cooperation with tax policy makers and local units of government to develop ways to increase understandability, accountability and efficiency in the state's tax system.
- *Pending court cases.* Court cases in Minnesota, other states, or at the federal level, can greatly add to the burden of administering the tax system. Court decisions that are contrary to our interpretation of the law or that find a tax statute unconstitutional often require that we seek corrective legislation; draft rules clarifying our position; address additional appeals resulting from the decision; correct forms and instructions; and process refund claims based on the decision. For example, in "Cambridge Bank v. The Commissioner of Revenue," the U.S. Supreme Court found a provision of our tax law unconstitutional. The department is required to audit and process approximately 5,000 refund applications with potential refunds of several hundred million dollars.
- *Changes in the role and funding of government.* The changing economic climate and taxpayer resentment about large and complex public service systems and institutions are bringing the performance of government under greater scrutiny. At the same time, those forces are generating creative and unconventional arrangements for delivery of public services. Taxpayers expect their dollars to be invested efficiently and effectively. Government agencies are finding new ways to meet that expectation, such as forming partnerships with other levels of government and the private sector, exploring options for user funding, and developing a customer-service orientation.
- *Opportunities for reducing taxpayer burden and overall state costs.* Information technology and interagency cooperation can reduce both the real burden and negative feelings of taxpayers involved in similar processes with multiple agencies. For example, a consolidated business registration process for new businesses could allow many agencies to gather information from a single business registration form, while reducing the number of separate applications and identification numbers the business has to deal with. Similarly, consolidating payroll tax returns for unemployment compensation and income tax withholding could benefit both government and taxpayers. These changes may require seed money for systems changes and information sharing, but hold promise for streamlining taxpayer services and holding costs down.
- *Statewide Systems Project (SSP).* The Department of Revenue is combining the implementation of the financial systems applications developed by SSP with the design of new department management information systems, and the redesign of business processes. Major budgetary impacts could be experienced in the areas of training, equipment, data analysis, and staffing. Additional expenses may be realized as the Department of Finance begins to assess transaction costs after the first year.

AGENCY: Revenue, Department of
(Continuation)

- The budget is decreased by \$171,000 to reflect the agency's completion of the tasks associated with 1994 Omnibus Tax Bill (Ch. 587, Sec. 23) funding.

GOVERNOR'S RECOMMENDATION:

While the Governor believes the Business Process Investment initiative has merit, his recommendation has been withdrawn to fund higher priorities elsewhere in the budget.

AGENCY STRATEGIES:

The strength of the state's tax system depends on taxpayers voluntarily complying with the tax laws. In administering this system, the department is responsible for supporting both taxpayers and the Minnesota Tax System itself. To do so, we have identified a five-stage "winning compliance cycle," common to all tax systems, that begins with sound policy and includes education, service, feedback, and progressive enforcement:

1. We work to develop sound tax policy, based on principles of fairness, efficiency, reliability, competitiveness, and understandability.
2. We educate taxpayers about their obligations and rights under the state's tax laws, and the consequences of non-compliance.
3. We serve our customers--taxpayers--to help them comply with the tax laws by providing understandable, accurate and timely forms and instructions; responding promptly to taxpayer questions; processing taxpayer transactions timely, efficiently and accurately; maintaining taxpayer records; and promptly depositing tax payments.
4. We give feedback to taxpayers through auditing and other means on how well they are complying with their tax obligations. We also develop and share information on the extent of compliance and on the performance of the Minnesota Tax System.
5. We use progressively tougher enforcement measures as necessary when taxpayers fail to meet their obligations to accurately file and pay, individually tailoring our response as much as possible.

REVENUE SUMMARY:

All funds in the budget are appropriated by the legislature.

SUMMARY OF BUDGET REQUEST:

- The budget plan includes \$6,217,684 (\$3,108,842 for each fiscal year) for 1993 legislative initiatives funding from the general operating fund.
- For F.Y. 1997, the plan includes a transfer of \$326,000 from the Local Government Trust Fund (LGTF) to the general operating fund.
- The plan includes rent expense increases of \$683,000 for F.Y. 1996 and \$1,110,000 for F.Y. 1997.
- The plan includes a transfer of \$296,000 from our base funding to the Attorney General budget.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF

				FY 1996			FY 1997		
			Est.						
PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
MINN TAX SYSTEM MGMT	75,269	76,898	83,848	78,217	78,217	78,217	78,644	78,644	78,644
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	75,269	76,898	83,848	78,217	78,217	78,217	78,644	78,644	78,644
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	534	249	403	326	326	326			
GENERAL	70,430	71,463	77,367	72,854	72,854	72,854	73,596	73,596	73,596
HEALTH CARE ACCESS	367	1,157	1,800	1,375	1,375	1,375	1,381	1,381	1,381
HGHWY USER TAX DISTR	1,715	1,631	1,718	1,682	1,682	1,682	1,687	1,687	1,687
ENVIRONMENTAL	44	91	92	92	92	92	92	92	92
METRO LANDFILL CONTN	45								
OPEN APPROPRIATIONS:									
GENERAL	1,446	452	1,100	1,100	1,100	1,100	1,100	1,100	1,100
STATUTORY APPROPRIATIONS:									
GENERAL	181	1,471	780	200	200	200	200	200	200
SPECIAL REVENUE	458	355	538	538	538	538	538	538	538
FEDERAL	49	29	50	50	50	50	50	50	50
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	75,269	76,898	83,848	78,217	78,217	78,217	78,644	78,644	78,644
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	976.0	1,158.6	1,163.8		1,163.8		1,163.8		
TEMP/SEAS/PART_TIME	161.9	139.6	136.5		136.5		136.5		
OVERTIME	5.5	6.2	6.1		6.1		6.1		
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	1,143.4	1,304.4	1,306.4		1,306.4	1,306.4	1,306.4	1,306.4	1,306.4

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: REVENUE, DEPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	83,848	83,848	79,247	79,247	4,551	4,551	50	50
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<171>	<171>	<171>	<171>				
APPROPRIATIONS CARRIED FWD	<3,100>	<3,100>	<2,550>	<2,550>	<550>	<550>		
SUNSET PROGRAM/AGENCY	<2,747>	<2,747>	<2,747>	<2,747>				
BASE TRANSFER (BTWN FUNDS)				326		<326>		
DOCUMENTED RENT/LEASE INC/DEC	683	1,110	671	1,087	12	23		
ATTORNEY GENERAL COSTS	<296>	<296>	<296>	<296>				
SUBTOTAL BASE ADJ.	<5,631>	<5,204>	<5,093>	<4,351>	<538>	<853>		
CURRENT SPENDING	78,217	78,644	74,154	74,896	4,013	3,698	50	50

1996-97 Biennial Budget

PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

PROGRAM DESCRIPTION:

Minnesota Tax System Management is composed of 3 tax systems: Income, Sales and Property. The income tax system include taxes on individuals, corporations, payroll, small businesses, partnerships, fiduciaries, estates, limited liability companies, and refunds. The sales tax system includes sales and use taxes, petroleum tax, special taxes, and MinnesotaCare. The property tax system includes property tax and the state aid program. The Department of Revenue (DOR) managed over 150 separate taxes during F.Y. 1994. Also during F.Y. 1994, the income tax system served over 3 million taxpayers; the sales tax system served close to 200,000 businesses that collect the tax on behalf of the state; and the property tax system served over 4,800 county, city, town, school district and special taxing districts.

The tax systems are supported by collections, communications, computer systems support, document processing, revenue accounting, taxpayer registration, maintenance and security of taxpayer records (both paper and electronic), legal services, tax research, and administrative support.

In addition to St. Paul, the DOR has offices in 18 regional sites located throughout Minnesota and 8 out-of-state offices located in Chicago, Cleveland, Dallas, Los Angeles, New York, St. Louis, San Francisco and Washington.

This program encompasses all areas of the compliance cycle. To start the cycle, tax laws and current policy are analyzed to define taxpayer obligations and rights. Forms, instructions and other informational material are created to educate taxpayers about their obligations. Taxpayer inquiries, correspondence and payments are processed, edited and stored. Audit activities provide the taxpayer with feedback on whether or not tax obligations are being met. And, collection and non-filer activities are performed on non-compliant taxpayers.

The issues associated with tax system management:

- *Expansion of business activity beyond state and national borders.* Because more and more businesses are national and even international in scope, an increasing number of transactions are occurring across state and national borders. Many of these transactions are made by means of mail order catalogues and by telecommunications. These two factors make it more difficult for states to detect transactions and determine responsibility for the payment of taxes. This requires us to work for increased cooperation among states, including the formation of partnerships with other states to develop more uniform reporting and record-keeping procedures, better methods for the exchange of information, and expanded information and education programs.
- *Increased legal challenges.* Businesses are more aggressively challenging state tax laws. The department must continually seek to clarify existing laws, rules, and regulations, and develop new ones that are clear and unambiguous. Many of these new tax law challenges are coming from businesses seeking to minimize their tax burdens.
- *Increased complexity of tax system.* In the current environment of constrained public resources,

the legislature is expanding the use of earmarked, special-purpose taxes. These taxes are often limited to specific industries or products, such as legal gambling and health care provider taxes. As a result, they tend to have higher costs per dollar collected than broad-based general taxes.

- *Customer Service.* The *revenue representative* concept currently being implemented by the DOR will enhance customer service by providing improved taxpayer service for all types of needs for information, assistance, and feedback.
- *Technology.* Offering our taxpayers the latest methods for filing, paying and getting information puts a strain on departmental resources and adds to our concern for effective taxpayer service. Although electronic funds transfer and electronic filing have the potential for improving efficiency in the department, many taxpayers are unable or unwilling to jump into the technological age. The department, therefore, must maintain two separate systems for filing and paying--the traditional paper-based system and the modern electronic system.
- *Compliance Research.* The level of voluntary compliance has a profound effect on departmental efficiency and tax collection. Although most taxpayers pay their taxes voluntarily, a substantial amount of revenue is lost to the state each year because of willful tax evasion--over \$300 million in income taxes alone. Much of this tax cannot be collected by traditional auditing methods, which are expensive at best. Therefore, the department is developing a research program to test methods for improving voluntary compliance.

PROGRAM STATUS:

All of the tax system activities interact in a cyclical relationship in order to maximize tax compliance so that state and local government services are funded.

The purpose of the winning compliance cycle is to achieve the following outcomes, which we believe are essential to winning compliance:

1. The tax system: The tax system is fair, efficient, reliable, competitive, and understandable in structure and operation.
2. Compliance: Taxpayers are complying with the tax laws, everyone pays his or her fair share of taxes--neither more nor less than is owed.
3. Departmental systems: We are performing our work with speed, accuracy, at the least cost, and with minimal taxpayer burden.
4. Customer service: Our customers' needs are identified and met.
5. Confidence in the tax system: Citizens and their elected representatives have confidence in and an understanding of Minnesota's tax system.

PLANNED RESULTS:

The agency budget plan will enable the reported performance measures from the 1994 Annual Performance Report to be accomplished or accelerated as follows:

- Increase the percentage of taxpayers filing timely with full payment.

1996-97 Biennial Budget

PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of
(Continuation)

- Increase the percentage of delinquent taxes that are collected.
- Increase the percentage of taxes paid using electronic funds transfer (EFT).
- Reduce taxpayer filing errors by improving taxpayer education through better services, forms and information.
- Increase the number of non-filers discovered and the percentage who file in the next year.
- Continue tax compliance research to determine what agency actions increase voluntary compliance.

BUDGET AND REVENUE SUMMARY:

- Reallocate funds necessary to implement the Statewide Systems Project (SSP) computer systems for human resource, procurement and accounting; and, in order to leverage SSP implementation at the Department of Revenue, design management information systems and redesign related business processes.
- Increase our compliance research activities to better understand the nature and scope of non-compliance.
- Reallocate funds for service improvements relating to withholding tax. Continue to work with federal and state agencies to streamline wage reporting, filing and paying into one nationwide data base.
- Improve taxpayer service in the sales tax area by providing information tailored to needs of taxpayer groups and, in general, enter into partnerships with state agencies and local governments to reduce duplication of functions, information gathering, and reporting.
- Refine current electronic funds transfer and electronic filing systems to increase taxpayer availability, efficiency, accuracy and speed, and to decrease costs.

GOVERNOR'S RECOMMENDATION:

While the Governor believes the Business Process Investment initiative has merit, his recommendation has been withdrawn to fund higher priorities elsewhere in the budget.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
INCOME TAX SYSTEM	9,820	10,937	11,704	11,502	11,502	11,502	11,502	11,502	11,502
SALES TAX SYSTEM	16,296	14,017	15,359	14,582	14,582	14,582	14,593	14,593	14,593
PROPERTY TAX SYSTEM	3,118	3,033	2,938	2,880	2,880	2,880	2,880	2,880	2,880
TAX SYSTEMS OPERATIONS	32,656	35,506	38,960	33,991	33,991	33,991	33,991	33,991	33,991
LEGAL & RESEARCH SERVICES	3,734	3,678	4,127	3,831	3,831	3,831	3,831	3,831	3,831
ADMINISTRATIVE SUPPORT	9,645	9,727	10,760	11,431	11,431	11,431	11,847	11,847	11,847
TOTAL EXPENDITURES BY ACTIVITY	75,269	76,898	83,848	78,217	78,217	78,217	78,644	78,644	78,644

SOURCES OF FINANCING:

DIRECT APPROPRIATIONS:

LOCAL GOVT TRUST	534	249	403	326	326	326			
GENERAL	70,430	71,463	77,367	72,854	72,854	72,854	73,596	73,596	73,596
HEALTH CARE ACCESS	367	1,157	1,800	1,375	1,375	1,375	1,381	1,381	1,381
HGHWY USER TAX DISTR	1,715	1,631	1,718	1,682	1,682	1,682	1,687	1,687	1,687
ENVIRONMENTAL	44	91	92	92	92	92	92	92	92
METRO LANDFILL CONTN	45								
OPEN APPROPRIATIONS:									
GENERAL	1,446	452	1,100	1,100	1,100	1,100	1,100	1,100	1,100
STATUTORY APPROPRIATIONS:									
GENERAL	181	1,471	780	200	200	200	200	200	200
SPECIAL REVENUE	458	355	538	538	538	538	538	538	538
FEDERAL	49	29	50	50	50	50	50	50	50
TOTAL FINANCING	75,269	76,898	83,848	78,217	78,217	78,217	78,644	78,644	78,644

FTE BY EMPLOYMENT TYPE:

REGULAR	976.0	1,158.6	1,163.8		1,163.8		1,163.8		
TEMP/SEAS/PART_TIME	161.9	139.6	136.5		136.5		136.5		
OVERTIME	5.5	6.2	6.1		6.1		6.1		
TOTAL FTE	1,143.4	1,304.4	1,306.4		1,306.4	1,306.4	1,306.4	1,306.4	

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1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE, DEPT OF
PROGRAM: MINN TAX SYSTEM MGMT
ACTIVITY: TAX SYSTEMS OPERATIONS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	19,425	20,027	23,987	21,875	21,875	21,875	21,875	21,875	21,875
EXPENSES/CONTRACTUAL SRVCS	8,746	10,468	11,105	8,506	8,506	8,506	8,506	8,506	8,506
MISC OPERATING EXPENSES	2,189	2,470	2,300	2,162	2,162	2,162	2,162	2,162	2,162
SUPPLIES/MATERIALS/PARTS	909	1,216	527	457	457	457	457	457	457
CAPITAL EQUIPMENT	1,385	1,323	641	591	591	591	591	591	591
OTHER	2	2	400	400	400	400	400	400	400
SUBTOTAL STATE OPERATIONS	32,656	35,506	38,960	33,991	33,991	33,991	33,991	33,991	33,991
TOTAL EXPENDITURES	32,656	35,506	38,960	33,991	33,991	33,991	33,991	33,991	33,991
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
LOCAL GOVT TRUST	250		183	183	183	183			
GENERAL	30,444	33,228	36,419	32,030	32,030	32,030	32,213	32,213	32,213
HEALTH CARE ACCESS	39		118	118	118	118	118	118	118
OPEN APPROPRIATIONS:									
GENERAL	1,446	452	1,100	1,100	1,100	1,100	1,100	1,100	1,100
STATUTORY APPROPRIATIONS:									
GENERAL	174	1,471	780	200	200	200	200	200	200
SPECIAL REVENUE	303	355	360	360	360	360	360	360	360
TOTAL FINANCING	32,656	35,506	38,960	33,991	33,991	33,991	33,991	33,991	33,991
FTE BY EMPLOYMENT TYPE:									
REGULAR	403.6	503.5	505.6		505.6			505.6	
TEMP/SEAS/PART_TIME	125.0	120.2	117.1		117.1			117.1	
OVERTIME	5.0	6.2	6.1		6.1			6.1	
TOTAL FTE	533.6	629.9	628.8		628.8	628.8		628.8	628.8

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F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Revenue, Department of
PROGRAM: Minnesota Tax System Management
ACTIVITY: Tax Operations

ITEM TITLE: Business Process Investment

	1996-97 Biennium		1998-99 Biennium	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected:

GOVERNOR'S RECOMMENDATION:

The Department of Revenue had requested funds for the development of an automated system, replacing outdated manual systems, to 1) record taxpayer filing information, 2) record taxpayer payments, and 3) deposit payments. The new system would substantially increase accuracy and decrease overall processing time. In addition, this system would enable expansion of the Department of Revenue's (DOR) current electronic filing and electronic funds transfer systems.

While the Governor believes the Business Process Investment initiative has merit, his recommendation has been withdrawn to fund higher priorities elsewhere in the budget.

RATIONALE:

The Document Processing Division processes all payments and nearly all of the tax returns for the 3 DOR tax systems (Income Tax, Sales and Special Taxes, Property Tax and State Aid). The current manual processes are not as accurate, efficient, and timely as other department automated systems. Errors and delays introduced at this initial stage of the processing cycle are compounded as information moves through the rest of the process, creating inaccurate individual taxpayer accounts. This results in an increasing need for corrective activities such as communications with taxpayers and adjustments to accounts, as well as delays with refunds and in collecting underpayment.

PROGRAM OUTCOMES:

- More accurate taxpayer accounts and revenue data.
- Revenue and tax data available more quickly.
- Reduction of processing costs.
- Ability to record additional filing and payment information.
- Reduction in the risk of failure of aging hardware and software.

LONG-TERM IMPACT:

An automated system enables more taxpayers to use electronic technologies in filing returns and remitting payments. For some taxpayers, especially businesses filing withholding for example, these alternatives are convenient, easy, and cost effective. The state benefits from electronic filing and electronic payments because taxpayer remittances are deposited more quickly, returns are more accurately filed due to correction of arithmetic errors before filing, and account information used to assist the taxpayer is available more quickly.

Even though electronic transmission of all data to the Department of Revenue is desirable, it will not occur in the near future because of the cost to and the limited technical capacity of some of the department's taxpayers. Given this likelihood, the state and the taxpayers still benefit from automation that simplifies the recording of information from paper forms and checks, provides immediate account information, and serves as a transition to future automation.

This automated system across tax types will be easier to use than the current manual system. The long delays, mundane jobs, and high costs associated with the recording and retrieval of paper documents are greatly decreased as the ability to process and store documents electronically is increased. This investment moves Minnesota tax processing in the same direction as the IRS, which is increasing electronic technologies and planning to receive all withholding information electronically by 2001.

1996-97 Biennial Budget

REVENUE:

BUDGET ACTIVITY: Legal and Research
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of

None.

ACTIVITY DESCRIPTION:

Legal and Research includes the legal services, appeals, criminal investigations, and tax research functions. Legal Services provides legal support to the tax systems through research and analysis of tax laws and policy, and represents the department at contested administrative and rule making hearings. Legal Services also drafts legislation, administrative rules and revenue notices. Administrative appeals are provided to taxpayers who are appealing audits or penalty determinations to ensure that tax assessments are accurate and conform to law. Investigations of activities that may be criminal in nature are conducted in support of the overall effort to improve compliance with the tax system.

Tax Research assists in the development of tax policy through objective research, analysis and measurement of tax and revenue information. Tax Research publishes many reports, such as the Tax Incidence Study and the Tax Expenditure Study, that help to measure the performance of state and local tax systems. Many of these reports are mandated by legislature. Tax Research also supports the state revenue forecast by measuring revenues from specific tax sources and by creating an annual income tax sample.

Customers of this activity include the legislature, Department of Finance, other state and local agencies, taxpayers and taxpayer representatives, and other activities within the Department of Revenue (DOR).

BUDGET ISSUES:

This activity provides the legal and research support for the complex and frequently changing state and local tax laws. Each year, many new tax laws are created or proposed while hundreds of amendments are made to existing laws. Demands for services from Legal and Research have surpassed the capacity of the current staff. The activity will prioritize its resources to best support the mission of the DOR.

- The legislature and other customers have significantly increased their requests for research and analysis of tax information, mandated tax studies, and reporting requirements beyond the resources of tax research. To meet this demand, services in tax research that do not support the direct activities of the DOR will need to be reduced.
- Funding for audit and collection activities was increased in F.Y. 1994-95. This increased activity has resulted in a growing backlog in administrative appeals and the inability to finalize appeals within established time lines.
- Legal services will be shifted away from direct customer service activities in order to meet the growing requirements for administrative rules and revenue notices.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AMATEUR SPORTS COMMISSION
PROGRAM: AMATEUR SPORTS COMMISSION
ACTIVITY: AMATEUR SPORTS COMMISSION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	317	332	363	350	412	412	350	412	412
EXPENSES/CONTRACTUAL SRVCS	63	49	57	53	63	63	53	63	63
MISC OPERATING EXPENSES	34	47	32	32	43	43	32	46	46
SUPPLIES/MATERIALS/PARTS	10	7	12	12	14	14	12	14	14
CAPITAL EQUIPMENT	20	8	6	6	24	24	6	9	9
SUBTOTAL STATE OPERATIONS	444	443	470	453	556	556	453	544	544
LOCAL ASSISTANCE			750	750	750	750	750	750	750
TOTAL EXPENDITURES	444	443	1,220	1,203	1,306	1,306	1,203	1,294	1,294
AGENCY PLAN ITEMS:			FUND						
3% SMALL AGENCY INCREASE			GEN		3			6	
TARGET CENTER PROGRAMMING			GEN		100			85	
TOTAL AGENCY PLAN ITEMS					103			91	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	444	443	470	453	556	556	453	544	544
OPEN APPROPRIATIONS:									
GENERAL			750	750	750	750	750	750	750
TOTAL FINANCING	444	443	1,220	1,203	1,306	1,306	1,203	1,294	1,294
FTE BY EMPLOYMENT TYPE:									
REGULAR	7.1	7.0	7.0		9.0			9.0	
TEMP/SEAS/PART TIME	1.0	1.3	1.3		1.3			1.3	
TOTAL FTE	8.1	8.3	8.3		10.3	10.3		10.3	10.3

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: AMATEUR SPORTS COMMISSION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	470	470	470	470				
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<17>	<17>	<17>	<17>				
SUBTOTAL BASE ADJ.	<17>	<17>	<17>	<17>				
CURRENT SPENDING	453	453	453	453				

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC EMPLOYEE RETIREMENT ASSOCIATION
PROGRAM: PUBLIC EMPLOYEE RETIREMENT ASSOCIATION
ACTIVITY: PERA ADMINISTRATION

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	2,680	2,838	3,221	3,221	3,221	3,221	3,221	3,221	3,221
EXPENSES/CONTRACTUAL SVCS	1,130	1,224	1,986	1,313	1,272	1,272	1,318	1,277	1,277
MISC OPERATING EXPENSES	402	454	664	616	616	616	616	616	616
SUPPLIES/MATERIALS/PARTS	95	121	128	128	128	128	128	128	128
CAPITAL EQUIPMENT	26	166	402	96	96	96	96	96	96
OTHER	2,627	2,845	3,318	3,318	3,430	3,430	3,318	3,430	3,430
SUBTOTAL STATE OPERATIONS	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
TOTAL EXPENDITURES	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
AGENCY PLAN ITEMS:			FUND						
ADJUST ALLOTMENT FOR ATT GEN COSTS			PER		26			26	
ADJUST ALLOTMENT FOR STATE INDIRECT COSTS			PER		45			45	
TOTAL AGENCY PLAN ITEMS					71			71	
SOURCES OF FINANCING:									
STATUTORY APPROPRIATIONS:									
PUBLIC EMP RET ASSOC	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
TOTAL FINANCING	6,960	7,648	9,719	8,692	8,763	8,763	8,697	8,768	8,768
FTE BY EMPLOYMENT TYPE:									
REGULAR	62.9	63.8	63.8		63.8			63.8	
TEMP/SEAS/PART_TIME	.9	2.2	2.2		2.2			2.2	
OVERTIME	2.1	2.7	2.7		2.7			2.7	
TOTAL FTE	65.9	68.7	68.7		68.7	68.7		68.7	68.7

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Public Employees' Retirement Association
PROGRAM: PERA Police & Fire Retirement Fund

ITEM TITLE: Reduce Employer and Employee Contribution Rates

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$1,404	\$1,404	\$1,404
Statutory Change? Yes <u>X</u> No <u> </u>				
If yes, statute(s) affected: M.S. 353.65, subdivisions 1,2, and 3				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the contribution rates to the Police & Fire Fund administered by the Public Employees' Retirement Association (PERA). Employer contributions should be reduced 1.03% and the employee rate by 0.69%. An indirect effect of this change is an increase in revenues to the General Fund of \$1,404,000 for the biennium.

