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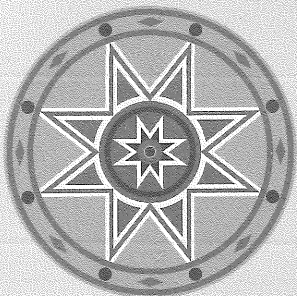
Minnesota Biennial Budget

Executive Budget Summary



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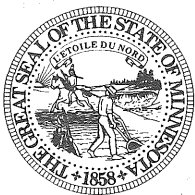
Governor Arne H. Carlson



On the Cover

Minnesota's motto, "L'Etoile du Nord" (Star of the North), is displayed throughout our state's Capitol building. The first governor of Minnesota, Henry Sibley, chose this motto when we became a state in 1858 because our land reached so far north. The eight-pointed star featured on the cover parallels the design of the North Star which appears on the floor of the Capitol's rotunda.

Architect
Cass Gilbert



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GOVERNOR

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To the People of Minnesota and Their 1997 Legislature:

The 1998-99 budget marks a significant point in our state's history and progress. It represents the end of a decade, the end of a century -- and will take us to the edge of a new millennium. We must seize this opportunity and take full advantage of its potential for all Minnesotans.

Since early 1991, we have turned the corner from budgetary crisis to confidence. We have restored stability to state finances. We have a renewed feeling of confidence in our future. Our challenge is to clearly focus our efforts for the future.

The 1998-99 budget is a focused, long term investment in what is necessary to educate our children, provide for the safety and well-being of our families and communities, and ensure that Minnesota can continue to grow and be on the leading edge of innovation.

Our budget continues to concentrate funding on priorities that are crucial to the future well-being of our state. We do so while targeting state spending and encouraging design of new strategies and changes to existing programs that will support our vision of the future. It requires continuous rethinking and changing the way public services are delivered.

The budget invests in our state's highest priorities and continues reform efforts begun in the last five years. Our goals remain focused, clear and future oriented.

- Ensuring that government is accountable and affordable
- Improving education, placing students first
- Improving the well-being of children and families
- Preparing young people for work
- Building safe, stable and prospering communities
- Integrating technology in our lives and work

Government must continue to build flexibility and accountability into its services. If we are to chart a course through the millennium, we must be prepared to think differently about our respective roles and responsibilities. We must focus investments wisely and make the tough choices necessary to balance the needs of today with the financial realities of tomorrow. This budget also focuses on preventing problems and associated future costs by emphasizing the

most cost-effective prevention efforts and methods to meet needs.

Government spending need not increase faster than our ability to pay for it. Our objective must be to limit spending growth to the rate of growth in Minnesota personal income. The 1998-99 budget continues a course which reduces, over the next four years, the percentage of Minnesota personal income devoted to government.

The proposed budget will increase total general fund spending \$1.5 billion over the current biennium -- or about three percent per year. Without a doubt special interests will suggest changes in the proposed budget and demand further increases in spending. In our view there are more than 4.7 million special interests in Minnesota -- individuals, citizens and taxpayers. I urge each of you to carefully consider the detail of our proposals and the best, overall interests of the state.

Uncertain federal changes will continue to challenge us as we plan for the future. Minnesota has led, and will continue to lead, in examining the relationship of state programs and federal spending. The opportunity is present to redesign our programs to best meet Minnesota's needs in the most efficient manner.

The challenges of preparing Minnesota for the next millennium remain very real. The choices are difficult, but clear. As *one community* comprised of citizens, business and diverse and special interests, we must decide together how we can best shape state programs. Decisions must be made that include solid partnerships with local governments, the business community, and local communities and organizations.

There will be portions of the budget where honest and sincere policy differences will be evident. You should, however, understand the firmness of our resolve to avoid repeating the mistakes of the last three decades that caused recurring fiscal crises. We are hopeful that there can be early legislative agreement on basic issues critical to the state's financial stability: broad program priorities and funding goals, the need to limit permanent, ongoing spending growth, an adequate budget reserve, and an appropriate mix of one-time and continuing tax relief. We are committed to working with the legislature to accomplish this.

We welcome your support.

Warmest regards,



ARNE H. CARLSON
Governor



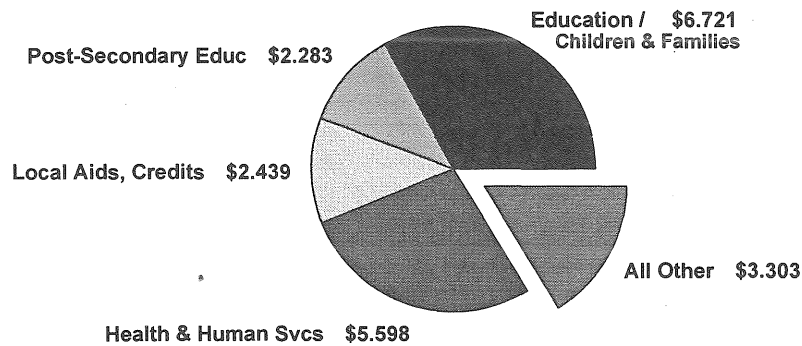
JOANNE E. BENSON
Lieutenant Governor

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84% of the General Fund budget is in four major program areas

F.Y. 1998-99 General Fund Budget
(\$ in billions)



1998-99 General Fund Budget

	\$ millions	
Beginning Balance		\$1,299
1996-97 Revenues	19,089	
Forecast Increase (7.3%)	1,396	
Rebate, tax cuts	(535)	
Other revenues	42	
Available Resources		\$19,992
1996-97 Spending	18,811	
Increases (8.2%)	1,533	
Total Spending		\$20,344
Cash Flow Account		\$350
Budget Reserve		\$522
Dedicated Reserves		\$72
Unspent Balance		\$ 3

Highlights: Governor's 1998-99 Budget

Taxes, Revenues

Revenues are forecasted to grow \$1.4 billion or 7.3 percent in the 1998-99 biennium over the preceding biennium. The Governor recommends tax cuts totaling \$535 million.