RATIONALE:

The PERA Police & Fire Retirement Fund exists to provide retirement, survivor and disability benefits to all full-time and certain part-time police officers and firefighters who are not participants in any other local retirement fund in the state. Contributions to the fund are established under M.S. 353.65.

According to the most recent actuarial valuation for the plan by the consulting actuary for the Legislative Commission on Pensions and Retirements, the contribution rates are in excess of the level required to retire all the unfunded liabilities of the plan by the amortization target date of 2020. This contribution sufficiency represents unnecessary costs to employers and employees to fund the benefits under the plan, and rates should therefore be modified.

Current law provides that beginning 7-1-94, the rates are automatically adjusted downward after 4 continuous years of contribution sufficiencies at or above 0.5% of annual covered payroll (M.S. 353.65, subd.3).

The Governor proposes elimination of the automatic adjustment mechanism in statute, since it does

not, as structured, adjust rates quickly enough to alleviate problems caused by sufficiencies nor deficiencies in contribution rates. Permitting the current sufficiency in contribution rates to persist for 4 consecutive years implies that employers and employees could, *ceteris paribus*, contribute \$23,839,000 more than is required in the 1996-99 period. This section of statute should be eliminated. Ultimately, the Governor believes modification of contribution rates should be initiated by retirement fund boards, subject to approval by the Legislative Commission on Pensions and Retirements, rather than through the current inefficient process, which requires changes to statute for most funds.

For most of the municipalities participating in the fund, the amount of Police State Aid distributed by the Department of Revenue is already in excess of the amount required to meet their annual employer obligations to the plan. This excess is collected by the Public Employees' Retirement Association and deposited back into the General Fund as a non-dedicated receipt on a one year lagged basis. The net projected effect of reducing the employer contribution rate is an increase in these excess aid revenues of \$1,404,000 in F.Y. 1997.

STATISTICS:

Contribution Rates - Adjustment Determination

	<u>Current</u>	<u>Required</u>	<u>Reduction</u>
Employee	7.6%	6.91%	(0.69)%
Employer	11.4%	10.37%	(1.03)%
Total	19.00%	17.28%	(1.72)%

Excess Police State Aid Collections Impact

	<u>1996</u>	<u>1997</u>
Current law forecast of excess	\$3,100,000	\$3,100,000
<u>Change from reduced employer rate</u>	<u>-0-</u>	<u>1,404,000</u>
Total	\$3,100,000	\$4,504,000

Local Government Budget Effect

	<u>Biennial Savings</u>	
	<u>1996-97</u>	<u>1998-99</u>
Reduced employer contributions	\$6,689,000	\$7,589,000

PROGRAM IMPACT:

There is no adverse impact to the Police & Fire Retirement Fund. The Governor's recommendation assures adequate contributions to the fund, and revenues remain adequate to pay the cost of all benefits promised under the plan.

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1996-97 Biennial Budget

AGENCY: Teachers' Retirement Association (TRA)

AGENCY DESCRIPTION:

The mission of the Teachers' Retirement Association (TRA) is to provide a secure and dependable source of retirement income for its members.

To accomplish its mission, TRA will:

1. Reliably receive and account for retirement contributions, precisely and dependably disburse benefits and maintain accurate records of all related activities;
2. Provide quality services to assist members and their beneficiaries in understanding and using the TRA program and benefits;
3. Support the maintenance and enhancement of a high quality, well-managed teachers' retirement program.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The 3 main sources of fund revenue are employee contributions, employer contributions, and income from investments held in trust. The 3 main categories of expenses are monthly annuity benefits, refunds of employee contributions, and administration.

TRA will continue to make accurate and timely monthly benefit payments to approximately 23,000 benefit recipients. Approximately 1,500 new retirees are expected annually. TRA provides pre-retirement counseling services in the TRA office and at 16 outstate counseling sites. In fiscal 1993, TRA conducted 3,856 individual counseling sessions. TRA provides annual statements of account to over 65,000 active members. These statements provide a summary of current account status and projected pension benefits.

Membership Profile

<u>As of June 30</u>	<u>Active Members</u>	<u>Inactive Members</u>	<u>Benefit Recipients</u>
1993	65,268	20,309	20,810
1992	65,557	19,242	19,212
1991	65,093	18,273	18,904
1990	64,324	17,311	17,136
1989	64,796	16,092	16,385

ISSUES AFFECTING AGENCY OPERATIONS:

Active membership has stabilized over recent years around 65,000. A growing number of inactive members has necessitated greater administrative effort in maintaining communication and current addresses on these members. Due to adverse federal tax laws and a short 3-year vesting

requirement, we expect a growing number of teachers leaving the profession to keep their account balance with TRA. These teachers are classified as inactive members. The number of benefit recipients has doubled over the last 12 years. We expect this number to grow as "baby boomers" begin to retire. Heightened awareness of retirement planning and advancement in technology have increased demands from TRA's members for greater levels of service. The TRA Board of Trustees has authorized staff to survey the membership to identify and prioritize service issues. TRA staff are analyzing technological options we have to pursue in order to meet the service demands from the expending number of retirees and their beneficiaries. Staff expect to make recommendations to the TRA Board during F.Y. 1995.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's operating budget plan.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Transportation, Department of

Fund: Municpl/St Aid-Street

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$84,268	\$84,268	\$168,536
<u>BASE ADJUSTMENT:</u>			
Ded Stat Approp Spending	<u>2,810</u>	<u>4,972</u>	<u>7,782</u>
<u>CURRENT SPENDING</u>	\$87,078	\$89,240	\$176,318
<u>AGENCY DECISION ITEMS:</u>			
<u>AGENCY PLAN</u>	\$87,078	\$89,240	\$176,318
<u>GOVERNOR'S INITIATIVES:</u>			
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$87,078	\$89,240	\$176,318

Brief Explanation of Agency Plan:

- The plan calls for directly funding State Aid Technical Assistance from the State Aid Administrative account; instead of from the Trunk Highway Fund with a following reimbursement from the State Aid Administrative account.

Revenue Summary:

There are no revenue implications from the agency actions.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Transportation, Department of (Mn/DOT)

Fund: Cnty/State Aid-Hghwy

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$278,695	\$278,695	\$557,390
<u>BASE ADJUSTMENT:</u>			
Ded Stat Approp Spending	6,947	14,373	21,320
<u>CURRENT SPENDING</u>	\$285,642	\$293,068	\$578,710
<u>AGENCY DECISION ITEMS:</u>			
<u>AGENCY PLAN</u>	\$285,642	\$293,068	\$578,710
<u>GOVERNOR'S INITIATIVES:</u>			
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$285,642	\$293,068	\$578,710

Brief Explanation of Agency Plan:

- The plan calls for directly funding State Aid Technical Assistance from the State Aid Administrative account; instead of from the Trunk Highway Fund with a following reimbursement from the State Aid Administrative account.

Revenue Summary:

There are no revenue implications from the agency actions.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION, DEPARTMENT OF

PROGRAM RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
AERONAUTICS	52,775	41,031	53,521	61,464	62,015	62,015	61,524	62,475	62,475
TRANSIT	15,660	20,196	22,244	22,606	22,606	24,106	22,606	22,606	24,106
RAILROADS & WATERWAYS	4,660	9,119	9,579	8,280	8,280	8,280	7,780	7,780	7,780
MOTOR CARRIER REGULATION	2,603	2,373	2,853	2,741	2,674	2,674	2,719	2,653	2,653
LOCAL ROADS	466,276	421,327	461,768	475,326	475,326	475,326	485,110	485,110	485,110
STATE ROAD CONSTRUCTION	487,457	459,754	491,555	480,407	480,949	524,939	476,256	476,798	521,940
STATE ROAD OPERATIONS	180,256	175,002	204,576	190,773	190,906	192,899	190,800	190,883	193,262
GENERAL SUPPORT	31,637	33,156	39,137	34,374	38,143	38,593	34,448	38,523	38,973
BUILDINGS		979							
TOTAL EXPENDITURES BY PROGRAM	1,241,324	1,162,937	1,285,233	1,275,971	1,280,899	1,328,832	1,281,243	1,286,828	1,336,299
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,926	9,557	13,555	11,146	11,146	12,646	11,146	11,146	12,646
STATE GOVT SPEC REV	798								
STATE AIRPORTS	17,363	14,405	17,349	15,399	15,950	15,950	15,399	16,350	16,350
MUNICPL/ST AID-HGHWY	112,686	80,000	85,313	87,078	87,078	87,078	89,240	89,240	89,240
CNTY/STATE AID-HGHWY	271,503	250,000	282,159	285,642	285,642	285,642	293,068	293,068	293,068
TRUNK HIGHWAY	668,628	651,713	723,825	696,808	701,185	747,618	694,783	699,417	747,388
ENVIRONMENTAL	200	46	354						
OPEN APPROPRIATIONS:									
STATE AIRPORTS	45	51	51	51	51	51	51	51	51
TRUNK HIGHWAY	2,734	2,939	3,100	3,100	3,100	3,100	3,100	3,100	3,100
HGHWY USER TAX DISTR	445	398	412	412	412	412	412	412	412
TRANSPORTATION	63	13							
STATUTORY APPROPRIATIONS:									
GENERAL		13							
MN RESOURCES		100	79						
STATE GOVT SPEC REV	84								
SPECIAL REVENUE	2,222	17,582	8,795	10,191	10,191	10,191	7,666	7,666	7,666
STATE AIRPORTS	1,087	1,446	1,773	1,580	1,580	1,580	1,640	1,640	1,640
MUNICPL/ST AID-HGHWY				1,777	1,777	1,777	1,821	1,821	1,821
CNTY/STATE AID-HGHWY				5,829	5,829	5,829	5,981	5,981	5,981
TRUNK HIGHWAY	28,709	237	921	686	686	686	686	686	686
TRANSPORTATION		14							
FEDERAL	123,671	134,083	147,216	155,941	155,941	155,941	155,919	155,919	155,919

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION, DEPARTMENT OF

				FY 1996			FY 1997		
			Est.						
PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY	1,154	340	331	331	331	331	331	331	331
GIFTS AND DEPOSITS	6								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,241,324	1,162,937	1,285,233	1,275,971	1,280,899	1,328,832	1,281,243	1,286,828	1,336,299
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	4,503.6	4,386.6	4,311.2		4,303.1			4,303.1	
TEMP/SEAS/PART_TIME	609.3	548.2	444.2		447.2			447.1	
OVERTIME	155.8	138.3	111.0		111.0			110.9	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	5,268.7	5,073.1	4,866.4		4,861.3	4,923.3		4,861.1	4,928.6

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: TRANSPORTATION, DEPARTMENT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	1,285,233	1,285,233	13,555	13,555	1,124,462	1,124,462	147,216	147,216
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<16,080>	<16,080>	<830>	<830>	<15,250>	<15,250>		
BIENNIAL APPROPRIATIONS	575	575	325	325	250	250		
APPROPRIATIONS CARRIED FWD	<36,488>	<36,488>	<1,904>	<1,904>	<34,269>	<34,269>	<315>	<315>
NON-RECURRING EXPENDITURES	<351>	<351>			<351>	<351>		
BASE TRANSFER (BTWN FUNDS)	511	707			511	707		
BASE TRANSFER (BTWN AGENCIES)	19,743	17,617			19,743	17,617		
DED STAT APPROP SPENDING	13,525	20,648			13,525	20,648		
DOCUMENTED RENT/LEASE INC/DEC	450	551			450	551		
FEDERAL RECEIPTS	8,853	8,831			<187>	<187>	9,040	9,018
SUBTOTAL BASE ADJ.	<9,262>	<3,990>	<2,409>	<2,409>	<15,578>	<10,284>	8,725	8,703
CURRENT SPENDING	1,275,971	1,281,243	11,146	11,146	1,108,884	1,114,178	155,941	155,919

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Transportation, Department of (Mn/DOT)
PROGRAM:
ACTIVITY:

ITEM TITLE: Road System Operations and Congestion Management

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
Trunk Highway Fund				
- State Operations	\$2,283	\$2,521	\$2,521	\$2,521
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
Trunk Highway Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ___ No <u>X</u>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$4,804,000 for the biennium for Road System Operations and Congestion Management.

RATIONALE:

Since 1989, Mn/DOT has experienced rapid expansion with programs relating to traffic management and motorist information. Mn/DOT's strategic plan has been to manage traffic and optimize its highway infrastructure, through the use of more traffic management systems rather than trying to build its way out of congestion with more lanes. These traffic management systems utilize the latest electrical/electronic technologies to improve traffic flow and safety. The current freeway traffic management efforts have been successful as demonstrated by a decrease of 35% in the peak period freeway accident rate from 1988 to 1992, roadway capacity increased from 1,800 to 2,200 vehicles per lane per hour and peak period fuel consumption and air pollutant emissions have been reduced.

The roadway mileage, the number of ramp meters and detectors, the number of cameras used for surveillance and the number of changeable message signs that are part of the traffic management system is expected to quadruple from 1989 and 1997. Along with the increased number of devices, the complexity of operation and maintenance increases with the high technology equipment.

The initiative also addresses signal and lighting maintenance which is focused to improve night visibility and traffic flow. Mn/DOT experiences a consistent growth of 5% in the number of traffic signals and 4% in the number of roadway lights. Since 1990 this represents a growth of 26%. These devices are essential for the safe and efficient movement of people and goods over the major

highway arterials. Mn/DOT must maintain these devices and other traffic management devices to optimize our investments and to avoid premature failure of these systems.

These funds are requested to operate and maintain systems utilized for traffic management, motorist information, traffic control signals, roadway lighting and new technologies to reduce congestion and improve safety.

PROGRAM OUTCOMES:

The Road System Operations and Congestion Management Initiative will provide positive and tangible outcomes in Customer Focus, Integration of Transportation Modes, Service and Investment Preservation, New Technologies, Economic Development, Safety, Environment, and Collaboration and Partnering.

- 1. Customer Focus**
The operation and maintenance of traffic management systems provides valuable information to the public. We are committed to 24-hour maintenance of these systems to provide for the safe and efficient movement of people and commodities.
- 2. Integration of Transportation Modes**
These traffic management systems improve the efficiencies of existing transportation systems through the effective operation and maintenance of ramp meters, HOV lanes, traffic signals, roadway lighting and other transportation technologies.
- 3. Service and Investment Preservation**
The operations and maintenance traffic management systems are an investment of the current in-place transportation system that extends and expands the usefulness to the citizenry. Traffic congestion will be reduced, night visibility will be increased and the service life of traffic devices will be extended.
- 4. Technology**
The new technologies involved in traffic management also provide for improved efficiencies in operation and maintenance of these devices. The new systems, while more complex, once put into operation, don't require as much operational attention and are more reliable from a maintenance perspective.
- 5. Economic Development**
The effective operation and maintenance of traffic management systems improve the economic well-being of the citizenry by reducing transportation costs (reduced congestion, improved accessibility, reduced fuel consumption and air pollutant emissions and more efficient maintenance activities).
- 6. Safety**
Mn/DOT must ensure that these traffic management devices are maintained and operated to provide a safe operational transportation system to the public. New traffic management technologies provide for safer operation and maintenance practices.
- 7. Environment**
The operation and maintenance of traffic management systems help preserve the environment by reducing fuel consumption and pollution. New lighting systems are more energy efficient. Electrical maintenance activities also reduce hazardous waste.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION, DEPARTMENT OF
PROGRAM: RAILROADS & WATERWAYS

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
RAIL SERVICE IMPROVEMENTS	3,154	7,918	7,667	7,050	7,050	7,050	6,550	6,550	6,550
RAILROADS & WATERWAYS ADMIN	1,506	1,201	1,912	1,230	1,230	1,230	1,230	1,230	1,230
TOTAL EXPENDITURES BY ACTIVITY	4,660	9,119	9,579	8,280	8,280	8,280	7,780	7,780	7,780
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	257	225	890	242	242	242	242	242	242
TRUNK HIGHWAY	1,130	923	952	939	939	939	939	939	939
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	2,122	6,901	6,667	6,050	6,050	6,050	5,550	5,550	5,550
FEDERAL	1,151	1,070	1,070	1,049	1,049	1,049	1,049	1,049	1,049
TOTAL FINANCING	4,660	9,119	9,579	8,280	8,280	8,280	7,780	7,780	7,780
FTE BY EMPLOYMENT TYPE:									
REGULAR	21.9	20.7	20.0		20.0			20.0	
TEMP/SEAS/PART_TIME	2.4	2.8	2.4		2.4			2.4	
TOTAL FTE	24.3	23.5	22.4		22.4	22.4		22.4	22.4

1996-97 Biennial Budget

BUDGET ACTIVITY: Rail Service Improvement
PROGRAM: Railroads & Waterways
AGENCY: Transportation, Department of (Mn/DOT)

ACTIVITY DESCRIPTION:

The Rail Service Improvement activity preserves and improves rail lines that might otherwise be lost through abandonment when rail line viability is likely by providing loans and/or grants to regional railroad authorities, shippers, and railroad companies. It also increases rail use by providing capital improvement loans to rail shippers to improve rail shipping facilities.

In addition, this activity purchases and preserves abandoned railroad rights-of-way for potential future commercial transportation uses, including recreational trail use.

BUDGET ISSUES:

This budget activity is funded through a general obligation bond authorization. In 1982, a constitutional amendment was approved allowing the sale of \$25.5 million in bonds for rail acquisition/rehabilitation purposes. Since that time, \$18.5 million in bonds have been sold. It is expected that the balance of \$7 million in bond authority will be sold in the 1996-97 biennium.

The use of this bond authorization, in combination with federal rail service improvement grants and funding from railroads, shippers, and local units of government, has driven investments in projects totalling \$79 million. This amount includes grants totalling nearly \$2.7 million in emergency grants for railroad companies that experienced serious flood damage in 1993. The bond investments are generally made in the form of loans. Revenues from the repayment of loans under the Minnesota Rail Service Improvement program are deposited in the Minnesota Rail Service Improvement Account for future project investments. These revenues, anticipated to be approximately \$1.5 million per year, are needed to support anticipated program activities in the F.Y. 1996-97 biennium.

REVENUE:

This activity generates dedicated revenue.

	Dollars in Thousands				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Dedicated - Special	\$1,808	\$3,954	\$4,150	\$6,050	\$5,550
Federal	1,132	1,078	1,000	1,000	1,000

GRANTS:

None.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION, DEPARTMENT OF
PROGRAM: RAILROADS & WATERWAYS
ACTIVITY: RAIL SERVICE IMPROVEMENTS

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS			50	50	50	50	50	50	50
MISC OPERATING EXPENSES	3								
CAPITAL EQUIPMENT	10								
OTHER	2,530	6,009	7,117	6,500	6,500	6,500	6,000	6,000	6,000
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,543	6,009	7,167	6,550	6,550	6,550	6,050	6,050	6,050
LOCAL ASSISTANCE	611	1,909	500	500	500	500	500	500	500
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,154	7,918	7,667	7,050	7,050	7,050	6,550	6,550	6,550
SOURCES OF FINANCING:									

STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	2,053	6,901	6,667	6,050	6,050	6,050	5,550	5,550	5,550
FEDERAL	1,101	1,017	1,000	1,000	1,000	1,000	1,000	1,000	1,000
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	3,154	7,918	7,667	7,050	7,050	7,050	6,550	6,550	6,550
FTE BY EMPLOYMENT TYPE:									

TOTAL FTE									

1996-97 Biennial Budget

BUDGET ACTIVITY: Railroads & Waterways Administration
PROGRAM: Railroads & Waterways
AGENCY: Transportation, Department of (Mn/DOT)

ACTIVITY DESCRIPTION:

The railroads and waterways administration activity ensures the safe and efficient movement of goods via rail and vessels for all geographical areas and economic sectors of the state. This budget activity is accomplished by:

Promoting the safe interaction of rail transportation with highway and pedestrian movements through administration of the Federal Grade Crossing Safety Improvement Program agreements between the state, railroads, and local units of government.

Developing and maintaining comprehensive rail and water transportation plans that identify the major needs and issues of shippers, receivers, rail, and water transportation carriers and providing the basis for prioritizing those needs.

Expediting the relocation and restoration of railroad facilities and acquisition of railroad rights-of-way where affected by trunk highway construction projects.

Providing information and technical assistance to rail users who face loss of service through railroad abandonments.

Administering the Minnesota Rail Service Improvement Program, which provides for the acquisition and/or rehabilitation of rail lines and the preservation of rail rights-of-way for future transportation purposes, and for capital improvements to other rail facilities.

BUDGET ISSUES:

The Office of Railroads & Waterways' administrative budget is comprised of General Funds, trunk highway funds, and a small amount of federal funds. Current funding levels are expected to be adequate to meet current levels of service.

REVENUE:

This activity generates dedicated revenue.

	<u>Dollars in Thousands</u>				
Type of Revenue:	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Dedicated - Federal	\$21	\$30	\$36	\$49	\$49

GRANTS:

None.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION, DEPARTMENT OF
PROGRAM: RAILROADS & WATERWAYS
ACTIVITY: RAILROADS & WATERWAYS ADMIN

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,176	1,120	1,313	1,146	1,146	1,146	1,146	1,146	1,146
EXPENSES/CONTRACTUAL SRVCS	224	15	525	25	25	25	25	25	25
MISC OPERATING EXPENSES	45	43	60	51	51	51	51	51	51
SUPPLIES/MATERIALS/PARTS	13	4	6	5	5	5	5	5	5
CAPITAL EQUIPMENT	36	19	5						
OTHER			3	3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	1,494	1,201	1,912	1,230	1,230	1,230	1,230	1,230	1,230
LOCAL ASSISTANCE	12								
TOTAL EXPENDITURES	1,506	1,201	1,912	1,230	1,230	1,230	1,230	1,230	1,230
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	257	225	890	242	242	242	242	242	242
TRUNK HIGHWAY	1,130	923	952	939	939	939	939	939	939
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	69								
FEDERAL	50	53	70	49	49	49	49	49	49
TOTAL FINANCING	1,506	1,201	1,912	1,230	1,230	1,230	1,230	1,230	1,230
FTE BY EMPLOYMENT TYPE:									
REGULAR	21.9	20.7	20.0		20.0			20.0	
TEMP/SEAS/PART TIME	2.4	2.8	2.4		2.4			2.4	
TOTAL FTE	24.3	23.5	22.4		22.4	22.4		22.4	22.4

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1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION, DEPARTMENT OF
PROGRAM: LOCAL ROADS

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
COUNTY STATE AIDS	271,566	250,013	282,159	287,099	287,099	287,099	294,563	294,563	294,563
MUNICIPAL STATE AIDS	112,686	80,014	85,313	87,522	87,522	87,522	89,695	89,695	89,695
FEDERAL-COUNTY ROAD & BRIDG	80,906	90,104	93,052	95,000	95,000	95,000	95,000	95,000	95,000
STATE AID TECHNICAL ASSIST	1,118	1,196	1,244	5,705	5,705	5,705	5,852	5,852	5,852
TOTAL EXPENDITURES BY ACTIVITY	466,276	421,327	461,768	475,326	475,326	475,326	485,110	485,110	485,110
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
MUNICPL/ST AID-HGHWY	112,686	80,000	85,313	87,078	87,078	87,078	89,240	89,240	89,240
CNTY/STATE AID-HGHWY	271,503	250,000	282,159	285,642	285,642	285,642	293,068	293,068	293,068
TRUNK HIGHWAY	1,118	1,196	1,244						
OPEN APPROPRIATIONS:									
TRANSPORTATION	63	13							
STATUTORY APPROPRIATIONS:									
MUNICPL/ST AID-HGHWY				1,777	1,777	1,777	1,821	1,821	1,821
CNTY/STATE AID-HGHWY				5,829	5,829	5,829	5,981	5,981	5,981
TRANSPORTATION		14							
FEDERAL	80,906	90,104	93,052	95,000	95,000	95,000	95,000	95,000	95,000
TOTAL FINANCING	466,276	421,327	461,768	475,326	475,326	475,326	485,110	485,110	485,110
FTE BY EMPLOYMENT TYPE:									
REGULAR	20.7	20.5	24.0		44.0			44.0	
TEMP/SEAS/PART TIME	1.6	3.4	.4		3.4			3.4	
TOTAL FTE	22.3	23.9	24.4		47.4	47.4		47.4	47.4

1996-97 Biennial Budget

BUDGET ACTIVITY: County State Aids
PROGRAM: Local Roads
AGENCY: Transportation, Department of (Mn/DOT)

ACTIVITY DESCRIPTION:

The County State Aid activity represents the 29% of the highway users tax distribution fund (HUTDF) allocated to the counties. These dollars are allocated to the counties for both maintenance and construction activities on the 30,000 miles of county state aid highways. Many of the dollars spent in the rural areas are to improve the structural capacity of the roadways for the movement of goods, while the dollars spent in the metro area are more often for capacity improvements. The counties select the construction projects and maintenance activities on which to spend these dollars. Since the needs of the system are greater than the funds available, the counties select projects that have maximum benefit and, wherever possible, preserve the structure in place.

BUDGET ISSUES:

The agency budget plan will affect the delivery of these services in that the total dollars available for transportation purposes has not been increased at a rate that can keep up with the increasing needs of the aging infrastructure. The agency must assist the counties to use these dollars on the highest priority projects in their areas. Because of the limited dollars, it is likely that more money will be spent on system preservation-type projects, such as overlays, rather than on work that provides system upgrades. The 1994 Legislature increased the amount set aside for research activities from 0.25% to 0.5% of the projected revenue. In F.Y. 1996 and 1997, about \$1.2 million (\$420,000 in F.Y. 1996 and 800,000 in F.Y. 1997) will be allocated for research.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Dedicated - County State Aid	\$377	\$413	\$400	\$400	\$400
Non-dedicated - County State Aid	<u>13,153</u>	<u>10,601</u>	<u>13,000</u>	<u>16,250</u>	<u>16,250</u>
Total	\$13,530	\$11,014	\$13,400	\$16,650	\$16,650

GRANTS:

None.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION, DEPARTMENT OF
PROGRAM: LOCAL ROADS
ACTIVITY: COUNTY STATE AIDS

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
EXPENSES/CONTRACTUAL SRVCS	2,705	3,313	3,464	1,457	1,457	1,457	1,495	1,495	1,495
MISC OPERATING EXPENSES	15	9							
SUPPLIES/MATERIALS/PARTS	14	3							
OTHER	84	15							
SUBTOTAL STATE OPERATIONS	2,818	3,340	3,464	1,457	1,457	1,457	1,495	1,495	1,495
LOCAL ASSISTANCE	268,748	246,673	278,695	285,642	285,642	285,642	293,068	293,068	293,068
TOTAL EXPENDITURES	271,566	250,013	282,159	287,099	287,099	287,099	294,563	294,563	294,563
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
CNTY/STATE AID-HGHWY	271,503	250,000	282,159	285,642	285,642	285,642	293,068	293,068	293,068
OPEN APPROPRIATIONS:									
TRANSPORTATION	63	13							
STATUTORY APPROPRIATIONS:									
CNTY/STATE AID-HGHWY				1,457	1,457	1,457	1,495	1,495	1,495
TOTAL FINANCING	271,566	250,013	282,159	287,099	287,099	287,099	294,563	294,563	294,563
FTE BY EMPLOYMENT TYPE:									
TOTAL FTE									

1996-97 Biennial Budget

BUDGET ACTIVITY: Municipal State Aids
PROGRAM: Local Roads
AGENCY: Transportation, Department of (Mn/DOT)

ACTIVITY DESCRIPTION:

The Municipal State Aid activity represents 9% of the highway users tax distribution fund (HUTDF) allocated to the cities over 5,000 population. These dollars are allocated to the cities for both maintenance and construction activities on the 2,500 miles of state aid streets. Within the Twin Cities metro area, many of the projects are designed to relieve congestion, while in the rural cities they provide for the movement of goods. The cities select the construction projects and maintenance activities on which to spend these dollars. Since the needs of the system are greater than the funds available, the cities select projects that have maximum benefit and, whenever possible, preserve the structure in place.

BUDGET ISSUES:

The total dollars available for transportation purposes has not been increasing at a rate that can keep up with the increasing needs of the aging infrastructure. We must assist the cities in using these dollars on the highest priority projects in their areas. Because of the limited dollars, it is likely that more money will be spent on system preservation-type projects, such as overlays, rather than on work that provides system upgrades. The 1994 Legislature increased the amount set aside for research activities from 0.25% to 0.5% of the projected revenue. Revenues allocated for research will be \$160,000 in F.Y. 1996 and \$270,000 in F.Y. 1997.

REVENUE:

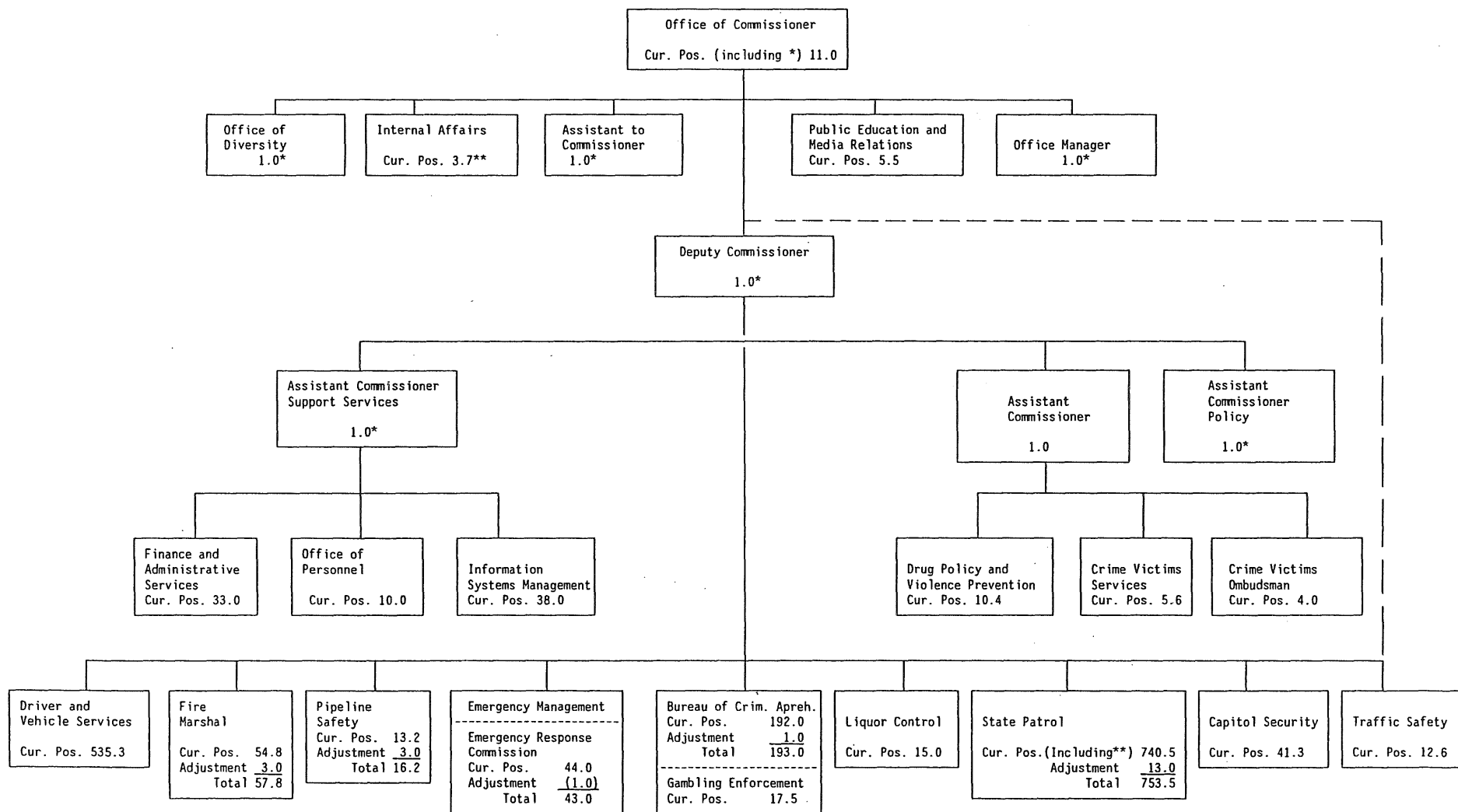
This activity generates dedicated and non-dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Dedicated-Municipal State Aid	\$2,899	\$45	\$400	\$400	\$400
Non-dedicated-Municipal State Aid	<u>8,880</u>	<u>6,065</u>	<u>7,000</u>	<u>8,750</u>	<u>8,750</u>
Total	\$11,779	\$6,110	\$7,400	\$9,150	\$9,150

GRANTS:

None.

DEPARTMENT OF PUBLIC SAFETY ORGANIZATION CHART 7/1/94



June 30, 1994, FTE: 1,649.6

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Public Safety, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
BASE YEAR (F.Y. 1995)	\$35,585	\$35,585	\$71,170
BASE ADJUSTMENT:			
One-Time Appropriations	\$(2,910)	\$(2,910)	\$(5,820)
Appropriations Carried Forward	(2,517)	(2,517)	(5,034)
Base Transfer (BTWN Agencies)	(25)	(25)	(50)
Documented Rent/Lease Increase	85	108	193
Attorney General Costs	(31)	(31)	(62)
CURRENT SPENDING	\$30,187	\$30,210	\$60,397

AGENCY DECISION ITEMS:

Annualized New Program Costs	\$100	\$100	\$200
Fire Arson Investigations	100	100	200
Federal Requirements (State Match)	15	-0-	15
Non-Dedicated Fee Spending (Up to 3%)	2	4	6
Agency Relocation/Lease Adjustment	45	48	93
Completion of Pilot Crime Fax Project	-0-	(275)	(275)
Bomb Squad Reimbursement	82	100	182
Fire Life Safety Inspections	82	82	164
AGENCY PLAN	\$30,613	\$30,369	\$60,982

GOVERNOR'S INITIATIVES:

Criminal Justice Communications Network	\$1,160	\$450	\$1,610
Flood Relief/Hazard Mitigation	719	-0-	719
BCA Lab Improvements/5 Scientists	1,151	610	1,761
Adequate Level Executive Protection	159	159	318
GOVERNOR'S RECOMMENDATIONS	\$33,802	\$31,588	\$65,390

Brief Explanation of Agency Plan:

- The agency plan calls for \$100,000 in both F.Y. 1996-97 to annualize costs for hazardous materials safety under Emergency Management. \$100,000 was provided only in F.Y. 1994 for payments to the emergency response teams for hazardous materials incidents.
- The plan calls for a state match of \$15,000 in F.Y. 1996 to complete the administration of \$12.8 million in federal hazard mitigation projects. Hazard mitigation efforts are those actions that will reduce or eliminate the long-term risk to human life and property from natural disasters.
- The plan calls for the reallocation of \$275,000 in F.Y. 1997 from the Administration and Related Services Program, the Crime Fax Project, to the Criminal Apprehension Program for the bomb squad reimbursement program for local law enforcement agencies in the amount of \$82,000 in F.Y. 1996 and \$100,000 in F.Y. 1997. The Crime Fax Project will be completed in F.Y. 1996. A system of state reimbursement of out-of-jurisdiction requests will ensure that all law enforcement agencies would be able to utilize the services of the bomb squad experts. The agency

will contract with 5 police departments with bomb disposal units to provide this service for a fee.

- The plan calls for an increase in funding of \$82,000 each year for the Fire Marshal Program/Fire Life Safety Inspection Activity. A like amount must be transferred from Fund 17—State Government Special Revenue Fund to the General Fund to cover these inspection costs. The Department of Health contracts with the Fire Marshal to conduct fire safety inspections of health care facilities to meet federal certification and state licensing requirements. The Department of Health recovers the state's portion of the inspection costs through fees. The federal share of the activity has been reduced.
- The plan calls for \$45,000 in F.Y. 1996 and \$48,000 in F.Y. 1997 for lease adjustments related to the agency relocation of the Office of Drug Policy and Violence Prevention, Crime Victims Services, and Crime Victims Ombudsman. The Drug Policy and Violence Prevention Program was relocated with other programs from the Transportation Building to downtown St. Paul in February of 1994. Crime Victims Services and Crime Victims Ombudsman were moved to St. Paul in January of 1994 due to environmental and safety problems with the Midway location.
- The plan calls for an increase in funding in the Liquor Control Program of \$2,000 in F.Y. 1996 and \$4,000 in F.Y. 1997 to cover non-salary inflationary increases related to the liquor licensing and enforcement activities of this program. Revenues will be sufficient to cover these increases.
- The plan calls for the reallocation of \$144,000 in F.Y. 1996 and \$124,000 in F.Y. 1997 from the criminal justice records activity of the Criminal Apprehension Program to 2 other activities in this program. Of that amount, \$61,000 was reallocated in F.Y. 1996 and \$34,000 in F.Y. 1997 to the criminal justice evidence analysis activity to cover workers compensation obligations; \$83,000 in F.Y. 1996 and \$90,000 in F.Y. 1997 was reallocated to the criminal investigation activity to cover salary and other operating costs of this activity.
- The plan calls for \$100,000 in F.Y. 1996 and \$100,000 in F.Y. 1997 to fund 2 additional State Fire Marshal Arson Investigators. The 1994 projections predict a 12% increase in demand for fire investigations. This increase in arson investigators will allow state and local agencies to jointly investigate more arson cases and bring more cases to prosecution.

Revenue Summary:

- Agency plans have no impact on future revenue collections.

Affected Statutes:

- M.S. 299C.10; M.S. 3.732, subd.1(2); M.S. 176.192.
- The plan calls for a change in the criminal history record background check charge of \$8.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative Department of Public Safety General Fund funding level of \$65,390,000 for the biennium, which incorporates initiatives for the following: \$1,610,000 for the criminal justice communications network; \$719,000 for flood relief projects for hazardous mitigation; \$1,761,000 for BCA DNA laboratory improvements, including 5 forensic scientists; and \$318,000 for adequate security for executive protection.

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Public Safety, Department of

Fund: Special Revenue

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$1,338	\$1,338	\$2,676
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	\$(111)	\$(111)	\$(222)
Dedicated State Appropriation Spending	73	111	184
Attorney General Costs	<u>(3)</u>	<u>(3)</u>	<u>(6)</u>
<u>CURRENT SPENDING</u>	\$1,297	\$1,335	\$2,632
<u>AGENCY DECISION ITEMS:</u>			
Dedicated Fee Spending (over 3%)	<u>97</u>	<u>97</u>	<u>194</u>
<u>AGENCY PLAN</u>	\$1,394	\$1,432	\$2,826
<u>GOVERNOR'S INITIATIVES:</u>			
	\$-0-	\$-0-	\$-0-
GOVERNOR'S RECOMMENDATIONS	\$1,394	\$1,432	\$2,826

Brief Explanation of Agency Plan:

- The spending level was increased in the Emergency Management Program/nuclear plant preparedness activity by \$25,000 in F.Y.1996 and F.Y.1997 to cover salary and non-salary inflationary increases. \$12,000 of the increase will be allocated for grant payments to local units of government. Revenues will be sufficient to support the increase.
- The spending level was increased in the Criminal Apprehension Program/criminal justice evidence analysis activity by \$21,000 in F.Y. 1996 and \$32,000 in F.Y. 1997 to cover salary and non-salary inflationary increases related to the forensic laboratory operations. An increase in funding was provided in the criminal apprehension support activity of \$3,000 in F.Y. 1996 and \$6,000 in F.Y. 1997 for grants to local law enforcement agencies for purposes of providing funding for expenses related to long-term multi-jurisdictional investigations. In both cases, funds are sufficient to cover these increases.

- The spending level was increased in the Driver and Vehicle Services Program/vehicle registration and title activity by \$2,000 in F.Y.1996 and \$3,000 in F.Y.1997 to cover salary and non-salary inflationary increases for the bicycle registration program. Funding is sufficient to cover these increases.
- The spending level for the Pipeline Safety program was increased by \$22,000 in F.Y. 1996 and \$45,000 in F.Y. 1997 to cover salary and non-salary inflationary increases.
- The agency plan includes a \$97,000 increase for each year in the Pipeline Safety program to cover an increase in the number of required inspections. Two additional inspector positions and related expenses will be funded with this increased level of funding. An increase in inspections is required due to federal code changes that have added to the state's jurisdiction over pipeline operators. The increased costs will be recovered through quarterly billings to the pipeline operators under the pipeline inspection program.

Revenue Summary:

- Agency plans will be financed through current fund balances and by increased revenues generated by inspection activities.

Affected Statutes:

- No statutory changes are required to implement agency plans.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1996-97 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Public Safety, Department of

Fund: Trunk Highway

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
<u>BASE YEAR (F.Y. 1995)</u>	\$67,352	\$67,352	\$134,704
<u>BASE ADJUSTMENT:</u>			
Appropriations Carried Forward	\$(3,401)	\$(3,401)	\$(6,802)
Documented Rent/Lease Increase	546	576	1,122
Attorney General Costs	<u>(754)</u>	<u>(754)</u>	<u>(1,508)</u>
<u>CURRENT SPENDING</u>	\$63,743	\$63,773	\$127,516
<u>AGENCY DECISION ITEMS:</u>			
Annualized New Program Cost	\$73	\$73	\$146
Moorhead Scale/Maintain Current Trooper Staffing	654	802	1,456
Replace Intoxilyzers	<u>500</u>	<u>500</u>	<u>1,000</u>
<u>AGENCY PLAN</u>	\$64,970	\$65,148	\$130,118
<u>GOVERNOR'S INITIATIVES:</u>			
Criminal Justice Communications Network	\$677	\$568	\$1,245
Diversity, Safety, Training Programs	171	172	343
School Bus Safety	20	20	40
GOVERNOR'S RECOMMENDATIONS	\$65,838	\$65,908	\$131,746

Brief Explanation of Agency Plan:

- The agency plan calls for \$73,000 in both F.Y. 1996 and F.Y. 1997 as an annualization of costs for the commercial vehicle enforcement activity of the State Patrol Program. Funding was provided in F.Y. 1995 for 4 commercial vehicle inspector positions for 6 months. The scheduled opening of the Moorhead weigh scale has been moved to July of 1995.
- In the State Patrol Program, a \$2.1 million budget shortfall in projected personnel expenses in F.Y. 1995-97 was covered within current spending levels, in part, through the reallocation of \$1.3 million from the equipment budget. The remainder of the shortfall will be resolved by management of overtime costs and by holding 9 commercial vehicle inspector positions vacant

and 11 trooper positions vacant as retirements occur in the 1996-97 biennium. The Orchard Gardens weigh scale will be closed in the 1996-97 biennium and will be relocated in the 1998-99 biennium near the Iowa border on I-35. Some of the commercial vehicle inspectors from the Orchard Gardens scale will be transferred to the St. Croix weigh scale.

- The plan calls for \$654,000 in F.Y. 1996 and \$802,000 in F.Y. 1997 to provide 24 hour coverage at the new Moorhead weigh scale (\$381,000 in F.Y. 1996 and \$382,000 in F.Y. 1997) and to maintain the current complement of State Patrol Troopers (\$273,000 in F.Y. 1996 and \$420,000 in F.Y. 1997) on Minnesota highways. The addition of 11 new commercial vehicle inspectors at the new weigh scale facility near Moorhead will improve the safety of commercial vehicles and reduce the rate of deterioration of highways caused by overweight vehicles.
- The plan calls for \$500,000 in both F.Y. 1996 and F.Y. 1997 for the replacement of the state's intoxilyzers that are used for DWI testing. The DWI breath testing devices are over 10 years old and need to be replaced. All intoxilyzers will be replaced over a 4 year period.

Revenue Summary:

- Lost revenues from the closure of the Orchard Gardens scale will be more than offset by revenues collected from fines and penalties from the Moorhead and St. Croix weigh scales.
- Revenues are projected to increase by \$456,000 each year with the addition of 11 new commercial vehicle inspectors at the Moorhead Weigh Scale.

Affected Statutes:

- No statutory changes are required to implement agency plans.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative Department of Public Safety Trunk Highway Fund funding level of \$131,746,000 for the biennium, which incorporates initiatives for the following: \$1,245,000 for the criminal justice communications network; \$343,000 for the department's diversity, safety, and training programs; and \$40,000 for the school bus safety program..

1996-97 Biennial Budget

AGENCY: Public Safety, Department of

AGENCY DESCRIPTION:

The mission of the Department of Public Safety is to protect people and property in Minnesota through prevention, regulation, enforcement, information and service. The achievement of this mission is fulfilled through 14 programs which: utilize existing technology to communicate vital public safety issues to employees and the general public; provide coordination, training and technical assistance to the federal, state and local criminal justice agencies that utilize the criminal justice network; provide reparations and assistance for crime victims; promote a fire safe environment through education and inspection of day care, health care, schools, and other facilities; inspect intrastate pipeline operations in Minnesota on a regular schedule and enforce the laws pertaining to them; conduct investigations of legal and illegal gambling; manage liquor licensing, education, regulation and enforcement of liquor laws; provide comprehensive forensic laboratory services and DNA analysis to criminal justice agencies statewide; gather and make available information on illegal drug demand and efforts to reduce use throughout the state; provide leadership and support to all state and local units of government whose responsibilities include mitigation, preparedness, response and recovery to natural and technological disasters; enhance the safety of transportation of children by conducting inspections of school buses; reduce the number of accidents involving property damage and personal injury; and reduce the number of motor vehicle fatalities, through enforcement of Minnesota traffic laws, primarily speed, alcohol, drug impaired driving and seat belt laws.

The clientele for these programs include: federal, state and local criminal justice, fire safety, emergency management, licensing and inspection agencies; community based non-profit organizations; other government agencies; private businesses that engage in activities of public safety significance; and the general public. It also includes individuals, agencies and organizations impacted by the department's enforcement and regulatory activities.