- One-time tax rebate of \$261 million, \$274 million in permanent tax cuts.
- \$150 million education tax credit, \$30 million for EdVest program.
- Business and other tax reductions including: eliminating sales tax on replacement capital equipment, repealing the alternative minimum tax on corporations, and other changes to conform to federal tax law.

Spending

For the 1998-99 biennium, the Governor recommends General Fund spending totaling \$20.3 billion, an increase of \$1.5 billion or 8% over the preceding biennium.

- An increase of over \$700 million in the Education/Children & Families area, with over \$500 million targeted to education reform and an increase of \$90 million for child care programs.
- An increase of \$991 million for forecast growth in Health & Human Services programs serving poor, elderly, and disabled people; investments are targeted to providing support to welfare recipients as they transition into the workforce and strategies that will provide opportunities to manage the growth in health care programs.
- An increase of nearly \$200 million for higher education programs to improve excellence.
- An anti-crime package of over \$58 million that provides a balance between prevention, enforcement, and correctional costs.

Budget Reserve

The state's budget reserve is doubled to \$522 million or 5% of F.Y. 1999 spending to protect against economic uncertainty. \$20 million of the reserve is designated to provide assistance to communities devastated by recent winter storms.

The increase in the budget reserve, combined with policies that avoid using one-time income for ongoing spending, will achieve a structural balance in F.Y. 1999 -- the first time this has been proposed in over 20 years.



Ensuring fiscal stability and affordable government

The 1998-99 budget concentrates funding on priorities that are crucial to the future well-being of the state. It invests in the state's highest priorities and continues reform efforts begun in the last five years. Most importantly, the proposed budget provides a plan to end repeated state fiscal crises.

The Governor's budget goals provide a framework for the 1998-99 budget and are central to considering tax and spending proposals. The 1998-99 budget takes several major steps to reposition state finances for the future by concentrating on five key goals:

Governor's Budget Goals

- **Restore AAA bond rating**
- **Maintain spending below rate of personal income growth**
- **Provide adequate Budget Reserve**
- **Return money to taxpayers**
- **Ensure long term fiscal stability**

Minnesota's economic outlook is strong

An understanding of the outlook for Minnesota's economy and for future revenue growth is essential to determining proper policy and spending decisions for the state over the next several years. DRI's November control forecast anticipates that the national economy will grow at a strong 2.4 percent annual rate through the entire four year budget planning period. Employment, average wages, total wages and salaries, and personal income are all expected to increase through fiscal year 2001. This economic growth will generate a corresponding growth in state revenues without increases in tax rates. Based on this economic forecast, state revenues are expected grow by \$1.4 billion, 7.3 percent in the 1998-99 biennium, and 8.1 percent in the following biennium.

The current forecast looks out thirty-two months through the 1998-99 budget period. It must be recognized that state tax collections are highly dependent upon national economic conditions and the extent to which Minnesota's economic prospects are tied to the national economy.

Few economists believe that there will be a recession before the end of the 1998-99 biennium. But, that does not mean there is no downside risk to the state revenue forecast. Since the forecast is based on a strong 2.4 percent annual growth rate, a return to a more moderate rate of growth, perhaps 2.0 percent as observed in 1995, would materially reduce forecast revenues.

The possibility that state revenues could be less than projected, even in times of relatively strong economic growth, must be carefully considered in determining tax and spending decisions for the next biennium.

Simple, sound fiscal management principles must be applied

If there is a time to ensure the state's long term fiscal stability, the time is now. Minnesota's economy is strong. Governor Carlson's 1998-99 budget puts the taxpayer first. It is based on the assumption that state government must live within its means, and that public officials are capable of making the tough choices that are required to correct the chronic, structural budget gaps of the past.

The Governor requests that the legislature adhere to four simple principles in reviewing and adopting the 1998-99 budget. To the taxpayers and the public they may appear to be common sense rules for managing personal and family budgets -- they are as relevant and important to the successful long term management of state finances.

- Spending should grow no faster than revenue
- Future budgets should balance revenues and spending by year
- One-time expenditures must truly be one-time
- Long term commitments should be limited to sustainable revenue growth

Since 1991, many of the long term financial management reforms proposed by the Governor have been adopted, including establishing the Budget Reserve and Cash Flow accounts, performance budgeting and reporting, six year strategic capital budget planning, adoption of outcome-based management principles and truth in taxation. The Governor supports continued expansion of these reforms and principles to provide the basis for more deliberative and fiscally responsible policy decisions.

Restoring Minnesota's AAA rating

Nearly fifteen years ago, in 1982, the state's credit rating was downgraded. Minnesota lost its AAA bond rating as a result of the fiscal crises experienced in 1980-81 and the recurring special legislative sessions, accounting shifts and tax increases used to balance state budget during that period.