AGENCY CHALLENGES:

The need for developing partnerships for public safety services is emphasized throughout this budget. Building relationships, supporting field operations and providing information on prevention strategies are the 3 principal components of an effective public safety agency. The following factors are shaping the development of policies and programs at the Department of Public Safety:

- **A Violent Society.** The number of violent crimes are increasing annually, particularly among the youth. Reports of domestic and child abuse, including sexual assaults on children, are increasing and have extensive cyclical impact.
- **Increase in Traffic.** The number of motor vehicles, licensed drivers and vehicle miles traveled is increasing. The number of reported accidents is up. Nearly 200 fatalities are alcohol related. The number of persons reached in safety education programs continues to increase, but only 55% of the people wear seat belts and half of the vehicles on Minnesota roadways exceed the speed limit.
- **Demands in Communications.** The criminal justice network has more than doubled in the past 4 years. Continued growth is expected, and additional national and state information projects will need to be incorporated into Minnesota's systems over the next 5 years. Many paid and unpaid jobs now require background checks for employment, licensing, and volunteer purposes,

and expansion of these mandates is expected to continue. External customer service is expected to continue to expand as demands for public data increase. Backlogs in computer applications have delayed new division projects that would enhance operations.

- **Advancements in Technology.** Mobile data terminals (MDTs) in police cars, digital imaging for driver's licenses, and microwaving public safety answering points are examples of the state of the art technology that can make more efficient use of the work force with more effective results. The demand for systems and network services continues to exceed the capability to provide those services.
- **Implementing Partnerships in Public Safety.** Recognizing that a state public safety agency cannot directly provide all services which will fulfill its mission, the Department of Public Safety works in partnership with local agencies and citizens. Because of dwindling budget resources at all levels of government, there is more need than ever to increase coordination among local law enforcement, government officials, schools, businesses, churches, the court system, victim's services, and residents. Interstate compacts have developed, and the federal government has mandated cooperation between the states for such purposes as increasing traffic safety and facilitating interstate operations. Statewide regional hazardous response teams are responding to incidents involving chemical spills. Internally, the department is holding regular "cluster meetings" with divisions that serve similar customers.
- **Valuing a Diverse Work Force.** An increasingly diverse population will require stepped up affirmative action efforts so that the department is representative of the community it serves. It is essential that employees have the necessary skills to work with all segments of the community and be responsive to their needs.
- **Customer Satisfaction.** Customers feel that taxes are increasing while services are decreasing. Continuous quality improvement methods are not only necessary, but expected. Customer satisfaction must be measured to determine program impact. The timeliness, relevancy, and accuracy of service will help determine what is working and what is not.
- **Priority on Prevention.** Prevention strategies can be the most cost effective path to follow. This means education and intervention at the critical ages of development for children. Public Safety fosters community based programs that provide numerous services to children and youth.
- **Labor/Management Gaps.** Trust between labor and management is essential to creating a productive workforce. The uncertainties of the future and institutional change contribute to employee frustrations. Emphasis on worker participation committee input and enhanced communication with collective bargaining groups will foster employee involvement.
- **Federal Action.** Indications are that federal funding of Emergency Management may be reduced 50% during the biennium, jeopardizing the entire program. Also, state funding matches have limited the level of federal funding available for the administration of the Traffic Safety program. The state could be placed in jeopardy of loss or redirection of federal funding due to the failure to enact certain traffic safety legislation.

AGENCY STRATEGIES:

The agency budget plan is constructed to achieve the following goals:

- provide leadership and support to all state and local units of government whose responsibilities encompass safety;
- assure the safe transportation of people;
- reduce the detrimental effect of drug and alcohol use on people;
- lessen the impact of violent crime on people;
- safeguard and promote the safety of children;
- inform and educate people on safety issues;

1996-97 Biennial Budget

AGENCY: Public Safety, Department of
(Continuation)

- provide timely and caring services in times of emergency and disaster; and
- provide quality records and documents, in a timely manner, for the use and protection of people and business;

See the Annual Performance Report, dated September 1994, for specific strategies, agency results and outcomes.

Current strategies are focused to encourage changes in individual behavior in areas like DWI enforcement, the youth access to alcohol program, hazard mitigation strategies, fire safety promotions, and the Drug Abuse Resistance Education (DARE) program.

REVENUE SUMMARY:

Departmental earnings fees contribute 5% (\$89,809,000) of revenue for the Department of Public Safety. The major income generating fees for the department are the Driver License fees at an estimated \$40,474,000 for the biennium which are deposited in the Trunk Highway Fund and the motor vehicle titling fee at an estimated \$17,800,000 of which \$9,200,000 is deposited in the General Fund. Special revenue of \$17,516,000 contributes 6% of the agency funding from motorcycle endorsements, DWI reinstatement fees, pipeline safety inspection fees, and Indian reservations gambling compacts. Federal funds of \$37,689,000 contribute 14% of the agency funding.

SUMMARY OF BUDGET REQUEST:

The major objective used by the department to develop the proposed budget and key budget issues largely relate to provision of client and kindred agency services. A brief summary of the agency budget plan is as follows:

- Salary and non-salary inflationary increases in the Liquor Control, Emergency Management, Criminal Apprehension, Driver and Vehicle Services, and Pipeline Safety programs.
- Annualization of costs for the Commercial Vehicle Enforcement and Hazardous Materials Safety activities.
- State match to complete the administration of federal hazard mitigation projects.
- Reallocations of funds between programs for the bomb squad reimbursement program.
- Increase funding (and Fund 17 transfer) for the Fire Marshal fire life safety inspection activity.
- Increase in funding for the Fire Marshal arson investigation program.
- Lease adjustments related to the agency relocation to downtown St. Paul.
- Reallocation of funding between activities in the Criminal Apprehension program for workers compensation and other operating costs.
- Reallocation of funding within the State Patrol program to cover a projected shortfall in personnel expenses.
- Increase in funding and 11 new positions to provide 24-hour staffing at the new Moorhead Weigh Scale.
- Increase in funding to replace the State's Intoxilyzers that are used in DWI testing.

- Increase in quarterly billings to pipeline operators to cover increased volume and costs for the inspection program.
- Amending the non-criminal justice background check fee to a statutorily mandated charge for service.

GOVERNOR'S RECOMMENDATION:

General Fund

The Governor recommends an alternative Department of Public Safety General Fund funding level of \$65,390,000 for the biennium, which incorporates initiatives for the following: \$1,610,000 for the criminal justice communications network; \$719,000 for flood relief projects for hazardous mitigation; \$1,761,000 for BCA DNA laboratory improvements, including 5 forensic scientists; and \$318,000 for adequate security for executive protection.

Special Revenue Fund

The Governor concurs with the agency's plan.

Trunk Highway Fund

The Governor recommends an alternative Department of Public Safety Trunk Highway Fund funding level of \$131,746,000 for the biennium, which incorporates initiatives for the following: \$1,245,000 for the criminal justice communications network; \$343,000 for the departments' diversity, safety, and training programs; and \$40,000 for the school bus safety program..

Highway User Tax Distribution Fund

The Governor concurs with the agency's plan.

Environmental Fund

The Governor concurs with the agency's plan.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF

PROGRAM RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMIN & RELATED SERVICES	5,409	5,373	5,888	6,011	6,011	8,019	6,028	5,900	7,090
EMERGENCY MANAGEMENT	12,036	36,158	20,852	5,314	5,429	6,148	5,278	5,378	5,378
CRIMINAL APPREHENSION	18,031	18,671	19,328	17,692	18,274	19,425	17,729	18,329	18,939
FIRE MARSHAL	3,022	3,043	3,318	3,173	3,355	3,355	3,173	3,355	3,355
STATE PATROL	44,724	45,184	52,164	50,271	50,998	51,177	50,276	51,151	51,330
CAPITOL SECURITY	1,496	1,406	1,462	1,456	1,456	1,456	1,456	1,456	1,456
DRIVER & VEHICLE SERVICES	30,594	28,089	32,377	29,608	29,608	29,608	29,622	29,622	29,622
LIQUOR CONTROL	648	658	775	757	759	759	757	761	761
GAMBLING ENFORCEMENT	1,231	1,111	1,675	1,387	1,387	1,387	1,390	1,390	1,390
TRAFFIC SAFETY	2,521	3,505	5,866	5,769	5,769	5,769	5,770	5,770	5,770
DRUG POLICY & VIOLENCE PREVENTION	8,659	9,296	10,872	9,235	9,241	9,241	9,235	9,242	9,242
PIPELINE SAFETY	781	807	1,055	1,074	1,171	1,171	1,097	1,194	1,194
CRIME VICTIMS SERVICES	2,420	2,473	2,626	2,572	2,597	2,597	2,644	2,670	2,670
CRIME VICTIMS OMBUDSMAN	155	166	308	203	217	217	203	218	218
TOTAL EXPENDITURES BY PROGRAM	131,727	155,940	158,566	134,522	136,272	140,329	134,658	136,436	138,415
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	29,749	31,123	35,585	30,187	30,613	33,802	30,210	30,369	31,588
SPECIAL REVENUE	1,740	871	1,345	1,297	1,394	1,394	1,335	1,432	1,432
TRUNK HIGHWAY	62,567	60,701	67,352	63,743	64,970	65,838	63,773	65,148	65,908
HGHWY USER TAX DISTR	10,403	9,694	10,770	10,200	10,200	10,200	10,207	10,207	10,207
ENVIRONMENTAL	38	39	41	40	40	40	40	40	40
STATUTORY APPROPRIATIONS:									
GENERAL	1,421	1,705	2,124	1,925	1,925	1,925	1,926	1,926	1,926
SPECIAL REVENUE	1,688	2,709	7,901	7,345	7,345	7,345	7,345	7,492	7,492
TRUNK HIGHWAY	494	715	648	768	768	768	768	768	768
FEDERAL	22,521	45,310	32,773	18,993	18,993	18,993	19,030	19,030	19,030
AGENCY	998	3,042							
GIFTS AND DEPOSITS	108	31	27	24	24	24	24	24	24
TOTAL FINANCING	131,727	155,940	158,566	134,522	136,272	140,329	134,658	136,436	138,415

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF

				FY 1996			FY 1997		
			Est.						
PROGRAM RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	1,701.2	1,649.6	1,784.7		1,800.2			1,803.7	
TEMP/SEAS/PART_TIME	51.8	64.6	35.6		31.8			31.5	
OVERTIME	53.6	58.6	50.0		48.8			48.8	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	1,806.6	1,772.8	1,870.3		1,880.8	1,900.8		1,884.0	1,904.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: PUBLIC SAFETY, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	158,566	158,566	37,709	37,709	88,084	88,084	32,773	32,773
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<2,910>	<2,910>	<2,910>	<2,910>				
APPROPRIATIONS CARRIED FWD	<7,207>	<7,207>	<2,726>	<2,726>	<4,481>	<4,481>		
BASE TRANSFER (BTWN AGENCIES)	<25>	<25>	<25>	<25>				
DED STAT APPROP SPENDING	59	98	10	11	49	87		
DOCUMENTED RENT/LEASE INC/DEC	634	694	85	108	549	586		
FEDERAL RECEIPTS	<13,780>	<13,743>					<13,780>	<13,743>
ATTORNEY GENERAL COSTS	<815>	<815>	<31>	<31>	<784>	<784>		
SUBTOTAL BASE ADJ.	<24,044>	<23,908>	<5,597>	<5,573>	<4,667>	<4,592>	<13,780>	<13,743>
CURRENT SPENDING	134,522	134,658	32,112	32,136	83,417	83,492	18,993	19,030

1996-97 Biennial Budget

PROGRAM: Administration and Related Services
AGENCY: Public Safety, Department of

PROGRAM DESCRIPTION:

Through the use of computer technology and data communications, personnel and fiscal services, public education, and media services the administration and related services program supports all of Public Safety's programs. These education, awareness, prevention, and investigative programs are very much dependent on the services of the administration program to enable the various divisions of Public Safety to carry out their missions and goals.

PROGRAM STATUS:

- Decision-making is made at the lowest service level.
- The agency welcomes, values and respects people of all cultures, races and ethnic backgrounds.
- The agency maintains a high level of compliance with affirmative action goals.
- Requests for systems development and enhancements far exceed the resources of this program. Personal computer usage has grown significantly and most department employees are now linked through networking.
- This program continues to be more responsive to electronic media inquiries. A computer generated phone processing system responds to inquiries from electronic media across Minnesota. This system provides more accurate tracking of news inquiries, requests for printed material, and requests for electronic public service announcements.
- Public Safety has a consistently high prompt payment compliance rating of 98% or greater, exceeding the statewide rate of 96%.
- There has been an overall reduction in worker's compensation costs through employee health and wellness efforts, training and provision of safety equipment. However, rising attorney fees, administrative costs and medical compensation reduce the impact of any significant decreases in claims.
- Enhanced recruitment efforts are needed in order to increase staff diversity. Federal and state workplace safety mandates need to be actively addressed and met. Training in workplace safety issues and diversity would result in enhanced productivity and would reduce lawsuits, grievances, injuries and fines.

PLANNED RESULTS:

The agency budget plan will allow this program to continue current level services.

BUDGET AND REVENUE SUMMARY:

Summary of the agency budget plan is as follows:

- Reallocation of \$275,000 in General Funds in F.Y. 1997 from this program's crime fax project to the Criminal Apprehension Program for bomb squad reimbursement to local units of government. The crime fax project will be completed in F.Y. 1996.
- An increase in a Special Revenue statutory appropriation of \$147,000 in F.Y. 1997 under the Statewide Indirect Cost Plan for costs related to the Statewide Systems Project (SSP).

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative program funding level of \$15,109,000 for the biennium, which incorporates initiatives for the following: \$1,610,000 General Funds for the criminal justice communications network; \$1,245,000 Trunk Highway Funds for the criminal justice communications network; and \$343,000 for the department's diversity, safety, and training programs.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: ADMIN & RELATED SERVICES

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
PUBLIC EDUC & MEDIA RELATIONS	565	535	636	641	641	641	643	643	643
PUBLIC SAFETY - SUPPORT	3,375	3,547	3,361	3,533	3,533	3,704	3,542	3,689	3,861
INFORMATION SYSTEM MANAGEMENT	1,469	1,291	1,891	1,837	1,837	3,674	1,843	1,568	2,586
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	5,409	5,373	5,888	6,011	6,011	8,019	6,028	5,900	7,090
AGENCY PLAN ITEMS:			FUND						
-----			-----						
COMPLETION OF PILOT CRIME FAX PROJECT			GEN					<275>	
STATEWIDE SYSTEMS PROJECT-INDIRECT COST PLAN			SR					147	
=====			=====					=====	
TOTAL AGENCY PLAN ITEMS								<128>	
GOV'S INITIATIVES:			FUND						
-----			-----						
(A) DIVERSITY, SAFETY, & TRAINING PROGRAMS			THI			171			172
(A) CRIM JUSTICE DATA COMMUNICATIONS NETWORK			GEN			1,160			450
(A) CRIM JUSTICE DATA COMMUNICATIONS NETWORK			THI			677			568
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						2,008			1,190
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	528	492	858	798	798	1,958	798	523	973
TRUNK HIGHWAY	4,151	3,861	4,167	4,347	4,347	5,195	4,364	4,364	5,104
HGHWY USER TAX DISTR	19	19	19	19	19	19	19	19	19
STATUTORY APPROPRIATIONS:									
GENERAL		9							
SPECIAL REVENUE	583	535	698	701	701	701	701	848	848
FEDERAL	120	99	146	146	146	146	146	146	146
AGENCY		353							
GIFTS AND DEPOSITS	8	5							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	5,409	5,373	5,888	6,011	6,011	8,019	6,028	5,900	7,090

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: ADMIN & RELATED SERVICES

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									
=====									
REGULAR	84.8	79.1	87.5		87.5			87.5	
TEMP/SEAS/PART_TIME	1.8	4.1	.5						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	86.6	83.2	88.0		87.5	101.5		87.5	101.5

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: ADMIN & RELATED SERVICES
ACTIVITY: INFORMATION SYSTEM MANAGEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,283	1,144	1,435	1,303	1,303	1,730	1,303	1,303	1,731
EXPENSES/CONTRACTUAL SRVCS	116	107	387	495	495	1,115	501	226	326
MISC OPERATING EXPENSES	32	27	35	35	35	35	35	35	35
SUPPLIES/MATERIALS/PARTS	21	12	34	4	4	234	4	4	449
CAPITAL EQUIPMENT	17	1				560			45
SUBTOTAL STATE OPERATIONS	1,469	1,291	1,891	1,837	1,837	3,674	1,843	1,568	2,586
TOTAL EXPENDITURES	1,469	1,291	1,891	1,837	1,837	3,674	1,843	1,568	2,586
AGENCY PLAN ITEMS:			FUND						
COMPLETION OF PILOT CRIME FAX PROJECT			GEN				<275>		
TOTAL AGENCY PLAN ITEMS							<275>		
GOV'S INITIATIVES:			FUND						
(A) CRIM JUSTICE DATA COMMUNICATIONS NETWORK			GEN			1,160			450
(A) CRIM JUSTICE DATA COMMUNICATIONS NETWORK			THI			677			568
TOTAL GOV'S INITIATIVES						1,837			1,018
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	71	62	376	342	342	1,502	342	67	517
TRUNK HIGHWAY	1,375	1,207	1,496	1,476	1,476	2,153	1,482	1,482	2,050
HGHWY USER TAX DISTR	19	19	19	19	19	19	19	19	19
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	4	3							
TOTAL FINANCING	1,469	1,291	1,891	1,837	1,837	3,674	1,843	1,568	2,586

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: ADMIN & RELATED SERVICES
ACTIVITY: INFORMATION SYSTEM MANAGEMENT

					FY 1996			FY 1997		
			Est.							
ACTIVITY SUMMARY	FY 1993	FY 1994	FY 1995		Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:										

REGULAR	26.2	23.6	28.0			28.0			28.0	
TEMP/SEAS/PART_TIME	.7	.1	.5							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	26.9	23.7	28.5			28.0	38.0		28.0	38.0

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Public Safety, Department of
PROGRAM: Administration and Related Services
ACTIVITY: Information Systems Management

ITEM TITLE: Criminal Justice Communications Network

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,160	\$450	\$110	\$110
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Trunk Highway				
- State Operations	\$677	\$568	\$568	\$568
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$677,000 in F.Y. 1996 and \$568,000 in F.Y. 1997 in Trunk Highway Fund appropriations and 10 positions to upgrade and enhance information systems services and communications within the Department of Public Safety and \$1,160,000 in F.Y. 1996 and \$450,000 in F.Y. 1997 in General Fund appropriations for services provided to the criminal justice community via the Criminal Justice Data Communications Network.

The Governor recommends that no more than \$500,000 in General Funds be released until the Department of Public Safety has submitted to IPO the required planning tasks identified in its 1996-97 Information Systems Funding Recommendations.

RATIONALE:

Information resources of the Department of Public Safety currently are based on technologies of the 1960s and 1970s, using mainframe computers with very limited interconnectivity with other criminal justice information resources. The existing crime information reporting system is 22 years old. Local criminal justice agencies have surpassed the state of Minnesota in information systems, and the state is unable to share valuable criminal justice data effectively. Modern communications technologies are needed to meet the demands of the Department of Public Safety and the Minnesota criminal justice community. Additional informational files will identify and track violent offenders, gang members, and persons on probation.

PROGRAM OUTCOMES:

The new information files will provide improved information to law enforcement agencies throughout the state that will contribute to officer safety and improve investigative response to crimes. Resources for the Department of Public Safety will keep the systems up-to-date and operational. This requires a well trained professional staff. Technical staff will be able to address the existing backlog of system projects and assist local criminal justice agencies in sharing information through use of technology. Specific outcomes include:

- Complete a study of the Criminal Justice Data Communications Network (CJDN), develop a plan for conversion to MNET, identify its impact on local criminal justice agencies, and conduct pilot demonstration projects;
- Implement a new incident based reporting system that is compatible with the FBI's National Incident Based Reporting System (NIBRS);
- Implement a supervised probation file and make it available to all criminal justice agencies;
- Implement a violent offender/gang file and make it available for entry and query by all criminal justice agencies;
- Implement the orders of protection file and make it available to all criminal justice agencies;
- Complete department-wide E-Mail to enable statewide communications and scheduling;
- Eliminate the computer programming backlog;
- Reduce the number of computer security violations; and
- Increase the number of computer classes conducted.

LONG-TERM IMPACT:

The increased effectiveness of Public Safety's information services will have a positive effect on the efficiencies of state and local criminal justice agencies. More information will be available to a greater audience in a more effective and timely fashion. Changes to systems will occur faster; therefore, our ability as a state to react to changes in society, crime patterns, and legislative policies will be timely and effective.

The impact will be most noticeable to local law enforcement agencies. More information such as violent offender data and information on persons on supervised probation will be available to protect officers. The new crime reporting system will make it easier for local law enforcement agencies to supply data to the state; however, in some cases, it will require an additional investment for computer system interfaces by local law enforcement agencies. This crime data will be much more detailed, and stored data will use modern technology that will allow more flexible analysis.

1996-97 Biennial Budget

PROGRAM: Emergency Management, Division of (DEM)
AGENCY: Public Safety, Department of

PROGRAM DESCRIPTION:

The Division of Emergency Management (DEM) is the state agency responsible for coordination of emergency services during a natural or man-made disaster. The division mission is to reduce or eliminate the effects of natural or technological disasters by promoting prevention and ensuring emergency preparations, coordinating state agency response, and providing resources for recovery. The division carries out its mission by:

- reviewing emergency plans and preparations across the state;
- providing technical and financial assistance to local governments;
- promoting partnerships between the public and private sectors;
- providing communications, facilities, and coordination to ensure an effective state response;
- participating in incident response as requested;
- providing short and long term assistance following a disaster; and
- reviewing responses and recommending corrective actions as well as preventive measures.

PROGRAM STATUS:

The program continues to advocate an all-hazard emergency management approach where a single plan is used to address all types of emergencies. This approach promotes an efficient response. To further promote this broad based approach, the program offers training and planning guidance designed to join public and private response efforts, grants to promote the formation of local planning groups, and opportunities for private industry involvement in state emergency processes.

The division is expanding its response and recovery operations through involvement with the state regional hazardous materials response teams. The process for selecting hazardous materials response teams is established in rule. The division is participating in the solicitation of proposals and the contract selection process. Team equipment and supplies have been purchased and await distribution. The first teams are expected to be in operation by early 1995.

The division is upgrading its role in recovery efforts by administering hazard mitigation (prevention) grants. This effort utilizes federal funding to undertake projects that reduce the impact of a disaster. Qualifying projects include relocation of homes out of flood plains and improvement of levies and flood control systems.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1994 Annual Performance Report to be accomplished or accelerated as follows:

- By the end of F.Y. 1997, 100% of the counties will have an all-hazard emergency plan that has been subject to qualified review or will have received direct technical assistance in order to improve the planning process.
- Local emergency groups will be recognized and active in the planning process. This recognition will be shown by a revision of Minnesota's emergency planning districts and local participation in the emergency plan review process.
- Program staff will provide 100% of requested emergency responses throughout the biennium.
- Disaster declarations and assistance will be obtained as needed.