Since 1991, state fiscal management reforms, constraints on state spending growth, stable tax policy, and efforts to increase the state's budget reserve have resulted in two major rating agencies upgrading the state's bond rating to AAA - Fitch and Moodys. The Governor expects that the third major rating agency, Standard and Poor's, will restore Minnesota's AAA rating if the proposed budget is enacted.

Errata -- 1998-99 Minnesota Biennial Budget Executive Budget Summary

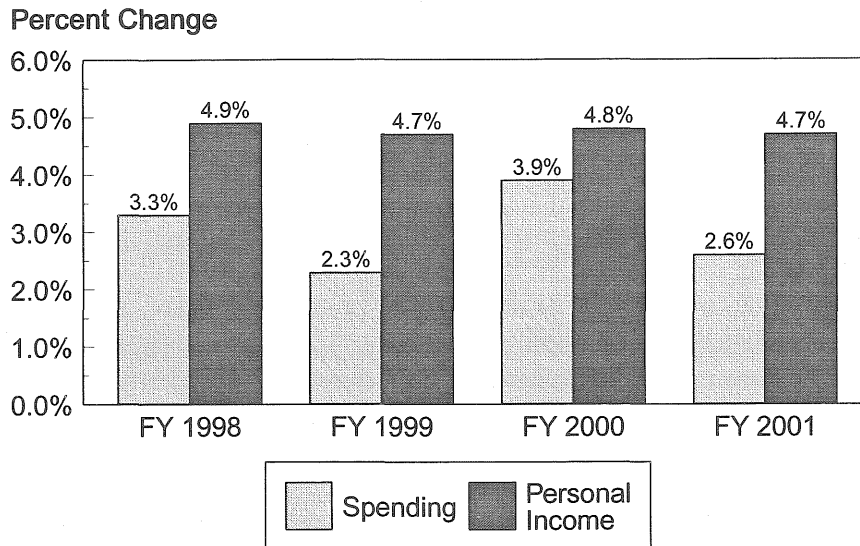
The bar graph on page 3 relating to spending and personal income growth contains an incorrect percentage. The spending growth percentage for FY 2001 is actually 2.3 %.

financial community will not only benefit the state, but also local government units and school districts that participate in borrowing for capital projects and other purposes. Minnesota would, once again, be one of only six other states to have the highest possible credit rating.

Proposed spending is held below personal income growth

Government should not grow at a rate faster than taxpayers' ability to pay. Spending for 1998-99 will be less than the rate of growth in Minnesota's personal income.

Budget holds spending below personal income growth



Recommendations will continue to reduce the "Price of Government"

The Governor recommends that the planning goal for state and local revenues decline over the next four years to a F.Y. 2001 percentage of 17.7%. The Governor is committed to reducing state taxes and expects local governments to likewise avoid property tax increases. If the state, as well as all local governments, can constrain revenue raising, the "Price" of Minnesota government will continue to decline over the next four years.

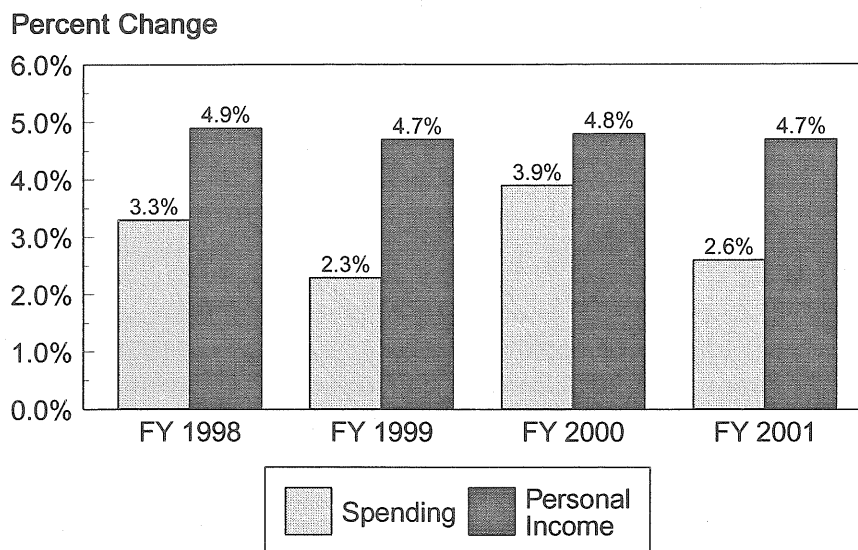
The "Price of Government" law requires that combined state and local revenues be compared to aggregate Personal Income and the resulting percentage reported as the "Price of Government."

Restoration of the AAA rating would act to reduce the interest rates paid on Minnesota's general obligation bonds. While the savings would be marginal, the enhanced ranking in the financial community will not only benefit the state, but also local government units and school districts that participate in borrowing for capital projects and other purposes. Minnesota would, once again, be one of only six other states to have the highest possible credit rating.

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Budget holds spending below personal income growth



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The budget process provides the basis for both the Governor and the legislature to establish a planning goal for state and local revenue which can be compared over time. The planning goal, expressed as a percentage of Minnesota's aggregate Personal Income, is intended to serve as a guide post for the state's taxpayers and create a measure of accountability for elected officials.

The state's underlying economic growth will continue to provide increases in revenue to state and local units of government without tax increases. The Governor's recommendations on state and local revenues provide for adequate revenue increases if expenditure constraint and reforms continue.

Budget Reserve will meet 5% target

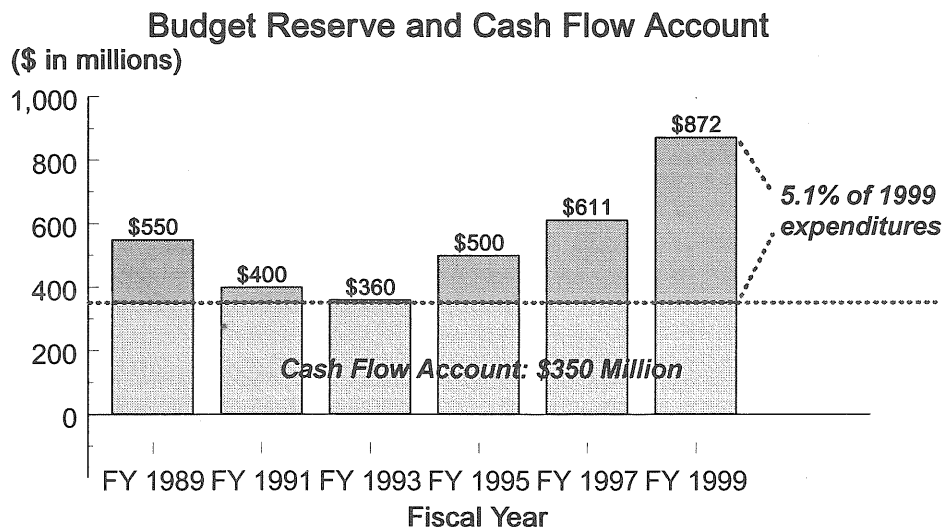
The Governor's budget directs one-half of the \$522 million unallocated balance in the current biennium to the state's budget reserve account. This amount will double the budget reserve from \$261 million in F.Y. 1997 to \$522 million in F.Y. 1998 -- the beginning of the next two year budget.

The state's Council of Economic advisors has strongly and consistently recommended increasing the budget reserve to an amount equal to 5% of projected spending. Prudent and responsible financial management requires that the state have an adequate budget reserve to prevent disruption of services, or forced tax increases, as a result of unanticipated revenue forecast shortfalls.

It is important to recognize that approximately 85% of the state's general fund spending represents transfer payments to school districts, counties, cities and towns -- for education, human services, transit and other programs. The potential disruptive impacts of unanticipated revenue shortfalls can affect all levels of government and services.

Apart from forecast revenue shortfalls, the need for an adequate budget reserve is unfortunately demonstrated by recent events. The Governor is recommending that the legislature act to provide up to \$20 million be from the budget reserve account for assistance to communities severely impacted by the disastrous recent winter storms. Combined with federal disaster assistance, the type and level of aid will be determined once the extent of need and hardship can be assessed.

Increasing budget reserve provides protection against risks



The continuing federal budget debate in Washington increases future uncertainty. The state's budget is constructed on principles of current law and federal funding as approved by Congress for the fiscal year beginning in October, 1996. Any sudden change in federal priorities, programs or funding levels could impact Minnesota's budget as early as this year.

Structural balance is achieved in 1999 and beyond

Tax and spending decisions over the last three decades created chronic and recurring gaps between spending and revenues. The budget difficulties of the past have tended to repeat every ten years and have been a painful illustration of the state's fiscal vulnerability. Most of the recent deficits were driven by double digit increases in ongoing spending commitments rather than a downturn in economic conditions. Economic and demographic pressures over the next 10 years are likely to re-create pressures that are hidden during good economic times.

Adding to this problem is the nature of the state's biennial budget. By law, the state budget must be balanced for the biennium, not by year. The requirement invites large, ongoing spending increases in the second year of a biennium -- that, while balanced, cannot be sustained by normal revenue growth in the following biennium. Historically, this has been the case in every budget approved in the last twenty years.

The differences in state and local fiscal years, and the timing for establishing property tax levies also increase pressure to place spending increases for education finance and local aids and credits in the second year of the state's biennium. Finally, the use of available balances from the *preceding* biennium to fund ongoing programs has exactly the same impact. It results in a structural shortfall that will occur almost automatically -- unless corrective action is taken.

In 1995, the Governor proposed legislation to require that the Governor submit, and the legislature adopt, budgets that are balanced by year -- current revenues and expenditures -- beginning in F.Y. 1999. The legislature did not adopt this requirement. The Governor's 1998-99 budget, however, meets the target of providing this "structural" balance in F.Y. 1999 as shown in the table below.

Structural balance is achieved in 1999, maintained in 2000-01

	FY 1998 Budget	FY 1999 Budget	2000-01 Biennium
Beginning Balance (excluding reserves)	\$355	\$(46)	\$3
Revenues	9,654	10,338	21,871
Expenditures	10,055	10,289	21,619
<i>Difference</i>	<i>(401)</i>	<i>49</i>	<i>252</i>
Budgetary Balance	\$(46)	\$3	\$255

If the Governor's budget is adopted, the planning estimates for the following biennium, F.Y. 2000-01 indicate that, even after providing discretionary inflation, the structural balance can be maintained.