BUDGET AND REVENUE SUMMARY:

A summary of the agency plan is as follows:

- Revenue from this program of \$1,500,000 (\$650,000 General Fund; \$850,000 Special Revenue Fund) for each year of the biennium reflect fees from facilities involved with hazardous materials and special revenues collected as part of nuclear plant preparedness. There are no proposed or anticipated fee changes. There may be special revenue changes if the nuclear plant program is impacted by legislative action.
- \$100,000 each year is an annualization of costs for the hazardous materials safety activity of the Emergency Management Program. \$100,000 was provided only in F.Y. 1994 for payments to the emergency response teams for their response to hazardous materials incidents.
- A state match of \$15,000 in F.Y. 1996 is requested to complete the administration of \$12.8 million in federal hazard mitigation projects.
- The current spending level was increased in the nuclear plant preparedness activity by \$25,000 each year to cover salary and non-salary inflationary increases. \$12,000 of the increase will be allocated for grant payments to local units of government. Revenues will be sufficient to support the increase.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative program funding level of \$11,526,000 for the biennium, which incorporates initiatives for the following: \$719,000 for flood relief projects for hazardous mitigation.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: EMERGENCY MANAGEMENT

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EMERGENCY MANAGEMENT ASSISTANCE	10,863	35,030	19,526	4,053	4,168	4,887	4,018	4,118	4,118
NUCLEAR PLANT PREPAREDNESS	799	786	843	850	850	850	850	850	850
EMERGENCY RESPONSE COMMISSION	374	342	483	411	411	411	410	410	410
TOTAL EXPENDITURES BY ACTIVITY	12,036	36,158	20,852	5,314	5,429	6,148	5,278	5,378	5,378
AGENCY PLAN ITEMS:			FUND						
ANNUALIZED NEW PROG COST			GEN		100			100	
FED REQUIREMENTS (STATE MATCH)			GEN		15				
TOTAL AGENCY PLAN ITEMS					115			100	
GOV'S INITIATIVES:			FUND						
(A) FLOOD RELIEF PAYMENTS/HAZARD MITIGATION			GEN			719			
TOTAL GOV'S INITIATIVES						719			
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,516	3,969	2,859	1,946	2,061	2,780	1,945	2,045	2,045
SPECIAL REVENUE	699								
ENVIRONMENTAL	38	39	41	40	40	40	40	40	40
STATUTORY APPROPRIATIONS:									
GENERAL	35	31							
SPECIAL REVENUE	9	796	928	913	913	913	913	913	913
FEDERAL	8,639	31,323	17,024	2,415	2,415	2,415	2,380	2,380	2,380
GIFTS AND DEPOSITS	100								
TOTAL FINANCING	12,036	36,158	20,852	5,314	5,429	6,148	5,278	5,378	5,378
FTE BY EMPLOYMENT TYPE:									
REGULAR	36.2	35.0	44.0		44.0			43.0	
TEMP/SEAS/PART_TIME	.9	1.7							

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: EMERGENCY MANAGEMENT

				FY 1996			FY 1997		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
OVERTIME	.4	.2							
TOTAL FTE	37.5	36.9	44.0		44.0	44.0		43.0	43.0

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: EMERGENCY MANAGEMENT
ACTIVITY: NUCLEAR PLANT PREPAREDNESS

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	146	162	180	180	180	180	180	180	180
EXPENSES/CONTRACTUAL SRVCS	37	37	37	50	50	50	50	50	50
MISC OPERATING EXPENSES	56	48	43	43	43	43	43	43	43
SUPPLIES/MATERIALS/PARTS	12	8	22	4	4	4	4	4	4
CAPITAL EQUIPMENT	7	1							
OTHER	4	10	10	10	10	10	10	10	10
SUBTOTAL STATE OPERATIONS	262	266	292	287	287	287	287	287	287
LOCAL ASSISTANCE	537	520	551	563	563	563	563	563	563
TOTAL EXPENDITURES	799	786	843	850	850	850	850	850	850
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
SPECIAL REVENUE	699								
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		786	843	850	850	850	850	850	850
GIFTS AND DEPOSITS	100								
TOTAL FINANCING	799	786	843	850	850	850	850	850	850
FTE BY EMPLOYMENT TYPE:									
REGULAR	3.4	3.7	4.0		4.0			4.0	
TOTAL FTE	3.4	3.7	4.0		4.0	4.0		4.0	4.0

BUDGET ACTIVITY: Emergency Response Commission
PROGRAM: Emergency Management
AGENCY: Public Safety, Department of

ACTIVITY DESCRIPTION:

The emergency response commission activity (ERC) implements the Emergency Planning and Community Right-to-Know Act in the state.

The ERC participates in the emergency planning process by reviewing county hazardous materials emergency response plans. The ERC carries out the review through 7 regional review committees.

The ERC implements community right-to-know by collecting, organizing, and distributing information on hazardous materials which are stored at a facility or released into the environment. This information is provided to first responders and emergency planners to benefit the planning process, and to public and private interests to promote reduction of chemical emissions.

The goals of this activity are to:

- Increase reporting of hazardous materials that are stored or used in the state.
- Encourage the use of hazardous materials information in emergency planning processes.
- Increase public awareness of hazardous materials in their communities.
- Increase the coordination between the public and private sectors to improve emergency response.
- Encourage pollution prevention to reduce toxic chemical emissions and to reduce chemical threats in a community.

BUDGET ISSUES:

This activity is fully staffed and current funding levels will maintain the activities and functions of the activity.

REVENUE:

This activity generates non-dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Type of Revenue:					
Non-dedicated - Gen'l	\$243	\$672	\$693	\$650	\$650

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1996-97 Biennial Budget

PROGRAM: State Patrol
AGENCY: Public Safety, Department of

PROGRAM DESCRIPTION:

The State Patrol provides police traffic services on Minnesota's state and federal highways and provides for the safe and efficient movement of traffic and protection of Minnesota's citizens. It also provides security for the legislature, the governor, the governor's family and residence. Through enforcement, education and assistance, the program components work together to ensure a safe environment on Minnesota's roadways by reducing the number of fatalities and serious injuries caused by motor vehicle crashes. The objectives of the program are to:

- raise the incidence of seat belt use;
- reduce the number of alcohol and drug related traffic accident deaths and injuries;
- improve the traffic safety environment; and
- reduce the number and severity of commercial motor vehicle crashes.

PROGRAM STATUS:

Using a commonly accepted barometer of traffic safety (number of persons killed per 100 million miles traveled), the impact and performance of this program is excellent. During the previous decade Minnesota was among the 5 safest states in which to drive each year and was the safest state in 4 of those 10 years. The 1993 fatality rate of 1.27 deaths per 100 million miles travelled is the lowest rate in the nation and the lowest rate ever recorded in Minnesota.

The population growth trend within the extended urban area of Minneapolis-St. Paul including Rochester and St. Cloud continues, with greater demand for police traffic services on an expanding and increasingly congested highway system. More agency resources will need to be committed to provide response to calls for service. As demographics continue to change, this program's ability to provide rapid response to highway emergencies statewide will be affected.

The program does not maintain 24-hour coverage in greater Minnesota, diverting local police and county sheriff departments from crime-related activities to respond to calls for traffic crashes and emergency service on the federal and state highways. Increasing use of cellular telephone communication has correspondingly increased the frequency of cellular 911 calls for service statewide. The majority of fatal crashes occur in rural areas where there is little congestion; however, vehicle speeds continue to rise. The increases in direct calls for service have caused the number of hours spent in preventative enforcement activities to decrease.

In the last 8 years, the State Patrol increased the number of commercial motor vehicle inspections and enforcement activities and the number of commercial motor vehicle crashes correspondingly decreased. Unless the current level of funding is maintained, there is a potential for a reversal of this, along with increased damage to highways.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1994 Annual Performance Report to be accomplished or accelerated as follows:

- The State Patrol program has proven to be effective in reducing the number and severity of traffic crashes over recent years. Motor vehicle crash fatalities during the first half of 1994 are 1/3 higher than the first half average of the previous 3 years. The budget plan to increase safety education presentations, priority enforcement in DWI, seat belt/child restraint usage, and commercial motor vehicle inspections should reverse this trend of the first half of 1994.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- The plan calls for \$654,000 in F.Y. 1996 and \$802,000 in F.Y. 1997 to provide 24-hour coverage at the new Moorhead Weigh Scale (\$381,000 in F.Y. 1996 and \$382,000 in F.Y. 1997) and to maintain the current complement of State Patrol Troopers (\$273,000 in F.Y. 1996 and \$420,000 in F.Y. 1997) on Minnesota highways. The addition of 11 new commercial vehicle inspectors at the new weigh scale facility near Moorhead will improve the safety of commercial vehicles and reduce the rate of deterioration of highways caused by overweight vehicles. Revenues are projected to increase by \$456,000 each year with the addition of 11 new commercial vehicle inspectors at the Moorhead Weigh Scale.
- The agency plan calls for \$73,000 each year as an annualization of costs for commercial vehicle enforcement. Funding was provided in F.Y. 1995 for 4 commercial vehicle inspector positions for 6 months. The Moorhead Weigh Scale will open July 1995.
- A \$2.1 million budget shortfall in projected personnel expenses in F.Y. 1995-97 was covered within current spending levels, in part, through reallocation of \$1.3 million from the equipment budget. The remainder will be resolved by management of overtime costs and by holding 9 commercial vehicle inspector positions and 11 trooper positions vacant as retirements occur in 1996-97. The Orchard Gardens Weigh Scale will be closed in the next biennium and relocated in 1998-99 near the Iowa border on I-35. Some of the commercial vehicle inspectors from Orchard Gardens will be transferred to the St. Croix Weigh Scale.
- Lost revenues from the closure of the Orchard Gardens Scale will be more than offset by revenues collected from fines and penalties from the Moorhead and St. Croix Weigh Scales.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative program funding level of \$102,507,000 for the biennium, which incorporates initiatives for the following: \$40,000 Trunk Highway funds for the school bus safety program and \$318,000 General Funds for the executive protection program.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: STATE PATROL

				FY 1996			FY 1997		
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
PATROLLING HIGHWAYS	36,367	37,286	43,627	41,766	42,039	42,039	41,767	42,187	42,187
COMMERCIAL VEHICLE ENFORCEMENT	6,965	6,471	6,834	6,714	7,168	7,168	6,714	7,169	7,169
EXECUTIVE PROTECTION	437	435	391	391	391	550	391	391	550
STATE PATROL SUPPORT	955	992	1,312	1,400	1,400	1,420	1,404	1,404	1,424
TOTAL EXPENDITURES BY ACTIVITY	44,724	45,184	52,164	50,271	50,998	51,177	50,276	51,151	51,330
AGENCY PLAN ITEMS:			FUND						
ANNUALIZED NEW PROG COST			THI		73			73	
MOORHEAD SCALETROOPERS-MAINTAIN STAFFING			THI		654			802	
TOTAL AGENCY PLAN ITEMS					727			875	
GOV'S INITIATIVES:			FUND						
(A) SCHOOL BUS SAFETY PROGRAM			THI			20			20
(B) MAINTAIN ADEQUATE LEVEL EXEC PROTECTION			GEN			159			159
TOTAL GOV'S INITIATIVES						179			179
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	437	435	406	406	406	565	406	406	565
TRUNK HIGHWAY	40,864	41,049	44,284	42,469	43,196	43,216	42,474	43,349	43,369
HGHY USER TAX DISTR	90	50	90	60	60	60	60	60	60
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	103	225	4,593	4,444	4,444	4,444	4,444	4,444	4,444
TRUNK HIGHWAY	494	715	648	768	768	768	768	768	768
FEDERAL	2,736	2,710	2,143	2,124	2,124	2,124	2,124	2,124	2,124
TOTAL FINANCING	44,724	45,184	52,164	50,271	50,998	51,177	50,276	51,151	51,330
FTE BY EMPLOYMENT TYPE:									
REGULAR	680.3	659.5	740.5		749.0			753.5	

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: STATE PATROL

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
TEMP/SEAS/PART_TIME	13.6	23.7	.5		.5			.5	
OVERTIME	40.5	45.5	38.9		38.9			38.9	
TOTAL FTE	734.4	728.7	779.9		788.4	789.4		792.9	793.9

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1996-97 Biennial Budget

BUDGET ACTIVITY: Executive Protection
PROGRAM: State Patrol
AGENCY: Public Safety, Department of

ACTIVITY DESCRIPTION:

This activity exists to provide protection and to prevent acts of violence directed against the governor and his family, to investigate all threats against the governor, and to provide supplemental security at the Capitol.

Six troopers are assigned to this activity and provide 24-hour protection for the governor and his family at the residence, as well as providing protection for the governor at other locations within the State.

BUDGET ISSUES:

This activity has performed the intended purpose with less than adequate resources. No act of violence has been perpetrated against the governor or his family, and the security of the governor's residence has been maintained. No staff reductions are planned and 24-hour security will be maintained.

REVENUE:

None.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: STATE PATROL
ACTIVITY: EXECUTIVE PROTECTION

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====									
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	400	407	353	353	353	464	353	353	497
EXPENSES/CONTRACTUAL SRVCS	11	6	10	10	10	10	10	10	10
MISC OPERATING EXPENSES	14	16	13	13	13	22	13	13	22
SUPPLIES/MATERIALS/PARTS	8	6	15	15	15	15	15	15	15
CAPITAL EQUIPMENT	4					39			6
=====									
SUBTOTAL STATE OPERATIONS	437	435	391	391	391	550	391	391	550
=====									
TOTAL EXPENDITURES	437	435	391	391	391	550	391	391	550
=====									
GOV'S INITIATIVES:			FUND						

(B) MAINTAIN ADEQUATE LEVEL EXEC PROTECTION			GEN			159			159
=====									
TOTAL GOV'S INITIATIVES						159			159
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	437	435	391	391	391	550	391	391	550
=====									
TOTAL FINANCING	437	435	391	391	391	550	391	391	550
=====									
FTE BY EMPLOYMENT TYPE:									

REGULAR	6.0	5.5	6.0		6.0			6.0	
OVERTIME	1.8	2.5	2.5		2.5			2.5	
=====									
TOTAL FTE	7.8	8.0	8.5		8.5	9.5		8.5	9.5
=====									

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Public Safety, Department of
PROGRAM: State Patrol
ACTIVITY: Executive Protection

ITEM TITLE: Maintain Adequate Level of Protection and Security

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$159	\$159	\$159	\$159
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$159,000 in F.Y. 1996 and \$159,000 in F.Y. 1997 in General Funds for the Executive Protection activity, including funding 1 vacant FTE position for security purposes.

RATIONALE:

This budget activity exists to provide protection and to prevent acts of violence directed against the governor and his family, to investigate all threats against the governor, and to provide supplemental protection to both houses of the legislature, as required. Increasing violence in our society, and specifically violence directed at public officials, requires adequate precautions to prevent such acts. Demonstration of the divided and strong emotions surrounding controversial topics of public debate also require a timely response to incidents directed at the legislature. In recent years, this activity has been required to operate with an insufficient funding level to meet actual expenditures and necessary objectives. The current funding level now compromises the safety of the governor, and restricts the ability of the state patrol to respond to threats to the peace at the Capitol.

Additional funding is requested in part due to a change in the manner of protection of the governor. Previously, the governor was provided with minimal protection by a single driver. This minimal protection is insufficient to provide adequate security. The chief of the state patrol has provided additional staff who are rotated to provide advance, logistical, and backup security. This request includes funding 1 vacant state patrol trooper in the program. In addition, overtime costs have risen due to the increase in political action and protest activities during the legislative sessions. State

patrol called in to provide security during such activities increase overtime costs for this program.

PROGRAM OUTCOMES:

An increase in the activity base funding level will allow the activity to maintain required performance levels. This activity will provide for the essential level of security at the official residence, an adequate level of security for the governor and his family at other locations, and allow for timely response to incidents affecting the legislature, primarily for supplemental staffing for Capitol Security when the legislature is in session.

The initiative also provides \$45,000 for the biennium for the necessary replacement of essential security equipment at the official residence. The existing security equipment has suffered frequent failures, and maintenance costs have increased. Replacement has been recommended to ensure continued service and security, and to reduce overall costs. After initial replacement, a planned maintenance and replacement schedule will be instituted.

LONG-TERM IMPACT:

This initiative provides a base funding level necessary to continue an adequate level of security for executive protection.

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1996-97 Biennial Budget

BUDGET ACTIVITY: State Patrol Support
PROGRAM: State Patrol
AGENCY: Public Safety, Department of

ACTIVITY DESCRIPTION:

This activity enables the State Patrol program to achieve the mission and goals as stated. This activity includes the following:

- Managing all activities of the State Patrol.
- Providing fiscal and administrative support.
- Providing equipment and supplies.
- Maintaining a comprehensive management activity system.
- Providing necessary training and development.
- Developing and administering federal programs which allow the agency to acquire and use federal funding in attaining the objectives.
- Maintaining liaison with the legislature and other agencies.
- Performing program research and planning.
- Providing an information desk sergeant to respond to public inquiries, by telecommunications or in person.
- Providing other staff support as necessary.

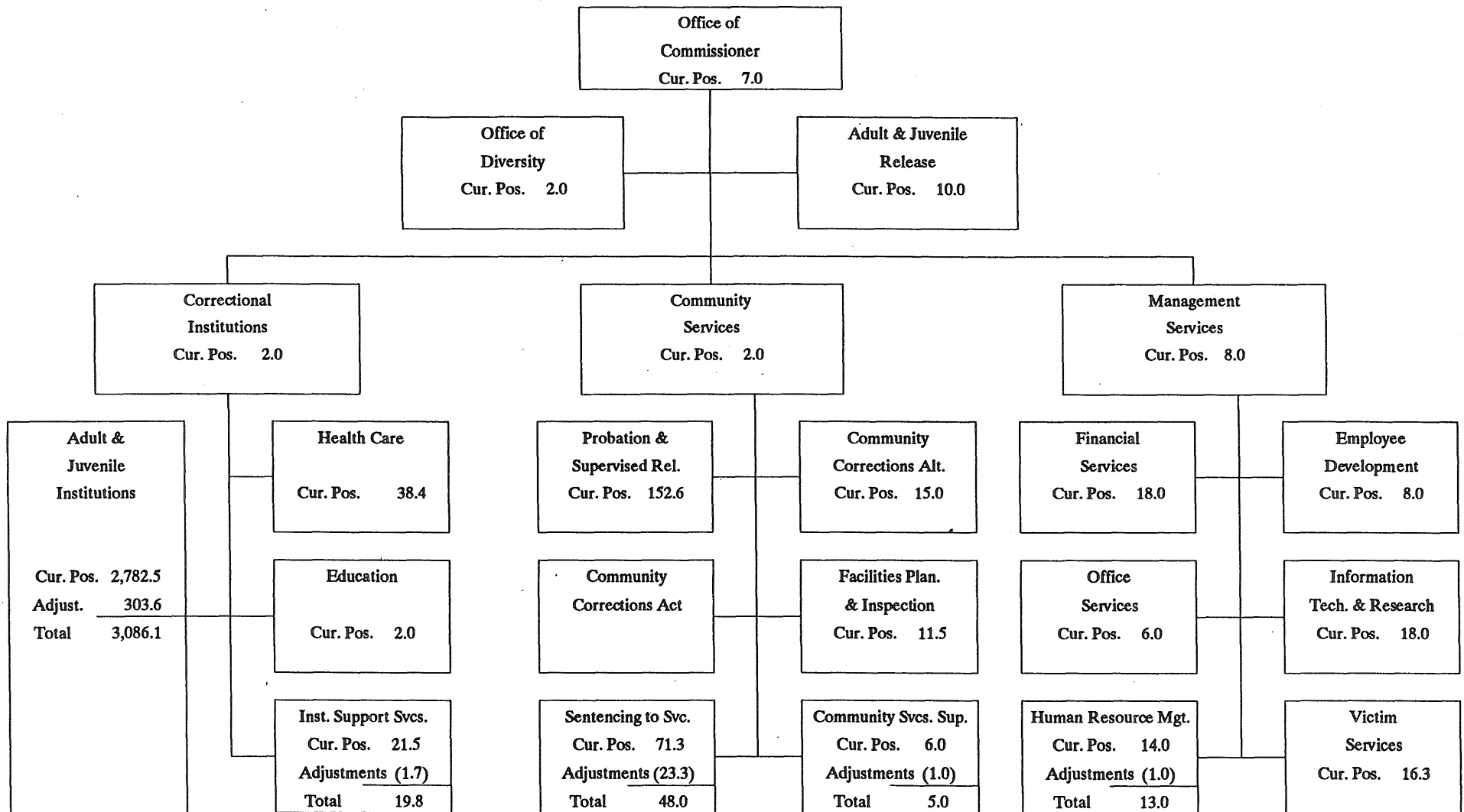
BUDGET ISSUES:

The agency budget plan will allow this activity to carry out its required activities within current funding levels.

REVENUE:

None.

Department of Corrections
Organization Chart 7/1/94



June 30, 1994 FTE Employees: 2,646.8

**1996-97 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Corrections, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1996-97</u>
BASE YEAR (F.Y. 1995)	\$239,983	\$239,983	\$479,966

CURRENT ADJUSTMENT:

One-time Appropriations	(5,764)	(5,764)	(11,528)
Biennial Appropriations	(144)	(150)	(294)
Appropriations Carried Forward	(9,109)	(9,109)	(18,218)
Base Transfer (Between Agencies)	25	25	50
Documented Rent/Lease Inc/Dec	2	.9	11
Attorney General Costs	(190)	(190)	(380)

CURRENT SPENDING	\$224,803	\$224,804	\$449,607
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AGENCY DECISION ITEMS:

Corr. Facility Caseload Changes	-0-	6,500	6,500
Annualized New Program Cost	27,845	28,929	56,774

AGENCY PLAN	\$252,648	\$260,233	\$512,881
--------------------	------------------	------------------	------------------

GOVERNOR'S INITIATIVES:

Add 26 Juvenile Beds-Red Wing	\$489	\$835	\$1,324
Add 15 Juvenile Beds-Sauk Centre	604	598	1,202
STS-Replace Fed & Expand	1,114	1,000	2,114
Intens Sup Rel-Replace Fed & Expand	944	944	1,888
Probation Caseload Reduction	6,000	9,000	15,000
Space Rent - Central Off	375	375	750
Increase Probation/Supervised Release	1,500	1,500	3,000
Increase CCA Funding	2,000	2,000	4,000
County Probation Reimbursement	431	857	1,288
Institution Sex Offender/Chem Dep Pro	375	375	750
Community Sex Off/Chem Dep Progs	1,500	1,500	3,000
Juv Female Continuum of Care	100	100	200
Battered Women Shelters	350	350	700
Abused Children Grants Expand Funding	150	175	325
Battered Women Expand Funding	150	175	325

General Crime Victim Expand Funding	150	175	325
Sexual Assault Expand Funding	150	175	325
EJJ Partnership Program	6,750	6,750	13,500
Preservation of Correctional Services	2,000	6,000	8,000

GOVERNOR'S RECOMMENDATIONS	\$277,780	\$293,117	\$570,897
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Brief Explanation of Agency Plan:

Annualization - Correctional Facilities

- The agency plan calls for \$6,500,000 in F.Y. 1997 to contract for adult male beds in the community. Population projections indicate the need for these beds which are in excess of prison bed capacity.
- The agency plan calls for the annualization of operating costs in the amount of \$27,845,000 in F.Y. 1996 and \$28,929,000 in F.Y. 1997 primarily for additional adult male beds coming on-line in F.Y. 1995 and during the F.Y. 1996-97 biennium.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

Within this overall budget recommendation, the Governor has provided for \$63 million in funding increases which represent annualization of prison space and security costs resulting from the implementation of new sentencing policies of the past few years. In addition, the Governor recommends new initiatives in the amount of \$58 million which are focused upon meeting the needs of the victims of crime and on holding offenders more accountable for their behavior when they are sentenced to serve community based sanctions. The majority of this new funding will flow directly through to those local units of government responsible for management of offenders.

AGENCY: Corrections, Department of

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Corrections (DOC) is to ensure that sanctions and services of the criminal justice system are designed and delivered to create a safer Minnesota. The department is authorized under M.S. 241.