There must be a prudent mix of "one-time" and ongoing spending

The Governor recommends using the \$522 million "surplus" balance expected for the current biennium explicitly for one-time purposes. One-half, \$261 million is directed to a one-time income tax rebate in the fall of 1997. The remaining \$261 million is added to the state's budget reserve account. These recommendations reflect not only appropriate policy, but specifically avoid using one-time income to fund ongoing spending.

The Governor's budget also includes specific recommendations for a number of other one-time investments that represent sound financial management. A substantial portion of the \$216 million Technology Budget will be one-time investments. Similarly, the Governor is recommending \$64 million in F.Y. 1998 to reverse the Income Maintenance County Reimbursement shift, which will result in savings of \$42 million over the following three years. An additional \$20 million in F.Y. 1997 is provided to reduce the school aid property tax recognition shift. An adjustment in school aid funding totaling \$18 million is provided to permit a change in the Permanent School Fund investment portfolio, which will generate greater returns over the long term.

Finally, the Governor does not support a bonding bill in the 1997 session, proposing that critical needs be funded with current resources. The Governor's budget provides \$8.3 million in general fund appropriations and \$5.5 million in trunk highway funds for repair and maintenance of state and higher education facilities, to leverage \$22 million in federal drinking water funds, and to relocate the Fort Snelling truck station. Similarly, the Governor recommends \$16.6 million in general fund appropriations for the balance of the Cambridge Bank litigation settlement, rather than issuing additional revenue bonds, saving interest and issuance costs.

Continuing reforms require bi-partisan action

While significant financial management reforms have been institutionalized, more progress can be made. The Governor recommends that a bi-partisan, legislative/executive branch effort be undertaken to develop and refine reallocation strategies for future budgets that will give the next Governor and Legislature greater flexibility in directing tax dollars to those services most valued by Minnesotans, without asking them to pay more. The growth in particular program areas and necessary shifts in priorities cannot be funded by existing revenue growth. It will require the Governor and legislature to seriously consider reallocation of existing resources now and in the future.

The Governor envisions a process, such as global budgeting, recommended in the Brandl Weber Report, *An Agenda for Reform*. Executive branch staff will work with Legislators to find optional approaches to reducing program expenditures, while maintaining or improving priority outcomes, and reallocating resources to emerging challenges. Property tax reform represents such a challenge. This, and other major spending pressures must be addressed within the context of long-range planning for the entire budget.

The joint workgroup will strive to identify strategies for achieving a reallocation pool of funds by setting growth limits in targeted areas. One such strategy could be targeting a portion of compensation savings for staff turnover at all levels of government, to be invested in technology or staff development allowing for some net "right-sizing" of government.

The Governor recommends that the workgroup present recommendations for global budget targets for the major program areas to the 1998 Legislature, so that planning can begin for the 2000-01 budget. A comprehensive and coordinated approach such as this, is the only way to accomplish rational long-range budget planning and reform.



Education: Students First

The cornerstone of the Governor's education agenda remains a commitment to improved achievement for our students and accountability from our schools. Over the past six years, the Governor has stressed the importance of providing both parents and schools with flexibility and choices to ensure the success of all students. The Governor's 1998-99 budget expands the opportunities available to families, teachers, schools and districts and holds the system accountable for improved student achievement and better results.

Education funding remains the state's highest spending priority. The Governor's budget recommendations for F.Y. 1998-99 devote 31.4 percent of the state's General Fund expenditures to education, a total of \$6.38 billion. This reflects an 8.9 percent and a \$523 million increase in direct state support to schools over the previous biennium. When combined with the Governor's proposal for a \$150 million education tax credit and deduction, education resources increase by \$673 million in F.Y. 1998-99, an increase of 11.5 percent.

Increased Accountability

Greater choices for parents and students and more flexibility for school districts will only result in meaningful reform if parents, teachers, principals, boards and administrators are allowed to play a direct role in deciding how best to improve student achievement. These choices require setting clear and high standards for achievement and holding all involved accountable to those standards. The new graduation standards provide the foundation for substantive education system reform -- focused on demonstrated proficiency of all learners. The Governor's budget includes specific initiatives designed to successfully move the education system to focus on results:

- Districts will be offered \$48 million as an incentive to explore site-based finance and merit pay. Under the Governor's plan, school boards will enter into performance contracts with individual school sites, that would then gain control over decisions related to finances, management and operations, in exchange for agreeing to meet certain performance standards.
- The Governor also recommends \$5 million to establish a system of statewide testing for students in the third, fifth, and eighth grades. The results will be reported annually by school to both families in the district and the Department of Children, Families and Learning.

Increased Access

As a pioneer in charter schools, open enrollment and the post-secondary options programs, Minnesota has a long and rich tradition of offering parents and students a wide array of educational choices. The Governor's plan builds on that history with several proposals:

- Expanding the current education expense tax deduction by \$150 million to allow parents to receive tax credits or deductions for tutoring, summer school enrichment programs, home schooling expenses, private school tuition and computer hardware and software purchases;
- Enhancing charter and laboratory schools by providing start-up and facility funds, totaling \$20 million;
- Increasing the viability of charter schools and the vitality of open enrollment by ensuring that a greater proportion of funding moves with students who choose these educational alternatives;
- Ensuring access to post-secondary education through the Governor's \$30 million EdVest initiative, which allow families to design flexible tax-free savings accounts for higher education; and
- Linking families, communities and schools more closely together through \$66 million in new school and library technology initiatives, giving classrooms access to the state-of-the-art equipment and up-to-the-minute technology to better meet the needs of all learners.