To achieve this mission the department operates 10 correctional facilities including 7 for adults, 2 for juveniles, and 1 that serves both adults and juveniles. Adult prison populations currently total 4,400 inmates, juvenile offenders number in the 210 to 230 range. The department is also responsible for more than 11,000 offenders on probation, supervised release and parole who are supervised by department agents. Through the state Community Corrections Act the department also administers grant funds to units of local government for correctional services. Through grant funding provided by the department, programs serve battered women, victims of sexual assault, abused children and general crime victims.

The department is organized into 3 programmatic divisions: institutions, community services and management. Also at the division level are the offices of adult and juvenile release and the office of diversity. Numerous volunteer citizen advisory groups play key roles in the department in areas such as victim services, community corrections, women offender issues and correctional industries.

The operations of the Department of Corrections support the Minnesota Milestone theme for "A Caring and Secure Community." The department contributes to this theme by the following goals:

- To restore the victim, community and offender.
- To develop and support a range of correctional services and programs.
- To provide a safe, secure, humane environment for incarcerated offenders.
- To manage the organization effectively and efficiently.
- To educate and work cooperatively with other public and private organizations on common issues.

AGENCY CHALLENGES:

The following factors are shaping the development of policies and programs at the Department of Corrections:

- **Increase in Adult Male Inmate Population.** Prison populations are exceeding the capacity of Minnesota correctional facilities. Historically increases in the volume of offenders committed to the department from the courts and increases in sentence lengths are the primary reasons for these population changes. Projections of future inmate populations indicate that substantial increases will continue under current sentencing guidelines causing growth far beyond prison capacity, even with completion of currently funded expansions and including a planned new 800-bed prison. Recently updated projections show increases surpassing earlier estimates primarily because of law changes made in 1994 in the Omnibus Crime and Juvenile Justice Bills.

For adult males, projections show the population going up from 4,191 as of 12-19-94 to 5,154 by the end of the 1996-97 biennium (6-30-97), an increase of 963. By the year 2001 the number of male prisoners is projected to increase to 5,821, representing a total increase of 1,630 over 12-19-94.

- **Increase in Juvenile Population.** The juvenile population at MCF-Red Wing and MCF-Sauk Centre remained in the 160 - 170 for a number of years. However, with an increase in the population in general for ages 10 through 17, the number of juvenile offenders committed to these 2 facilities have also increased. This increase is expected to continue through the year 2000.
- **Minnesota Prisons.** Minnesota prisons are under control and must remain so. Many states operate prison systems that are unconstitutionally overcrowded and face federal court orders mandating expensive improvements or release of prisoners. The last count by the National Prison Project showed 39 states under court orders. Some prisons in other states have had costly staff injuries, have had to replace entire facilities and have faced high legal expenses because of riots. In overcrowded, understaffed prisons, control of the institution is limited by an inability to adequately separate inmates and monitor their activities. Systemic violence and major institution incidents correlate to overcrowded prison conditions.
- **Community Corrections.** Minnesota's relatively low rate of incarceration is reflected in the correctional systems reliance on local sanctions. Community corrections programs in Minnesota provide a wide range of sentencing options. Examples include restitution, community service, diversion and jail/workhouse programs. Adequate community based supervision must be in place to assure that these sanctions are realized.

The Minnesota Community Corrections Act (CCA) of 1973 authorizes the commissioner of corrections to award subsidy grants to a county or group of counties for the provision of local correctional services. The act is designed to encourage development of a local correctional system which includes sanctions for offenders and a variety of community programs. Thirty-one counties representing about 66% of the state's population participate in the CCA.

- **Sentencing to Service (STS).** STS is a relatively new sentencing alternative for courts which puts carefully selected, nonviolent property offenders to work on community improvement projects. Supervised STS crews work in parks and other public areas, frequently in combination with jail time. STS is operated by the Minnesota Departments of Corrections and Natural Resources, the courts and local governments.
- **Federal Funding.** Federal funds granted on a matching basis for new programs are being reduced in accordance with federal guidelines even though they have proven cost efficient and programmatically effective. Declining federal revenues are projected for the following community programs:
 - **Sentencing to Service.** In cooperation with the Department of Natural Resources (DNR), this program is designed to serve the needs of both the DNR and the criminal justice system by sentencing non-dangerous offenders to community service in Minnesota's state parks and other public lands. A loss of federal dollars would greatly curtail this community service program.

1996-97 Biennial Budget

AGENCY: Corrections, Department of
(Continuation)

- Intensive Community Supervision. This program provides intensive community supervision to high risk inmates being released from state correctional facilities. Federal revenue is expected to end in F.Y. 1995.
- Victim Services. A legislative mandate dictates that domestic abuse intervention services be established in each of the state's 27 judicial assignment districts. This funding provides for an effective and consistent criminal justice system response to domestic violence and abuse. It promotes safety for victims and ensures consistent consequences for perpetrators. It interrupts the cycle of violence and is preventative and helps to reduce violence in the family. However, victims in some areas of Minnesota remain unserved or underserved.
- Female Offenders. Planning for female offenders continues to ensure that female offenders receive substantially equivalent programming as that offered male offenders, taking into account the special needs of the female offender.

AGENCY STRATEGIES:

The agency budget plan is constructed to achieve the following program goals:

- To provide a safe, secure and humane environment for offenders committed to the commissioner of corrections.
- To provide a safe, secure and humane environment for staff.
- To create an environment conducive to rehabilitation for those offenders inclined to want to make change in their lives.
- To hold offenders accountable through supervision and surveillance.
- To assist offenders in the development of skills necessary to function in the community.
- To assist local units of government with the responsible use of state subsidy funds and the responsible delivery of correctional services in the community.
- To provide program services for female offenders, due process for inmates and grants administration for victims.

See the Annual Performance Report, dated September, 1994, for agency objectives and outcomes.

Current strategies focus on managing the client workload increase throughout the Department of Corrections.

REVENUE SUMMARY:

The department's operations are basically funded through general fund appropriations except for Thistledeew Camp which operates on reimbursements of per diems from counties and school districts. The department's limited receipts are generally based on cost recovery.

In the budget, Correctional Industries is expected to generate between \$16.7 million and \$17.0 million or 7% of the department's operating budget from the sale of goods produced by inmates

participating in the program with receipts dedicated to supporting the program. Special Revenue provides 2% of the total department budget.

Federal funds provide only 1% of the department's budget. Federal funds are expected to end before F.Y. 1996 for the Sentencing to Service and Intensive Community Supervision programs.

In accordance with statute, the department collects approximately \$4 million annually in non-dedicated receipts from Community Corrections Act counties utilizing the department's juvenile facilities. The department also collects approximately \$1.5 million of non-dedicated receipts per year, reflecting county reimbursement for juvenile probation and parole services provided by the state to contracting counties.

SUMMARY OF BUDGET REQUEST:

- The budget plan includes annualization costs for additional adult male beds coming in line at 3 facilities: MCF-Faribault, MCF-Lino Lakes and Moose Lake.
- The budget plan includes funding in the second year of the biennium for renting contract beds in the community to manage inmate population in excess of state institutional capacity.
- The budget plan includes annualization costs of opening a new 30-bed secure juvenile unit at MCF-Red Wing.
- The budget plan includes annualization costs for 116 additional correctional officer positions at MCF-Stillwater, MCF-St. Cloud and MCF-Oak Park Heights added by the legislature in 1994.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative agency funding level of \$571,897,000 for the biennium from the General Fund which incorporates initiatives for the following purposes:

Institutions - \$3,276,000 to add 26 additional juvenile beds at Red Wing, 15 additional juvenile beds at Sauk Centre, and for sex offender and chemical dependency treatment of incarcerated offenders.

Community Services - \$15,290,000 to increase the state commitment to the Community Corrections Act, County Probation reimbursement, the Sentence to Service program, state Probation and Intensive Supervised Release; \$15,000,000 for a statewide Probation Caseload Reduction program; and, \$13,500,000 to form a new EJJ Partnership Program with counties to underwrite the costs of correctional services to this new class of serious offender.

Management Services - \$8,750,000 to fund existing correctional services throughout the department and respond to emergent needs during the biennium and provide for additional office space needed by the department.

Victim Services - \$2,200,000 to expand state funding for Battered Women's Shelters, Abused Children, sexual assault victims, general crime victims programs, and to support a collaborative effort to develop programming for juvenile female offenders.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS, DPT OF

PROGRAM RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
CORRECTIONAL INSTITUTIONS	156,022	165,653	200,121	192,010	219,855	221,323	192,634	228,063	229,871
COMMUNITY SERVICES	46,229	49,096	59,578	54,212	54,212	74,826	54,218	54,218	78,482
MANAGEMENT SERVICES	14,733	16,693	19,885	19,010	19,010	22,435	19,010	19,010	26,535
TOTAL EXPENDITURES BY PROGRAM	216,984	231,442	279,584	265,232	293,077	318,584	265,862	301,291	334,888
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	177,107	191,377	239,983	224,803	252,648	277,780	224,804	260,233	293,117
STATUTORY APPROPRIATIONS:									
GENERAL	23	38	42	42	42	42	42	42	42
SPECIAL REVENUE	7,765	6,431	5,751	4,728	4,728	4,728	4,736	4,736	4,736
FEDERAL	4,823	4,344	3,788	2,843	2,843	3,218	2,843	2,843	3,556
AGENCY	13,129	14,571	14,516	16,149	16,149	16,149	16,349	16,349	16,349
GIFTS AND DEPOSITS	9	42	19	12	12	12	12	12	12
CORRECTIONAL INDUS	14,128	14,639	15,485	16,655	16,655	16,655	17,076	17,076	17,076
TOTAL FINANCING	216,984	231,442	279,584	265,232	293,077	318,584	265,862	301,291	334,888
FTE BY EMPLOYMENT TYPE:									
REGULAR	2,382.2	2,512.5	3,102.2		3,352.4			3,388.6	
TEMP/SEAS/PART_TIME	84.6	77.9	58.2		58.2			58.2	
OVERTIME	50.2	56.4	51.7		51.9			51.9	
TOTAL FTE	2,517.0	2,646.8	3,212.1		3,462.5	3,570.6		3,498.7	3,616.8

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: CORRECTIONS,DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	279,584	279,584	240,025	240,025	35,771	35,771	3,788	3,788
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<5,764>	<5,764>	<5,764>	<5,764>				
BIENNIAL APPROPRIATIONS	<144>	<150>	<144>	<150>				
APPROPRIATIONS CARRIED FWD	<9,109>	<9,109>	<9,109>	<9,109>				
BASE TRANSFER (BTWN AGENCIES)	25	25	25	25				
DED STAT APPROP SPENDING	1,773	2,402			1,773	2,402		
DOCUMENTED RENT/LEASE INC/DEC	2	9	2	9				
FEDERAL RECEIPTS	<945>	<945>					<945>	<945>
ATTORNEY GENERAL COSTS	<190>	<190>	<190>	<190>				
SUBTOTAL BASE ADJ.	<14,352>	<13,722>	<15,180>	<15,179>	1,773	2,402	<945>	<945>
CURRENT SPENDING	265,232	265,862	224,845	224,846	37,544	38,173	2,843	2,843

1996-97 Biennial Budget

PROGRAM: Community Services
AGENCY: Corrections, Department of

PROGRAM DESCRIPTION:

The Community Services program provides a broad range of correctional services in the community. Objectives of these services are to protect the public, to control criminal behavior of offenders, to assist offenders in the development of skills necessary to function in the community and to ensure compliance with standards governing operation of local correctional facilities. In order to achieve these objectives the program carries out the following functions:

1. Department of Corrections (DOC) agents supervise individuals who have been placed on probation, supervised release and parole in 56 counties not under the Community Corrections Act (CCA).
2. Community Services administers the CCA. Thirty-one Minnesota counties representing over 66% of the state's population voluntarily participate in the Act and assume responsibility for the provision of community based correctional services.
3. Work Release provides highly structured programs and supervision for offenders being released from state institutions.
4. Community Services in conjunction with the Department of Natural Resources (DNR) and counties operates Sentencing to Service (STS) programs for non-dangerous offenders who are sentenced to perform useful community service projects.
5. Community residential facilities provide structure and strict surveillance for offenders being released from institutions or who require stricter conditions of supervision.
6. Community corrections centers provide housing, education, supervision and treatment of juveniles adjudicated as delinquent.
7. Community Services, through contractual arrangements, provides outpatient services such as job placement, electronic monitoring, after-care treatment for sex offenders, day programming and drug testing and treatment programs.
8. Supervision to interstate transfer cases is provided through the Interstate Compact for the Supervision of Probationers and Parolees.
9. Community Services administers the county probation subsidy which reimburses counties for some costs associated with probation services.
10. The inspection and enforcement unit licenses, monitors and assists local correctional facilities in Minnesota. Its function is designed to ensure that conditions of confinement in local facilities adequately protect the public and meet basic safety, health and constitutional standards and to avoid legislation.

PROGRAM STATUS:

Like the Institutions program, the Community Services program has had a steady growth of clientele and workload. This has taxed the ability of the division to provide timely and quality services to its clients which include victims, courts, county boards, sheriffs, probation, and community corrections officials, as well as offenders. It is expected that providing services to a continued expanding client population will be a major challenge throughout the biennium.

The division must, and will continue to develop intermediate sanctions which will be acceptable to the public as well as to the legislature for dealing with more offenders in a way which is economically feasible yet effective. Among these programs are intensive supervision, day reporting centers, electronic surveillance, sentencing to service and other community work options, increased use of fines and house arrest. With the exception of Hennepin, Ramsey, and St. Louis counties, jails provide services for pre-trial detainees and sentenced prisoners. In Hennepin, Ramsey and St. Louis counties, jails are under the jurisdiction of the sheriff and hold only pre-trial detainees and are not under the CCA administration. These counties operate separate facilities for sentenced prisoners.

PLANNED RESULTS:

The Community Services Division is dedicated to the maintenance of current effective programs and the development of new programs to accomplish the objectives. The division will meet these objectives through constant review of current programs and through the study and research of potential new programs.

- To provide low cost alternatives to expensive prison beds.
- To enable local facilities to free up valuable jail space while continuing to assure the safety of the public.
- To continue to provide innovative programs such as Intensive Community Supervision, Sentencing to Service, Work Release and Phase 2 of the Challenge Incarceration Program.
- To continue to develop and initiate intermediate sanctions that safely keep a high number of individuals on probation and decrease the need for additional prison beds.

The Community Services Division accounts for 21% of the department's budget and 9% of the department's staff. The agency budget plan does not change the performance expected in measures included in the Annual Performance Report.

BUDGET AND REVENUE SUMMARY:

Revenue changes in this division include the end of federal revenue for the Sentencing to Service Program and for Intensive Community Supervision.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative program funding level of \$150,050,000 for the biennium, from the General Fund which is directed at holding offenders more accountable for their behavior and deterring repeat criminal activity. The Governor recommends the following initiatives:

1996-97 Biennial Budget

PROGRAM: Community Services
AGENCY: Corrections, Department of
(Continuation)

Community Corrections Act - \$4,000,000 to increase the state's financial commitment to the Community Corrections Act, and maintain the current cost sharing relationship.

County Probation Reimbursement - \$1,288,000 to maintain a 50% state participation in county probation costs.

Sentence to Service - \$2,114,000 to replace withdrawn federal funds and expand this popular sentencing alternative.

Intensive Supervised Release - \$1,888,000 to replace withdrawn federal funds and expand the intensive community supervision of selected offenders.

Community Sex Offender & CD Treatment - \$3,000,000 from the General Fund and \$1,088,000 in new federal funds to increase the level of sex offender and chemical dependency treatment provided to offenders while they serve community based sentences and to undertake a rigorous research and evaluation effort to determine what forms of treatment are effective in reducing future risks to the public.

Probation and Supervised Release - \$3,000,000 to increase offender accountability by reducing probation officer caseloads and thereby increasing the ability of level of supervision any one offender receives.

Statewide Caseload Reduction - \$15,000,000 to undertake a major increase in the number of probation officers statewide in order to bring caseloads down to realistic levels and insure that offenders are actually held accountable for their behavior while serving community sanctions.

EJJ Partnership Program - \$13,500,000 to form a new financial partnership with counties, whereby the state will underwrite the costs of correctional services to the new class of young, serious offender known as Extended Jurisdiction Juvenile.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS, DPT OF
PROGRAM: COMMUNITY SERVICES

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
PROBATION & SUPERVISED RELEASE	7,085	7,355	8,345	8,246	8,246	16,040	8,252	8,252	19,046
COMMUNITY CORRECTIONS ACT	24,337	25,750	28,959	28,959	28,959	30,959	28,959	28,959	30,959
COMMUNITY CORRECTIONAL ALTERNATIVE	5,103	5,750	6,988	6,240	6,240	13,640	6,240	6,240	13,640
SENTENCING TO SERVICE	2,882	3,464	4,275	3,120	3,120	4,234	3,120	3,120	4,120
FACILITIES PLANNING & INSPECTION	1,606	1,533	1,714	1,689	1,689	1,689	1,689	1,689	1,689
COMMUNITY SERVICES SUPPORT	5,216	5,244	9,297	5,958	5,958	8,264	5,958	5,958	9,028
TOTAL EXPENDITURES BY ACTIVITY	46,229	49,096	59,578	54,212	54,212	74,826	54,218	54,218	78,482
GOV'S INITIATIVES:	FUND								
(A) INCREASE CCA FUNDING		GEN				2,000			2,000
(A) COUNTY PROBATION REIMB		GEN				431			857
(A) STS-REPLACE FED/EXPAND		GEN				1,114			1,000
(A) INTENSE SUP REL-FED/EXPAND		GEN				944			944
(A) INCREASE PROB/SUPER REL		GEN				1,500			1,500
(A) PROB CASELOAD REDUCTION		GEN				6,000			9,000
(A) EJJ PARTNERSHIP PROG		GEN				6,750			6,750
(B) COMM SEX OF/CD PROGRAMS		GEN				1,500			1,500
(B) COMM SEX OF/CD PROGRAMS		FED				375			713
TOTAL GOV'S INITIATIVES						20,614			24,264
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	42,399	46,481	56,992	53,127	53,127	73,366	53,133	53,133	76,684
STATUTORY APPROPRIATIONS:									
GENERAL	3	17	21	21	21	21	21	21	21
SPECIAL REVENUE	1,286	811	1,459	800	800	800	800	800	800
FEDERAL	2,268	1,525	842			375			713
AGENCY	273	262	264	264	264	264	264	264	264
TOTAL FINANCING	46,229	49,096	59,578	54,212	54,212	74,826	54,218	54,218	78,482

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS, DPT OF
PROGRAM: COMMUNITY SERVICES

				FY 1996			FY 1997		
			Est.	Current	Agency	Governor	Current	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	FY 1995	Spending	Plan	Recomm.	Spending	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:									

REGULAR	199.8	225.4	256.4		232.1			232.1	
TEMP/SEAS/PART_TIME	1.8	1.9							
OVERTIME	1.1	.2							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	202.7	227.5	256.4		232.1	313.2		232.1	313.2

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS,DPT OF
PROGRAM: COMMUNITY SERVICES
ACTIVITY: COMMUNITY SERVICES SUPPORT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	360	293	419	278	278	1,398	278	278	1,396
EXPENSES/CONTRACTUAL SRVCS	514	727	3,108	899	899	1,610	899	899	1,933
MISC OPERATING EXPENSES	109	109	96	93	93	94	93	93	95
SUPPLIES/MATERIALS/PARTS	137	25	2	2	2	3	2	2	3
CAPITAL EQUIPMENT	89	<1>	20			42			58
SUBTOTAL STATE OPERATIONS	1,209	1,153	3,645	1,272	1,272	3,147	1,272	1,272	3,485
LOCAL ASSISTANCE	4,007	4,091	5,652	4,686	4,686	5,117	4,686	4,686	5,543
TOTAL EXPENDITURES	5,216	5,244	9,297	5,958	5,958	8,264	5,958	5,958	9,028
GOV'S INITIATIVES:			FUND						
(A) COUNTY PROBATION REIMB			GEN			431			857
(B) COMM SEX OF/CD PROGRAMS			GEN			1,500			1,500
(B) COMM SEX OF/CD PROGRAMS			FED			375			713
TOTAL GOV'S INITIATIVES						2,306			3,070
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,070	5,226	9,297	5,958	5,958	7,889	5,958	5,958	8,315
STATUTORY APPROPRIATIONS:									
GENERAL	3								
SPECIAL REVENUE		18							
FEDERAL	143					375			713
TOTAL FINANCING	5,216	5,244	9,297	5,958	5,958	8,264	5,958	5,958	9,028

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS,DPT OF
PROGRAM: COMMUNITY SERVICES
ACTIVITY: COMMUNITY SERVICES SUPPORT

				FY 1996			FY 1997		
ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	6.9	5.1	6.0		5.0			5.0	
OVERTIME		.1							
TOTAL FTE	6.9	5.2	6.0		5.0	25.0		5.0	25.0

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Corrections, Department of
PROGRAM: Community Services
ACTIVITY: Community Services Support

LONG-TERM IMPACT:

In addition to maintaining a service level of probation services to juveniles this initiative also maintains the state/county funding ratio.

ITEM TITLE: County Probation Reimbursement

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$431	\$857	\$857	\$857
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends additional General Fund financing in order to maintain a 50% state reimbursement of county probation costs.

RATIONALE:

This initiative will maintain the 50% reimbursement of the costs of probation officer salaries in non-Community Corrections Act counties providing probation services to juveniles. Because salaries increase each year, this funding will continue to provide the same level of probation service. Reimbursement may be prorated if the appropriation is insufficient.

PROGRAM OUTCOMES:

This funding will maintain vital probation services to juveniles.

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of counties reimbursed	57	57	56	56	56
Percent reimbursed	50%	50%	50%	50%	50%
Agent positions filled	152	159	151	173	184

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Corrections, Department of
PROGRAM: Community Services
ACTIVITY: Community Services Support

ITEM TITLE: Community Sex Offender Programs

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,500	\$1,500	\$1,500	\$1,500
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
- Federal-State Opns	\$375	\$713	\$713	\$713
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Federal	\$375	\$713	\$713	\$713

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$1,500,000 increase from the General Fund each year to expand community based sex offender treatment and the required evaluation of treatment effectiveness. In addition the Governor supports the department's application for federal grant funds to further this effort.

RATIONALE:

This initiative has 2 components relating to sex offender programs in the community and includes intensive research to be used in projects involving sex offender programs.

- The initiative for \$500,000 the first year and \$627,000 the second year for the sex offender treatment fund is an increase in funding to provide community-based sex offender programming for adults and juveniles.
- The sex offender programming evaluation project needs additional staff to complete intensive research projects. The 1992 legislature mandated that the department develop a comprehensive sex offender program evaluation project to begin assessing current programming trends, number of sex offenders (adult/juvenile), funding sources, etc. The legislature funded this project for F.Y. 1994-95. In order to continue building upon the existing foundation, additional funds are required. This would provide \$1,000,000 the first year and \$873,000 the second year of the

biennium for staff to continue the research.

- Application has been made for a \$2,799,092, 4-year federal grant to fund additional research on sex offenders. This federal grant is in addition to and contingent upon the General Fund appropriation.

PROGRAM OUTCOMES:

This initiative provides for the enhancement of sex offender programming in the community and for research into the effectiveness of sex offender programming. Results of these efforts will impact the future of sex offenders programming.

LONG-TERM IMPACT:

With the increasing number of sex offenders in the community, resources will continue to be needed to provide for assessment, programming and research.