Increased Flexibility and School Finance Reform

Over the last several years, the Governor and the Legislature have increased the flexibility districts have to use the funds that they receive. This reflects the belief that educational decisions are best made at the level closest to the classroom. The plan proposed by the Governor continues that emphasis by folding several categorical programs into a "Basic Skills" block grant and moving other categorical programs into the general education program. These changes give districts greater discretion in using these funds without being hampered by specific program restrictions.

In order to provide districts with time to plan, none of the changes take effect until F.Y. 1999. In F.Y. 1998, the Governor recommends removing the appropriation "caps," by restoring the formula allowance to the F.Y. 1997 level of \$3,505 from the current law level of \$3,430 and maintaining the secondary weight at the F.Y. 1997 level. In F.Y. 1999, the changes recommended above, together with modifications to the weighting system for pupils, funding for the teacher training experience, and removal of the appropriation caps increase the general education formula allowance to \$3,589.

The combination of increased access, flexibility and accountability will bring Minnesota's classrooms to a new era focused on improved results and achievement for all learners.



Supporting children and families

The Governor's budget reflects a vision of more flexible, community-led programs for children and families. In 1995 the Governor recommended, and the Legislature approved, the creation of the Department of Children, Families and Learning to serve the varied needs of our children, youth, families, and communities, not the bureaucracy. This was accomplished by education reforms giving schools the flexibility and responsibility to ensure better student achievement. Related welfare reform projects were designed to ensure parents could work to provide for their families without incurring prohibitive state penalties. The F.Y. 1998-99 budget builds on these successes.

The Governor's recommendations ensure that at-risk children will not be left behind. Some need positive direction and support during after-school hours. Other children's families need temporary income assistance. When a child's problems are so severe that intervention is required, state programs must be ready to take corrective action. Minnesotans must understand that the societal cost of ignoring at-risk children is far too steep.

Increasing Prevention and Early Childhood programs

The F.Y. 1998-99 budget provides \$165 million for expanding programs that support children and families. The initiatives provide funding to family and community programs which can respond to children's concerns immediately. By supporting working families, investing in prevention and education programs and encouraging parental involvement, and strengthening communities, the Governor's plan provides a broad support network for children in need of help.

In response to federal reforms which eliminated the Aid to Families with Dependent Children program (AFDC), the Governor recommends a comprehensive restructuring of state welfare programs. With fewer federal mandates, Minnesota can implement an assistance program that does not encourage dependence but rather rewards families who seek employment.

The Governor proposes significant new investments in child care services to ensure families are supported in their efforts to achieve self-sufficiency. The budget includes \$90 million in new child care funding that enables parents to build job skills. Additional funding is provided to examine our child care system and ensure that families receive the maximum benefit from new child care service dollars.

Major elements of the package to support families and their children are:

- statewide implementation of MN Family Investment Program which ensures that work is rewarded;
- simplification and consolidation of assistance to better serve children and their families; and
- a \$90 million increase in child care services to support working families.

Education and prevention help children learn their role and responsibilities in the community and assist them in making wise choices for their futures. The budget increases funding for:

- prevention/intervention efforts targeted to 6 to 12 year olds;
- promotion of tobacco-free communities for children; and
- community-based adolescent pregnancy prevention.

Prevention and Early Childhood efforts depend on the support of all adults, especially children's parents, neighbors, and the community. To encourage greater involvement, the Governor proposes expansion of:

- Early Childhood Family Education by \$4 million;
- Head Start for pre-school children by \$4 million;
- community crime prevention programs and after-school enrichment programs targeted to juveniles by \$10 million; and
- Economic Opportunity Grants by \$4 million.

These investments build on the collaborative system now in place to ensure that programs provide direct coordinated service to children and families.



Tomorrow's Workforce

The quality and productivity of Minnesota's labor force are major factors in the success of Minnesota's economy, particularly its manufacturing industries. Investments in post-secondary education and training are key to maintaining this competitive edge in an era of tight labor markets. The shortage of skilled workers has already begun and will peak around the year 2000. The federal welfare reform program strongly encourages work and self-sufficiency. Efforts need to focus on providing the skills necessary to move people from welfare into the workforce. The Governor's budget supports initiatives in job training programs targeted to the needs of businesses and also supports workers in their efforts toward self-sufficiency with substantial increases in child care funding.

To maintain a productive economy, Minnesota will need to invest in retraining and advancing the skills of the existing workforce, as well as ensure that future workers possess the critical thinking skills that today's knowledge-based economy demands. Basic research and the development of commercial applications of new technologies are the other essential fuels of economic growth. The Governor's budget funds post-secondary education programs that will advance the quality and productivity of Minnesota's human capital.

Key investments will:

- Raise the University of Minnesota into the top ten among the nation's research universities.
- Speed the development of commercial applications of research at the University of Minnesota through the creation of the Minnesota Technology Development Center.
- Enhance MnSCU's capacity to respond to the workforce needs of state's businesses and industries.
- Hold tuition increases at public colleges and universities to the projected rate of inflation.
- Encourage savings and reward families who save for higher education through the creation of EdVest and financial aid formula changes.
- Expand access to distance-learning and create Internet sites with one-stop access to the state's education and training resources, and job and career information.
- Develop the Minnesota Library Information Network, "MnLINK" linking together all of the state's library and digital information resources.