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1996-97 Biennial Budget

PROGRAM: Management Services
AGENCY: Corrections, Department of

PROGRAM DESCRIPTION:

The Management Services Program provides a broad range of management support services throughout the department. The primary objective of this program is to provide management direction that will contribute and enable all programs to accomplish the department's mission. These functions include:

1. Administrative Management establishes major policy for the department and provides executive leadership. This activity includes the offices of adult and juvenile release which are responsible for approving release plans, conducting revocation hearings, issuance of warrants and orders for discharge and hearing officer services for internal disciplinary hearings for adult inmates, and Affirmative Action.
2. Financial Services formulates the fiscal policy, procedure and budgets, financial reports, payroll, internal auditing, purchasing, cost accounting, billings, deposits, contract and grant administration, etc., supervises all financial management functions, provides consultation services to program staff and monitors the use of departmental resources.
3. Office Services provides necessary support services for central office and field services operations, including state vehicle use, mailroom, photocopying, word processing, equipment inventory, office cleaning and office space assignments.
4. Human Resource Management coordinates recruiting and selection of new employees and all personnel transactions with the Department of Employee Relations. Human Resources monitors transactions to ensure equity and consistency with policies and procedures. It provides consultation and direction concerning grievance disputes, discipline matters, staffing patterns and labor relations.
5. The Employee Development unit staffs and operates a training academy for all new employees including correctional counselors and provides in-service training programs throughout the department for all employees. In-service training in areas such as due process, emergency procedures, AIDS and other diseases, gangs in the prison environment, drug or chemical dependency, as well as sex offender treatment are provided to help the department to carry out its mission.
6. Information Technology and Research provides data processing services, analytic support and records management services to department staff and others. Data processing services include systems analysis, technical consultation and systems planning. Analytic support is provided in the form of program evaluations, information needs and statistical analysis. Records Management develops procedures for the maintenance and protection of department records.
7. Women Offender planning includes issue identification, resource development, research, program development, program development assistance and implementation of the women offender state plan recommendations. It also provides staff support to the legislatively-created Advisory Task Force on the Women Offender in Corrections.
8. Victim Services provides and promotes programs towards reducing violence in society and in providing needed resources to victims of crime. Increasing awareness of the rights and needs of crime victims is a main goal of the unit. Victim Services administers state and federal program funds for victims of battering, sexual assault, child abuse and other crimes. Staff also provide materials for public awareness programs related to victimization and violence. The

Victim Services unit identifies and promotes public policy initiatives on behalf of the crime victims and assures department compliance with victim rights mandates.

PROGRAM STATUS:

Department Support Function. As the inmate population increases and the field service client workload increases, so also does the policy support function in the central office increase proportionately. This puts a heavy demand on central resources. Also as programs increase such as victim services and sentencing to service, support and space needs increase.

Department Turnover. The department projects a large turnover in managerial and supervisory staff during the 1990's. Over 36% of it's supervisors will retire by the year 2000.

Victim Services. With the increase in violence in our society, the need for more and expanded victim services also rise. Further, legislative initiative requires that domestic abuse intervention services be established in 27 judicial assignment districts in Minnesota.

Female Offenders. Adult and juvenile female offenders need special programming to meet their needs and to reduce their rate of return to state institutions.

PLANNED RESULTS:

The agency budget plan directly provides additional resources to the correctional institutions division for adult male bed expansion and juvenile male secure beds. Indirectly this annualization includes the adult release activity, the adult hearings activity and department support activities. The challenge to this division in the coming biennium will be to fulfill their duties within the resources available.

The agency budget plan provides for Victim Services and for the program goals of the Management Services Division.

This division accounts for only 7% of the department's budget and only 4% of the department's staff. The agency budget plan does not change the performance expected in measures included in the Annual Performance Report.

BUDGET AND REVENUE SUMMARY:

The agency budget plan does not include new revenue resources for this division. Current revenue resources are federal funds for victims and assessments in inmate wages for victim services.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative program funding level of \$46,524,000 for the biennium, which incorporates initiatives for the following: \$2,000,000 to increase grant assistance for battered women's shelters and other victim assistance programs, \$200,000 to support a collaborative effort to develop a continuum of care for juvenile female offenders, \$750,000 to pay for the increased space needs of the department, and \$8,000,000 for the preservation of correctional services throughout the department.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS,DPT OF
PROGRAM: MANAGEMENT SERVICES

ACTIVITY RESOURCE ALLOCATION:				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
ADMINISTRATIVE MANAGEMENT	1,663	2,077	2,369	2,278	2,278	4,378	2,278	2,278	8,378
FINANCIAL SERVICES	703	780	876	844	844	844	844	844	844
OFFICE SERVICES	1,040	1,094	1,126	1,091	1,091	1,466	1,091	1,091	1,466
HUMAN RESOURCE MANAGEMENT	836	736	848	802	802	802	802	802	802
EMPLOYEE DEVELOPMENT	455	427	620	563	563	563	563	563	563
INFORMATION TECHNOLOGY & RESEARCH	2,095	1,875	2,050	1,924	1,924	1,924	1,924	1,924	1,924
VICTIM SERVICES	7,941	9,704	11,996	11,508	11,508	12,458	11,508	11,508	12,558
TOTAL EXPENDITURES BY ACTIVITY	14,733	16,693	19,885	19,010	19,010	22,435	19,010	19,010	26,535
GOV'S INITIATIVES:	FUND								
(A) SPACE RENT - CENTRAL OFFICE		GEN				375			375
(A) ABUSED CHILDREN GRANTS		GEN				150			175
(A) BATTERED WOMEN EXPAND		GEN				150			175
(A) GEN CRIME VICTIM EXPAND		GEN				150			175
(A) SEXUAL ASSAULT EXPAND		GEN				150			175
(A) JUV FEMALE CONTINUUM OF CARE		GEN				100			100
(A) BATTERED WOMEN-LEG MAN		GEN				350			350
(A) PRESERVATION OF CORR SERVICES		GEN				2,000			6,000
TOTAL GOV'S INITIATIVES						3,425			7,525
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	12,260	14,460	18,130	17,287	17,287	20,712	17,287	17,287	24,812
STATUTORY APPROPRIATIONS:									
GENERAL	7								
SPECIAL REVENUE	1,005	678	142	130	130	130	130	130	130
FEDERAL	1,460	1,549	1,613	1,593	1,593	1,593	1,593	1,593	1,593
GIFTS AND DEPOSITS	1								
CORRECTIONAL INDUS		6							
TOTAL FINANCING	14,733	16,693	19,885	19,010	19,010	22,435	19,010	19,010	26,535

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS,DPT OF
PROGRAM: MANAGEMENT SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:									
REGULAR	94.1	98.1	111.0		110.0			110.0	
TEMP/SEAS/PART_TIME	.6	.4	.3		.3			.3	
OVERTIME	.1	.2							
TOTAL FTE	94.8	98.7	111.3		110.3	112.3		110.3	112.3

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS,DPT OF
PROGRAM: MANAGEMENT SERVICES
ACTIVITY: ADMINISTRATIVE MANAGEMENT

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:									

DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	1,387	1,541	1,793	1,793	1,793	1,893	1,793	1,793	1,893
EXPENSES/CONTRACTUAL SRVCS	104	65	103	67	67	2,067	67	67	6,067
MISC OPERATING EXPENSES	70	116	88	79	79	79	79	79	79
SUPPLIES/MATERIALS/PARTS	11	27	17	17	17	17	17	17	17
CAPITAL EQUIPMENT	15	52							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,587	1,801	2,001	1,956	1,956	4,056	1,956	1,956	8,056
LOCAL ASSISTANCE	76	276	368	322	322	322	322	322	322
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,663	2,077	2,369	2,278	2,278	4,378	2,278	2,278	8,378
=====									
GOV'S INITIATIVES:			FUND						
-----			-----						
(A) JUV FEMALE CONTINUM OF CARE			GEN			100			100
(A) PRESERVATION OF CORR SERVICES			GEN			2,000			6,000
=====			=====			=====			=====
TOTAL GOV'S INITIATIVES						2,100			6,100
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,647	1,991	2,359	2,270	2,270	4,370	2,270	2,270	8,370
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	16	78	2						
FEDERAL		8	8	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,663	2,077	2,369	2,278	2,278	4,378	2,278	2,278	8,378
=====									
FTE BY EMPLOYMENT TYPE:									

REGULAR	24.5	26.7	31.0		31.0			31.0	
OVERTIME	.1	.1							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	24.6	26.8	31.0		31.0	33.0		31.0	33.0

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Corrections, Department of
PROGRAM: Management Services
ACTIVITY: Administrative Management

ITEM TITLE: Juvenile Female Continuum of Care

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$100	\$100	\$100	\$100
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ____ No <u>X</u>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$200,000 for the biennium to support a collaborative planning effort to develop gender specific correctional services and alternatives for adolescent females.

RATIONALE:

This initiative is a comprehensive 3 pronged approach which includes a resource research component, community service programs and residential operations. A comprehensive planning effort will ensure a collaborative effort and the success of resultant services. The planning funds would provide for a full time planning director, full time clerical support and some operational funds covering travel, mailings and focus groups throughout the state.

The second year of the biennium would require a project coordinator and a clerical position. The second year of the biennium would be the beginning of the collaborative implementation of the project planned and designed the first year.

An interagency group concerned about the lack of gender appropriate programming for adolescent females has been meeting for several years and studying the problem. In 1991 they recommended that M.S. 241.70 (which provides for parity of services for women offenders) be expanded to include juveniles. The statute currently states that adult women charged with or convicted of crimes, and juvenile females charged with an offense that would be a crime if committed by an adult or adjudicated delinquent, shall be provided a range and quality of programming substantially equivalent to programming offered male persons charged with or convicted of crimes or

delinquencies. Programs for female offenders shall be based upon the special needs of female offenders. In Laws 1994, Chapter 636 of the Omnibus Crime Bill, Article 1, Section 5, Subdivision 7 states that the commissioner of corrections shall collaborate with the commissioners of human services, health, jobs and training, planning, education, public safety and with representatives of the private sector to develop a comprehensive continuum of care to address the gender-specific needs of juvenile female offenders.

PROGRAM OUTCOMES:

This process would require the planner to bring together all interested parties to move this concept forward, to assure that all entities who have concerns about juvenile females have their voices heard and that all ideas for this continuum of care are carefully examined.

Input and support must be secured from the Legislative Commission of Families, Youth and Children, the Action for Children Commission, the Children's Cabinet, the Juvenile Justice Advisory Committee, the Minnesota Initiative, Youth Works, various state agencies and private agencies. The outcome measure will be a written plan which has the support of these groups. The second year outcome measures would be developed during the planning process.

LONG-TERM IMPACT:

The mission of this initiative is to provide a continuum of care for adolescent females based on research, utilizing a strengths model which is gender and culture appropriate. Service delivery mechanisms will be evaluated as the project evolves.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Corrections, Department of
PROGRAM: Management Services
ACTIVITY: Administrative Management

ITEM TITLE: Preservation of Correctional Services

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,000	\$6,000	\$6,000	\$6,000
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statute(s) affected: M.S.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the appropriation of \$8,000,000 for the biennium to preserve the current level of correctional services provided by the department. The amount recommended represents only 1 % of the total budget recommended for the department, but is necessary to insure public safety and the safety of departmental staff and prison inmates.

RATIONALE:

State agencies are generally expected to maintain their current level of public services through the 1996-97 biennium within the same level of funding provided for 1995. This requires agencies to seek out and implement every opportunity for reductions in services which are of low priority or which may be discontinued. Because of continuing and unprecedented caseload growth, the Department of Corrections does not have the same ability to cut back services. For many years, the department relied on receipts earned from boarding prisoners of other states and the federal government to meet unanticipated or otherwise unfunded needs. However, excess prison capacity is no longer available to generate significant receipts, resulting in a loss of financial flexibility. The Governor recognizes that the department must have the ability to respond to demands as they arise, and recommends that the commissioner be authorized to transfer this appropriation among the programs and activities of the department as necessary.

PROGRAM OUTCOMES:

With this funding, the department will be able to maintain the integrity of existing correctional programs and respond to emergent needs.

1996-97 Biennial Budget

BUDGET ACTIVITY: Financial Services
PROGRAM: Management Services
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

Financial Services monitors and measures all fiscal activity within the department and reports the economic effect to managers and employees. It collects, classifies, records and summarizes financial transactions and data. A primary responsibility is to provide managers with information necessary for planning and controlling operations on a day-to-day basis. Financial services include budgeting, payroll, position control, institution accounting coordination, grant accounting and coordination, internal auditing, purchasing and disbursements, billing and receipts, travel audits, cost analysis, cost reporting, management and financial reporting, contract coordination and fiscal notes.

These activities are designed to support department staff in achieving the Department of Corrections' mission and goals.

BUDGET ISSUES:

The agency budget plan maintains and continues the functions of this activity.

REVENUE:

This activity utilizes special revenue generated from the agency indirect cost plan.

	<u>Dollars in Thousands</u>				
Type of Revenue:	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Dedicated - Special	\$47	\$92	\$54	\$44	\$44

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS,DPT OF
PROGRAM: MANAGEMENT SERVICES
ACTIVITY: OFFICE SERVICES

ACTIVITY SUMMARY	FY 1993	FY 1994	Est. FY 1995	FY 1996			FY 1997		
				Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	258	255	230	230	230	230	230	230	230
EXPENSES/CONTRACTUAL SRVCS	486	549	594	594	594	969	594	594	969
MISC OPERATING EXPENSES	131	186	184	184	184	184	184	184	184
SUPPLIES/MATERIALS/PARTS	146	104	118	83	83	83	83	83	83
CAPITAL EQUIPMENT	3								
OTHER	16								
SUBTOTAL STATE OPERATIONS	1,040	1,094	1,126	1,091	1,091	1,466	1,091	1,091	1,466
TOTAL EXPENDITURES	1,040	1,094	1,126	1,091	1,091	1,466	1,091	1,091	1,466
GOV'S INITIATIVES:			FUND						
(A) SPACE RENT - CENTRAL OFFICE			GEN			375			375
TOTAL GOV'S INITIATIVES						375			375
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	860	830	1,126	1,091	1,091	1,466	1,091	1,091	1,466
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	180	258							
CORRECTIONAL INDUS		6							
TOTAL FINANCING	1,040	1,094	1,126	1,091	1,091	1,466	1,091	1,091	1,466
FTE BY EMPLOYMENT TYPE:									
REGULAR	7.6	6.8	6.0		6.0			6.0	
TOTAL FTE	7.6	6.8	6.0		6.0	6.0		6.0	6.0

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Corrections, Department of
PROGRAM: Management Services
ACTIVITY: Office Services

ITEM TITLE: Space Rent - Central Office

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$375	\$375	\$375	\$375
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected: M.S.				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$750,000 for the biennium to pay for additional space rental needed by the department.

RATIONALE:

The work force housed in the central office has increased from 110 in 1990 to 150 currently and projections indicate increased space needs as the department grows. Current space for the central office is cramped and inefficient. Due to the "hard wall" type of construction in the existing building, offices have been designed to fit into existing space rather than designing the space to meet the needs of central office functions.

Based on 65,000 square feet of office space needed, the annual rent for the central office will increase to \$900,000 from the current budgeted level of \$475,000. The department will reallocate internally \$50,000 to reach the total amount needed.

PROGRAM OUTCOMES:

As correctional facilities expand and field service clients increase, so does the workload in the Department of Corrections' core operations. The central office has insufficient room to operate efficiently. Employee workspaces are cramped and inadequate. Security for the office space is difficult. A healthier and safer work environment is needed to maintain efficient and effective work standards.

The lease at the Bigelow Building expires 6-30-95. In cooperation with the Department of Administration, the department was advised to consider alternative locations. Through this process and in negotiations, it has been determined that the department could save \$574,000 in lease payments over a 7 year period by moving to a new location in Energy Park rather than remain in its current location. Moving costs will be paid from current budget resources.

LONG-TERM IMPACT:

A satisfactory and healthier work environment contributes to a more efficient and effective organization and higher productivity.

1996-1997 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SENTENCING GDLNS COM
PROGRAM: MN SENTNCING GUIDELINE COM
ACTIVITY: MN SENTNCING GUIDELINE COM

ACTIVITY SUMMARY				FY 1996			FY 1997		
	FY 1993	FY 1994	Est. FY 1995	Current Spending	Agency Plan	Governor Recomm.	Current Spending	Agency Plan	Governor Recomm.
EXPENDITURES:									
DETAIL BY CATEGORY:									
STATE OPERATIONS:									
PERSONAL SERVICES	196	252	302	295	295	295	295	295	295
EXPENSES/CONTRACTUAL SRVCS	37	36	45	45	45	45	45	45	45
MISC OPERATING EXPENSES	7	8	10	10	10	10	10	10	10
SUPPLIES/MATERIALS/PARTS	4	20	30	15	17	17	15	19	19
CAPITAL EQUIPMENT	8	15	37	2	2	2	2	2	2
SUBTOTAL STATE OPERATIONS	252	331	424	367	369	369	367	371	371
TOTAL EXPENDITURES	252	331	424	367	369	369	367	371	371
AGENCY PLAN ITEMS:			FUND						
SMALL AGENCY INFLATION			GEN		2			4	
TOTAL AGENCY PLAN ITEMS					2			4	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	252	331	424	367	369	369	367	371	371
TOTAL FINANCING	252	331	424	367	369	369	367	371	371
FTE BY EMPLOYMENT TYPE:									
REGULAR	4.0	7.0	7.0		7.0			7.0	
TEMP/SEAS/PART_TIME	.4	.2	.2		.2			.2	
OVERTIME	.1	.1	.1		.1			.1	
TOTAL FTE	4.5	7.3	7.3		7.3	7.3		7.3	7.3

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: SENTENCING GDLNS COM

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97	F.Y. 96	F.Y. 97
F.Y. 95 FUNDING LEVEL	424	424	424	424				
BASE ADJUSTMENTS								
APPROPRIATIONS CARRIED FWD	<57>	<57>	<57>	<57>				
SUBTOTAL BASE ADJ.	<57>	<57>	<57>	<57>				
CURRENT SPENDING	367	367	367	367				

Governor's Price of Government Target Recommendation

Summary of Governor's Revenue Target Recommendation

For the 1996-1997 biennium, the Governor recommends revenue targets of \$22.3 billion, or 10.3% of state personal income, for state government and \$17.1 billion, or 7.9% of state personal income, for local governments. For

Governor's February 1995 Price of Government Recommendation
(\$ in millions)

	FY 1996	FY 1997	FY 1996-97	FY 1998	FY 1999	FY 1998-99
State Tax Revenues	9,413.0	9,479.5	18,892.5	10,108.6	10,467.0	20,575.6
<i>as percent of personal income</i>	8.9%	8.6%	8.7%	8.8%	8.7%	8.7%
State Non-Tax Revenues	1,547.5	1,826.8	3,374.2	1,548.5	1,546.2	3,094.7
<i>as percent of personal income</i>	1.5%	1.7%	1.6%	1.3%	1.3%	1.3%
Local Tax Revenues	4,424.1	4,610.4	9,034.6	4,774.2	4,981.8	9,756.1
<i>as percent of personal income</i>	4.2%	4.2%	4.2%	4.1%	4.1%	4.1%
Local Non-Tax Revenues	3,937.6	4,095.4	8,033.0	4,256.3	4,433.9	8,690.1
<i>as percent of personal income</i>	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Total Revenues	19,322.2	20,012.1	39,334.3	20,687.6	21,428.9	42,116.5
<i>as percent of personal income</i>	18.2%	18.2%	18.2%	17.9%	17.7%	17.8%
State Personal Income	105,990	110,250	216,240	115,490	120,850	236,340

the 1998-99 biennium, the Governor recommends targets of \$23.7 billion, or 10.0% of state personal income, for state government and \$18.4 billion, or 7.8% of state personal income, for local governments.

New Price of Government Law Requires New Approach to Budgeting

The 1994 Tax Bill included provisions, commonly referred to as the "Price of Government" legislation, that make several changes in the State's budget process:

- In November and February prior to the start of a biennium, the Departments of Finance and Revenue are required to project state and local taxes, other revenues and personal income for the current biennium and the future two biennia. This historical and projected data is to be presented by type of government and major revenue source. This data was presented last November in the Department of Finance's November Forecast.
 - In January, the Governor is required to recommend revenue targets for the next two biennia that specify:
 - The maximum percentage of personal income to be collected in state and local taxes and other revenues.
 - The division of the share between state and local government revenues.
 - The appropriate mix and rates of income, sales, and other state and local taxes and other revenues and the amount of property taxes.
 - The effect of the recommendations on the incidence of the tax burden by income class.
- The Governor's revenue target recommendation is presented in this document.
- By March 15th, the Legislature is required to adopt, by concurrent resolution, its own revenue targets for the same periods, including the same information as presented by the Governor. The Legislature's targets will be based on the revised state and local revenue forecast prepared jointly by the Departments of Finance and Revenue.

November Forecast of State and Local Revenues

The starting point for the Governor's revenue target recommendation was the November forecast of state and local revenues. The forecast, prepared jointly

by the Departments of Finance and Revenue, projected revenues based on current law, using current tax rates. The following table summarizes the November forecast data.

November, 1994 Forecast of State & Local Revenues, C.Y. 1990-1998
(\$ in Billions)

Calendar Year	Fiscal Year	Personal Income	Revenue					
			State	as % of Personal Income	Local	as % of Personal Income	Total	as % of Personal Income
1990	1991	\$82.3	\$8.3	10.1%	\$6.0	7.3%	\$14.3	17.4%
1991	1992	\$85.3	\$8.8	10.3%	\$6.6	7.7%	\$15.4	18.0%
1992	1993	\$91.5	\$9.6	10.5%	\$7.0	7.6%	\$16.6	18.1%
1993	1994	\$94.9	\$10.2	10.7%	\$7.4	7.8%	\$17.6	18.5%
1994	1995	\$101.2	\$10.7	10.6%	\$7.8	7.7%	\$18.6	18.4%
1995	1996	\$105.4	\$11.0	10.4%	\$8.4	8.0%	\$19.4	18.4%
1996	1997	\$110.2	\$11.3	10.3%	\$8.6	7.8%	\$19.9	18.1%
1997	1998	\$116.0	\$11.8	10.2%	\$8.8	7.6%	\$20.6	17.8%
1998	1999	\$122.1	\$12.2	10.0%	\$9.1	7.4%	\$21.3	17.4%

Additional detail can be obtained from the Department of Finance's November Forecast and the Department of Revenue's Local Government Revenue Estimates - Supplemental Report to the November 1994 State Forecast Document.

Governor's Revenue Target Recommendation

The Governor recommends a Price of Government target of \$39.3 billion, or 18.2% of projected state personal income, for the 1996-97 biennium, and \$42.1 billion, or 17.8% of projected state personal income, for the F.Y. 1998-99 biennium.

These targets were derived by making the following adjustments to the November Price of Government Forecast:

- *Reduction for Cambridge Bank* - Because the refunds that will be paid to financial institutions under the terms of the Cambridge Bank judgment will be accounted for as tax *refunds*, the forecasted amount of state tax collections will decrease. The Governor has adjusted spending downward to reflect this loss in revenue.

Governor's February 1995 Price of Government Recommendation
(\$ in millions)

	FY 1996	FY 1997	FY 1996-97	FY 1998	FY 1999	FY 1998-99
State Tax Revenues	9,413.0	9,479.5	18,892.5	10,108.6	10,467.0	20,575.6
<i>as percent of personal income</i>	8.9%	8.6%	8.7%	8.8%	8.7%	8.7%
State Non-Tax Revenues	1,547.5	1,826.8	3,374.2	1,548.5	1,546.2	3,094.7
<i>as percent of personal income</i>	1.5%	1.7%	1.6%	1.3%	1.3%	1.3%
Local Tax Revenues	4,424.1	4,610.4	9,034.6	4,774.2	4,981.8	9,756.1
<i>as percent of personal income</i>	4.2%	4.2%	4.2%	4.1%	4.1%	4.1%
Local Non-Tax Revenues	3,937.6	4,095.4	8,033.0	4,256.3	4,433.9	8,690.1
<i>as percent of personal income</i>	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Total Revenues	19,322.2	20,012.1	39,334.3	20,687.6	21,428.9	42,116.5
<i>as percent of personal income</i>	18.2%	18.2%	18.2%	17.9%	17.7%	17.8%
State Personal Income	105,990	110,250	216,240	115,490	120,850	236,340

- *Allowance for Local Non-School Fee Increases* - The Governor recognizes that local governments, like the state, will have future inflationary cost pressures. As a result, the Governor has included an allowance for an inflationary adjustment equal to the local government price deflator (PGSL). Nonetheless, the Governor strongly encourages local governments to seek efficiencies and reallocations that will allow

them to provide effective services without significant fee increases.