- Provide service to 210 businesses with increased funding of \$7.5 million to the Job Skills Partnership program.
- Assist persons moving from welfare to work and provide an educational "pathway" of training through a new \$4 million PATHWAY program.
- Facilitate the creation of nearly 3,000 direct new jobs with a \$4 million increase in the Minnesota Investment fund.
- Continue the Minnesota Workforce Center initiative of "one-stop" delivery of job services to employers and workers with \$3 million in new funds.
- Support working families by increasing child care funding by \$90 million.
- Continue and expand the state's commitment to school-to-work and community service ventures, increasing the existing \$5 million Education and Employment Transitions Program by \$3 million, and reauthorizing the \$1.8 million Youth Works program beyond its scheduled sunset in F.Y. 1998.

A wide range of investments in education, training, and technology will ensure that all Minnesotans will benefit and gain the support they need in becoming productive contributors.



Safe, stable and prospering communities

The quality of life that we now enjoy in Minnesota is dependent upon a safe, stable and viable community. The budget proposed by the Governor builds upon the solid cultural and economic base of the state by investing in programs that: reduce crime and violence in our streets and within our families, encourage quality job growth, and contribute to the rich cultural opportunities that are part of the fabric of our communities.

The key elements of the budget that support these policy objectives are:

- crime and violence prevention;
- quality job growth;
- protecting our environment and natural resources; and
- enhancing our recreational and cultural opportunities.

The Governor's 1997 Anti-Crime Package

The Governor proposes a comprehensive anti-crime initiative amounting to \$58.4 million to maintain a safe community environment through a comprehensive four-part strategy:

- Increasing juvenile crime prevention efforts to provide at-risk youth a positive alternative to a life of crime.
 - expands after-school enrichment and community crime prevention programs
 - opens Minnesota's 59 Military Training and Community Centers during evening hours
- Strictly enforcing all laws so that no crime goes unpunished.
 - creates a statewide gang unit to coordinate federal, state, county and local law enforcement
 - provides full staffing levels for the State Patrol to ensure 24-hour coverage on our highways
 - improves criminal justice information availability
 - provides grants for local police overtime and reimbursements for bullet-proof vests
- Toughening our corrections system to ensure swift, thorough and effective punishment.
 - funds for three juvenile work camp programs at Camp Ripley
 - increased funding for juvenile correctional facilities at Sauk Centre and Red Wing
 - expansion of the Corrections Department's fugitive unit
 - an automated victim notification system

- Providing the judicial system resources and flexibility to implement innovative strategies.
 - funds customized court processes: teen, night, and family courts

Targeted Quality Job Growth

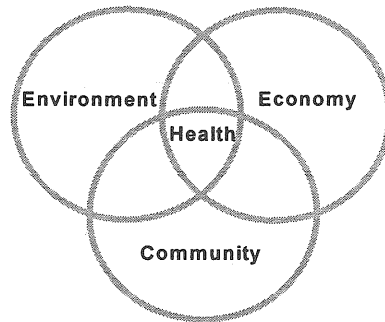
The Governor proposes investments to foster an economic environment that stimulates quality job growth. Specific budget initiatives target infrastructure enhancements, leverage additional investments from nonstate sources, and encourage business development and expansion to provide employment opportunities to Minnesota's growing workforce.

- Cleanup of contaminated lands to encourage development opportunities for industry expansion and job growth (\$1 million).
- Safe affordable drinking water to our communities statewide (\$4.4 million).
- Increase the Minnesota Investment Fund targeted to quality job growth (\$4 million).
- Expand workforce centers that provide one-stop employment and training services to both employers and those seeking employment (\$3 million).
- New Technology Development Center (\$2 million) and a Technology Partnership Fund (\$4 million) to position Minnesota companies to grow and prosper.
- Community resource centers to bring technology to every citizen (\$1 million).
- Improve telecommunications access across the state (\$1.7 million), an enhanced library system (\$12 million), and library site grants (\$4.7 million).
- Increase funding for statewide transit services (\$12.6 million).
- The largest highway construction program in state history (\$445 million per year).
- Support for efforts to attract professional sports to St. Paul (\$4 million).

Managing Our Environment and Natural Resources

Sustainability must be the ultimate goal of all environment and natural resource management activities. Sustainability seeks to balance three interacting sets of systems: the environment that supports human, animal, and plant life; an economy that is strong and sustainable; and a community that provides a high quality of life.

Sustainability is the key



The environment, the economy, and quality of life are intimately connected. The long-term economic success of the agricultural, forest products, manufacturing, tourism, and related business sectors is directly tied to healthy, diverse, and productive ecosystems. These economic activities, in turn, sustain human communities. A vibrant economy enables people's enjoyment of their communities and the environment -- and provides resources for environmental protection efforts.

The Governor's approach to achieving sustainability includes additional investments to:

- provide measures of environmental health, especially water quality and availability (\$4.7 million);
- work with communities to identify the implications of measures of environmental health, to fashion effective strategies for dealing with problems identified at a local level, and to use partnerships to share financial responsibility for environmental protection measures (\$3.8 million);
- support an important industry sector and promote clean air with payments totaling \$49 million to producers of ethanol; and
- provide a \$7.8 million increase for the state Superfund for environmental cleanup.