- *Adjustment for Revised School Levy Amounts* - Since the November forecast, additional information has resulted in a revision of the current law forecast of school levies.

It is important to note that the Governor's proposals for changes in aids to local units of government will not affect the percent of personal income accounted for by local governments in the price of government targets. Only "own-source" revenues -- revenues raised directly by the taxing or fee-charging capacity of the unit of government -- are included in price of government targets. Because state aids are transfers from the State to local units of government, not "own-source" revenues, any increase or decrease in state aids does not result in a change in the personal income percentages.

A table, similar to that prepared for the November forecast, displaying the Governor's Price of Government Targets in detail is available in Appendix A.

Price of Government Recommendation by Mix and Rate of Tax Type

The table on page 7 presents the Governor's Price of Government Recommendations by mix and type of revenue source.

Effect of Price of Government Targets Upon Tax Incidence

The Governor's Price of Government Recommendation will have no net effect upon the current incidence of state or local taxes. Current tax incidence information can be found in the Department of Revenue's 1993 *Minnesota Tax Incidence Study* (November, 1993).

Governor's February 1995 Price of Government Recommendations
By Government and Revenue Type
(\$ 000s)

(\$ 000s)

Fiscal Year	Govt. Unit	Taxes								Non-Tax Revenues		Total	
		Income		Sales		Property		Other					
1996	State	4,440,900	4.2%	2,765,800	2.6%	0	0.0%	2,206,315	2.1%	1,547,471	1.5%	10,960,486	10.3%
	Local	0	0.0%	68,526	0.1%	4,297,233	4.1%	58,366	0.1%	3,937,586	3.7%	8,361,711	7.9%
	Total	4,440,900	4.2%	2,834,326	2.7%	4,297,233	4.1%	2,264,681	2.1%	5,485,057	5.2%	19,322,197	18.2%
1997	State	4,368,280	4.0%	2,833,600	2.6%	0	0.0%	2,277,616	2.1%	1,826,753	1.7%	11,306,249	10.3%
	Local	0	0.0%	70,205	0.1%	4,481,160	4.1%	59,081	0.1%	4,095,402	3.7%	8,705,848	7.9%
	Total	4,368,280	4.0%	2,903,805	2.6%	4,481,160	4.1%	2,336,697	2.1%	5,922,155	5.4%	20,012,097	18.2%
1997-98	State	8,809,180	4.1%	5,599,400	2.6%	0	0.0%	4,483,931	2.1%	3,374,224	1.6%	22,266,735	10.3%
	Local	0	0.0%	138,731	0.1%	8,778,393	4.1%	117,447	0.1%	8,032,988	3.7%	17,067,559	7.9%
	Total	8,809,180	4.1%	5,738,131	2.7%	8,778,393	4.1%	4,601,378	2.1%	11,407,212	5.3%	39,334,294	18.2%
1998	State	4,846,600	4.4%	2,927,600	2.7%	0	0.0%	2,334,439	2.1%	1,548,460	1.4%	11,657,099	10.1%
	Local	0	0.0%	72,536	0.1%	4,641,899	4.2%	59,805	0.1%	4,256,245	3.9%	9,030,485	7.8%
	Total	4,846,600	4.4%	3,000,136	2.7%	4,641,899	4.2%	2,394,244	2.2%	5,804,705	5.3%	20,687,584	17.9%
1999	State	5,040,730	4.6%	3,014,800	2.7%	0	0.0%	2,411,473	2.2%	1,546,197	1.4%	12,013,200	9.9%
	Local	0	0.0%	74,697	0.1%	4,846,595	4.4%	60,538	0.1%	4,433,873	4.0%	9,415,703	7.8%
	Total	5,040,730	4.6%	3,089,497	2.8%	4,846,595	4.4%	2,472,011	2.2%	5,980,070	5.4%	21,428,903	17.7%
1998-99	State	9,887,330	4.2%	5,942,400	2.5%	0	0.0%	4,745,912	2.0%	3,094,657	1.3%	23,670,299	10.0%
	Local	0	0.0%	147,233	0.1%	9,488,494	4.0%	120,343	0.1%	8,690,118	3.7%	18,446,188	7.8%
	Total	9,887,330	4.2%	6,089,633	2.6%	9,488,494	4.0%	4,866,255	2.1%	11,784,775	5.0%	42,116,487	17.8%

(Note: Percentages may not add due to rounding)

Governor's State and Local Finance Policy Proposals

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Department of Agriculture

ITEM TITLE: Permanent Sales Tax Exemption of Used Farm Machinery

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Revenues: (\$000s)				
General Fund	(\$1,300)	(\$1,600)	(\$1,700)	(\$1,700)
LGTF	(\$300)			

Statutory Change? Yes X No **GOVERNOR'S RECOMMENDATION:**

The Governor recommends the permanent exemption of used farm machinery from the sales tax.

RATIONALE:

Under current law, the sales tax exemption on used farm machinery enacted in the 1994 legislature is scheduled to sunset at the end of F.Y. 1995. This exemption will assist farmers with their cash flow, particularly beginning farmers who must often rely upon used equipment. The initiative is also in keeping with sound tax policy, eliminating the distorting effects of taxing business inputs.

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Department of Agriculture

ITEM TITLE: Environmental Tax Credit

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Revenues: (\$000s)				
General Fund	(\$-0-)	(\$-0-)	(\$-0-)	(\$-0-)

Statutory Change? Yes X No **GOVERNOR'S RECOMMENDATION:**

In his original budget submission, the Governor had recommended funding for a pilot program that would assist farmers through the provision of an Environmental Tax Credit.

The Governor has withdrawn his recommendation to permit funding of higher priorities within the budget.

RATIONALE:

The credit would be a certain percentage of the purchase price of equipment acquired to improve the environmental quality of farming operations. Improvements could include upgrading feedlots, purchasing conservation tillage implements and incorporating other environmental practices. This tax credit is designed to encourage good soil and water conservation practices while helping to defray a portion of the costs imposed by environmental regulations.

PROGRAM OUTCOMES:

Improved environmental quality in rural areas and greater profitability for farmers would result.

F.Y. 1996-97 BUDGET INITIATIVE**AGENCY:** Department of Administration**ITEM TITLE:** Exemption of MNet Purchases

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Revenues: (\$000s)				
GF/LGTF	(\$500)	(\$500)	(\$600)	(\$600)

Statutory Change? Yes ☒ No ☐**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that purchases of equipment associated with the enhancement of the state's telecommunications infrastructure be made exempt from the sales tax.

RATIONALE:

Under current law, state agencies purchasing telecommunications access from Intertech must indirectly pay the sales tax through the charge made by Intertech to recover its costs, which include sales tax paid on purchased equipment. However, because the Department of Education is exempt from paying sales tax on purchases from private vendors, Intertech faces the possible loss of this critical user. In order for MNet to retain enough business from state agencies to be price competitive, it must be allowed an exemption on the purchase of telecommunications equipment.

F.Y. 1996-97 BUDGET INITIATIVE**AGENCY:** Department of Human Services**ITEM TITLE:** Prepayment of Tax Credits

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Revenues: (\$000s)				
General Fund	(\$2,200)	(\$120)	(\$3,800)	(\$400)
Expenditures: (\$000s)				
LGTF	\$3,000	\$180	\$5,200	\$600

Statutory Change? Yes ☒ No ☐**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a pilot program to evaluate the benefits of early payment of state tax credits.

RATIONALE:

Currently, individuals qualifying for the Working Family Credit, Dependent Care Credit and Property Tax Credits must apply for a refund of their credits at the end of the year. These payments come in a lump sum, and fail to provide the ongoing cash flow financial support needed by low-income families throughout the year. By making these tax credits available to families on a monthly basis, the state will provide support to low-income families throughout the year and provide more immediate incentives for work. This pilot program will be evaluated for beneficial effects upon participants.

F.Y. 1996-97 BUDGET INITIATIVE**AGENCY:** Department of Revenue**ITEM TITLE:** Elimination of the Political Contribution Credit

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Revenues: (\$000s)				
General Fund	\$1,250	\$3,400	\$2,600	\$3,600
Statutory Change? Yes <u>X</u> No <u> </u>				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Political Contribution Credit be eliminated for refunds made after June 30, 1995.

RATIONALE:

The Political Contribution Credit was implemented in 1990 to encourage candidates for state offices to finance their campaigns with small contributions from many donors. Taxpayers may claim a refund equal to contributions to Minnesota political candidates and parties during a calendar year. The refunds are limited to \$50 for single persons and \$100 for married couples.

There is insufficient evidence to support or reject the contention that this program is achieving its stated purpose of encouraging more small contributions. It is also difficult and expensive to administer -- annual operating costs exceed 5% of the refund amount. It is also difficult to provide any meaningful audit process.

F.Y. 1996-97 BUDGET INITIATIVE**AGENCY:** Department of Revenue**ITEM TITLE:** County Homestead Block Grant Consolidation

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Expenditures: (\$000s)				
LGTF	(\$57,000)			
General Fund		(\$20,000)	(\$33,000)	(\$33,000)
Statutory Change? Yes <u>X</u> No <u> </u>				

GOVERNOR'S RECOMMENDATION:

The Governor recommends Local Government Aid (LGA), Homestead Agricultural Credit Aid (HACA), Disparity Reduction Aid (DRA) and Attached Machinery Aid be combined into one County Homestead Block Grant in F.Y. 1997. Additionally, the Governor recommends reductions in local government aids to help pay for the Cambridge Bank settlement.

RATIONALE:

The Governor proposes a local aids and credits reform package designed to make more efficient use of the state's aid resources. Currently, most local aids and credits are distributed through formulas that have little relationship to the demand upon local governments for services or their ability to pay for those services, and provide little incentive for local units of government to cooperate in providing services.

The Governor proposes to combine several non-school aid programs -- City/Township Local Government Aid (LGA), Homestead Agricultural Credit Aid (HACA), Disparity Reduction Aid (DRA), and Attached Machinery Aid -- into one County Homestead Block Grant program. After the aid allocations have been made to all individual taxing jurisdictions in CY 1996 (FY 1997), the

F.Y. 1996-97 BUDGET INITIATIVE**AGENCY:** Department of Revenue**ITEM TITLE:** County Homestead Block Grant Consolidation (Contd.)

aid programs will be consolidated into the County Homestead Block Grants. These aids would be summed at the county level, establishing the base year funding for the new aid program. Based on the Governor's recommendations, the County Homestead Block Grant would total \$802 million in FY 1997, \$803 million in FY 1998 and \$814 million in FY 1999.

The Governor recommends that, local governments decide the allocation of the grants within counties. To accomplish this, the Governor proposes that the block grants be distributed to local governments throughout the county by an Aid Distribution Council (ADC), comprised of an equal number of representatives from the governing bodies of county government, cities, and school district taxing districts within the county. As a result, the block grant allocation within counties will be based on collective local needs and program priorities.

By allocating the grants at the county level, increased incentives for local service sharing and cooperative agreements will provide better local services for less money.

The Governor also recommends a \$77 million reduction in the growth of Local Government Aid (LGA) and Homestead Agricultural and Credit Aid (HACA) which, in total, amount to less than 1% of local revenues. The recommended level of funding includes a 1% reduction for the Cambridge Bank judgment, removal of the automatic inflation increases in statute and repayment of the net General Fund dollars loaned to the Local Government Trust Fund. Without repayment, these dollars will be lost when the LGTF programs are returned to the General Fund in FY 1997. Depending on the February forecast, the Governor is committed to reexamining the FY 1997 reductions in aid.

F.Y. 1996-97 BUDGET INITIATIVE**AGENCY:** Department of Revenue**ITEM TITLE:** Changing Cambridge Bank refunds from refundable credit to refund

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Revenues: (\$000s)				
General Fund	\$3,000	\$3,000	\$3,000	\$3,000

Statutory Change? Yes X No **GOVERNOR'S RECOMMENDATION:**

The Governor recommends the means of paying Cambridge Bank judgments be changed from a refundable credit to a refund.

RATIONALE:

Because current law dictates that the Department of Revenue process Cambridge bank judgments as refundable credits, which requires a separate line on the corporate tax return, corporate auditors will need to be diverted from their regular audit activities to audit every corporate tax return for Cambridge Bank judgments. The Department of Revenue has estimated that auditing these corporate returns will cause a loss of revenue received from regular corporate audit activity of approximately \$26 million over the next four years. This loss of revenue has been incorporated into the February forecast.

Changing the form of repayment from a refundable credit to a refund will require that financial institutions claiming a Cambridge Bank judgment file a separate refund claim, instead of claiming the judgment on their tax return. This will reduce the work load required to process Cambridge Bank judgments, and will allow corporate auditors to decrease the loss of regular audit collections by \$3 million each year.

REVISED 2-28-95

PAGE 12

F.Y. 1996-97 BUDGET INITIATIVE

AGENCY: Department of Revenue

ITEM TITLE: Bonding for Cambridge Bank Judgment

	<u>1996-97 Biennium</u>		<u>1998-99 Biennium</u>	
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Revenues: (\$000s)				
General Fund	\$84,000	\$86,000	\$89,000	\$92,000
Special Bond Fund				
(Transfer In)	\$75,000	\$7,563	\$43,125	\$43,085
Bond Proceeds	\$-0-	\$275,000	\$-0-	\$-0-
Tax Refunds	(\$75,000)	(\$275,000)	\$-0-	\$-0-
Expenditures: (\$000s)				
General Fund				
(Transfer Out)	\$75,000	\$7,563	\$43,125	\$43,085
Special Bond Fund				
Debt Service	\$-0-	\$7,563	\$43,125	\$43,085

Statutory Change? Yes X No _____

GOVERNOR'S RECOMMENDATION:

The Governor recommends the issuance of revenue bonds to help fund the Cambridge Bank judgment.

RATIONALE:

The Governor recommends that the Cambridge Bank judgment be paid with \$75 million in cash in F.Y. 1996 and the issuance of \$275 million in eight-year revenue bonds in F.Y. 1997.

By issuing revenue bonds to help pay Cambridge Bank judgments, the impact on the F.Y. 1996-97 budget will be reduced from \$170 million to \$82 million, a biennial savings of \$88 million relative to the current forecast. Issuance of revenue bonds will have the additional advantage of settling this long-standing issue in two years instead of four. The additional net present value cost of bonding -- relative to the payment of cash over a four year repayment period -- is approximately \$6 million.

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Appendix A

Governor's Price of Government Recommendation Detail

Governor's February 1995 Price of Government Recommendation
State & Local Revenues, C.Y. 1990-1998
Percent of Personal Income
(\$ in Thousands)

	C.Y. 1990 F.Y. 1991	C.Y. 1991 F.Y. 1992	C.Y. 1992 F.Y. 1993	C.Y. 1993 F.Y. 1994	C.Y. 1994 F.Y. 1995	C.Y. 1995 F.Y. 1996	C.Y. 1996 F.Y. 1997	C.Y. 1997 F.Y. 1998	C.Y. 1998 F.Y. 1999
State Revenues									
<i>Tax Revenues:</i>									
Individual Income Tax	2,972,983	3,144,636	3,471,374	3,539,994	3,736,900	3,870,000	4,023,880	4,193,100	4,377,830
General Sales Tax	1,965,209	2,193,451	2,378,482	2,522,271	2,697,400	2,765,800	2,833,600	2,927,600	3,014,800
Corporate Income Tax	457,934	420,278	509,534	551,822	673,900	570,900	344,400	653,500	662,900
Gasoline & Special Fuels Taxes	430,213	437,817	441,619	457,614	466,078	475,497	486,898	497,478	504,981
Motor Vehicle License Tax	351,664	370,650	404,655	425,036	437,909	441,550	455,338	459,302	473,488
Motor Vehicle Excise Tax	236,720	270,356	296,284	332,994	359,600	359,300	364,600	382,300	398,600
Health Care Taxes	0	0	13,566	64,532	148,395	176,638	206,474	225,660	245,850
All Other Taxes	549,253	585,022	662,167	759,729	749,949	753,330	764,306	769,699	788,554
Subtotal - State Taxes	6,963,976	7,422,210	8,177,681	8,653,992	9,270,131	9,413,015	9,479,496	10,108,639	10,467,003
<i>Non-Tax Revenues:</i>									
Fees & Charges	249,168	338,879	326,518	366,305	358,031	362,992	370,648	364,909	364,840
Investment Earnings	172,861	109,360	77,989	79,419	64,471	90,265	84,563	80,279	77,127
Post-Secondary Tuition	354,404	379,134	409,787	415,135	428,000	428,564	446,164	459,148	473,335
All Other Resources	570,118	560,559	571,254	650,922	680,301	665,650	925,378	644,124	630,895
Subtotal - State Non Tax Revenues	1,346,551	1,387,932	1,385,548	1,511,781	1,530,803	1,547,471	1,826,753	1,548,460	1,546,197
Subtotal - State Own Source Revenues	8,310,527	8,810,142	9,563,229	10,165,773	10,800,934	10,960,486	11,306,249	11,657,099	12,013,200
Federal Grants	2,260,587	2,530,697	2,778,303	3,133,023	3,377,056	3,521,260	3,623,423	3,623,772	3,624,189
TOTAL STATE REVENUES	10,571,114	11,340,839	12,341,532	13,298,796	14,177,990	14,481,746	14,929,672	15,280,871	15,637,389
Local Non-School Revenues									
<i>Tax Revenues:</i>									
Property Tax	1,781,966	1,979,384	2,091,076	2,165,435	2,219,505	2,311,160	2,393,276	2,482,998	2,581,692
Sales Tax	49,852	52,750	60,272	62,449	66,783	68,526	70,205	72,536	74,697
Other Taxes	34,131	39,188	42,272	47,093	52,427	58,366	59,081	59,805	60,538
Subtotal - Local Taxes	1,865,949	2,071,322	2,193,620	2,274,977	2,338,715	2,438,052	2,522,562	2,615,339	2,716,927
<i>Non-Tax Revenues:</i>									
Special Assessments	203,949	207,957	239,171	242,300	255,598	269,644	281,351	293,374	306,822
Licenses and Permits	58,168	62,802	68,530	72,843	78,308	84,185	87,807	91,524	95,684
Charges for Services	343,549	371,433	393,946	427,696	459,067	492,764	511,951	531,540	553,539
Investment Earnings	326,643	291,536	260,507	255,987	255,987	255,987	266,305	276,858	288,694
Selected Enterprise Revenues	1,238,569	1,418,282	1,527,277	1,663,853	1,844,532	2,048,021	2,130,111	2,214,049	2,308,208
Miscellaneous Revenues	300,126	305,924	317,825	327,599	342,423	358,055	372,233	386,723	402,984
Subtotal - Local Non Tax Revenues	2,471,004	2,657,934	2,807,256	2,990,278	3,235,915	3,508,656	3,649,758	3,794,068	3,955,931
Subtotal - Local Own Source Revenues	4,336,953	4,729,256	5,000,876	5,265,255	5,574,630	5,946,708	6,172,320	6,409,407	6,672,858
<i>Intergovernmental Revenue:</i>									
State Aid	1,755,914	1,709,311	1,738,490	1,814,822	1,897,363	1,863,597	1,956,805	1,992,436	2,040,368
Local Aid	66,439	72,799	72,554	79,751	84,794	90,280	90,988	91,702	92,423
Federal Aid	542,064	470,091	441,744	453,277	438,895	425,398	425,398	425,398	425,398
Subtotal - Intergovernmental Revenue	2,364,417	2,252,201	2,252,788	2,347,850	2,421,052	2,379,275	2,473,191	2,509,536	2,558,189
TOTAL LOCAL NON-SCHOOL REVENUES	6,701,370	6,981,457	7,253,664	7,613,105	7,995,682	8,325,983	8,645,511	8,918,943	9,231,047

**Governor's February 1995 Price of Government Recommendation
State & Local Revenues, C.Y. 1990-1998
Percent of Personal Income**
(\$ in Thousands)

	C.Y. 1990 F.Y. 1991	C.Y. 1991 F.Y. 1992	C.Y. 1992 F.Y. 1993	C.Y. 1993 F.Y. 1994	C.Y. 1994 F.Y. 1995	C.Y. 1995 F.Y. 1996	C.Y. 1996 F.Y. 1997	C.Y. 1997 F.Y. 1998	C.Y. 1998 F.Y. 1999
School District Revenues									
<i>Tax Revenues:</i>									
Property Tax	1,358,929	1,516,894	1,614,766	1,783,311	1,841,830	1,986,073	2,087,884	2,158,901	2,264,903
<i>Non-Tax Revenues:</i>									
Sales & Fee Revenue	113,882	110,820	119,372	125,077	131,247	137,379	143,539	149,523	155,014
Other Miscellaneous Revenue	190,002	213,822	261,181	270,900	281,170	291,551	302,105	312,654	322,928
Subtotal - School District Non Tax Revenues	303,884	324,642	380,553	395,977	412,417	428,930	445,644	462,177	477,942
Subtotal - School Dist Own Source Revenues	1,662,813	1,841,536	1,995,319	2,179,288	2,254,247	2,415,003	2,533,528	2,621,078	2,742,845
<i>Intergovernmental Revenue:</i>									
State Aid	2,096,763	2,172,952	2,118,177	2,415,894	2,749,294	2,824,195	2,833,987	2,887,740	3,019,566
Local Aid	40,595	41,430	43,551	44,858	46,203	47,590	49,017	50,489	52,002
Federal Aid	182,442	200,863	225,429	236,817	249,186	261,442	273,724	285,591	296,347
Subtotal - Intergovernmental Revenue	2,319,800	2,415,245	2,387,157	2,697,569	3,044,683	3,133,227	3,156,728	3,223,820	3,367,915
TOTAL SCHOOL DISTRICT REVENUES	3,982,613	4,256,781	4,382,476	4,876,857	5,298,930	5,548,230	5,690,256	5,844,898	6,110,760

Total State, Local & School District Revenues

<i>Tax Revenues</i>	10,188,854	11,010,426	11,986,067	12,712,280	13,450,676	13,837,140	14,089,942	14,882,879	15,448,833
<i>Non-Tax Revenues</i>	4,121,439	4,370,508	4,573,357	4,898,036	5,179,135	5,485,057	5,922,155	5,804,705	5,980,070
<i>Intergovernmental Revenue</i>	6,944,804	7,198,143	7,418,248	8,178,442	8,842,791	9,033,762	9,253,342	9,357,128	9,550,293
TOTAL ALL REVENUES	21,255,097	22,579,077	23,977,672	25,788,758	27,472,602	28,355,959	29,265,439	30,044,712	30,979,196
Less: Intergovernmental Revenues	(6,944,804)	(7,198,143)	(7,418,248)	(8,178,442)	(8,842,791)	(9,033,762)	(9,253,342)	(9,357,128)	(9,550,293)

Total Own Source Revenues	14,310,293	15,380,934	16,559,424	17,610,316	18,629,811	19,322,197	20,012,097	20,687,584	21,428,903
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Minnesota Personal Income	82,320,000	85,270,000	91,510,000	94,940,000	101,170,000	105,990,000	110,250,000	115,490,000	120,850,000
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Revenue as Percent of Personal Income	17.4%	18.0%	18.1%	18.5%	18.4%	18.2%	18.2%	17.9%	17.7%
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