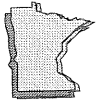
Enhancing Recreational and Cultural Opportunities

Minnesota is known worldwide for its vibrant cultural community and strong support of the arts. The Governor's budget includes substantial increases to ensure that all citizens have access to cultural opportunities that help strengthen our unique identity and provide the "soul" to our varied communities. We also must continue to invest in facilities that support our unique natural resources that provide recreational opportunities for families. The Governor's budget recommends:

- a \$12 million increase to double funding for arts organizations statewide with emphasis on community arts festivals;
- \$1 million to increase funding to support Minnesota's growing film industry; and
- \$1.6 million increased support for state parks, \$2.1 million for snowmobile trail maintenance, and \$4.8 million for fisheries habitat improvement programs.

In addition, the Governor is committed to working with state businesses, communities, and organizations to retain our professional sports teams and attract a professional hockey team to our metropolitan area.

These investments recognize the multitude of ingredients that contribute to the quality of life enjoyed in our communities.



Integrating technology in our lives and work

The new millennium calls for a new vision. In order to compete in the global economy of the 21st century, Minnesota must effectively integrate information and communications technologies into every facet of our society -- our new homes, businesses, schools and communities. Minnesota must establish itself as a national and global leader in, and a nexus for, electronic commerce and information services, including trade, distance learning, and government services.

To enhance these goals, Governor Carlson's 1998-99 budget proposes \$216 million in new technology investments. These investments will enable the state to take advantage of the opportunities technological change offers.

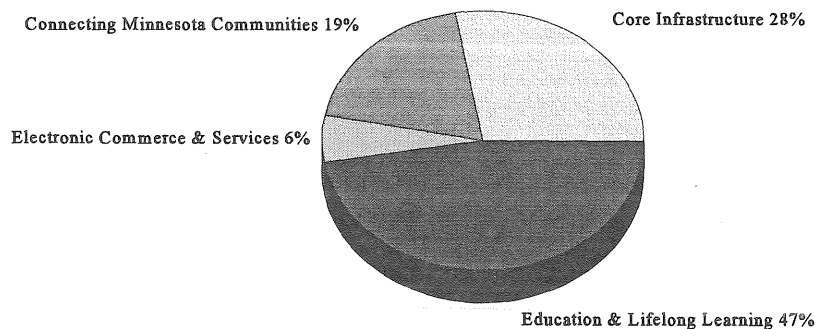
1998-99 IT Budget Positions State for the 21st century

The Governor's Information Technology (IT) Budget will accelerate Minnesota's transition into the information age. Building on the platform established by past and continuing efforts of many public and private groups, the budget includes four fundamental components:

- Education & Lifelong Learning
- Connecting Minnesota Communities
- Building and Maintaining Core Infrastructure
- Electronic Commerce & Services

Most of this new funding is for one-time initiatives, and approximately half is devoted to Education and Lifelong Learning.

Governor's IT initiatives: \$216 million



Education and Lifelong Learning

Technology has the potential to revolutionize the way we learn. Strategic technology investments can bring the world to the classroom, giving students access to educational resources across the globe and enabling the exchange of ideas with students of all nationalities. Technology can also free pupils from the classroom, enabling citizens in any corner of the state to access educational resources outside a classroom setting. Several key investments will help the State begin to realize such a vision:

- *Learning Site Technology Grants* - \$50 million in site-based grants will permit Minnesota schools to tailor technology solutions to meet the needs of their students.
- *Minnesota Learning Network* - \$16.8 million for an online, interactive network designed to deliver to students curricula aligned with the graduation standards.
- *Minnesota Learning Academy* - The Academy will provide training and education resources to teachers to help them integrate technology into their teaching.
- *Library Site Technology Grants* - \$4.7 million in matching funds will improve local libraries' technology and permit connection to larger library networks.
- *Virtual University* - The Virtual U will provide a gateway to an online catalog of courses available to students throughout Minnesota.
- *MnSCU Electronic Academy* - \$31 million will help MNSCU campuses fully integrate technology into their curricula.
- *U of MN Investments in Excellence* - A portion of \$58 million recommended for additional investments at the University of MN will support technology.

Connecting Minnesota Communities

Critical to the State's success in integrating technology is the ability to extend information services to *all* Minnesota communities, not just those in major metropolitan areas. To insure our communities are connected, the Governor proposes the following initiatives:

- *Minnesota Library Network* - \$12 million will build a unified library network, offering Minnesotans access to the holdings of the University of Minnesota, MnSCU, state government, and interested public, school and private college libraries around the state.
- *IT Community Resource Centers* - The Centers will provide resources to communities seeking to enhance their development through strategic application of technology.

- *Enhanced Criminal Justice Systems* - New investments in technology will enable Minnesota's law enforcement agencies to better coordinate their efforts to stop crime.
- *Trade Point Minnesota* - Funding is provided for a United Nations Trade Point in Minnesota, a computer network that supplies businesses with information on foreign trading opportunities and emerging markets.
- *Telecommunications Collaborative Project* - This collaboration project will establish high-speed telecommunications to every county seat in Minnesota.

Building and Maintaining a Core Information Infrastructure

Information technology has become an indispensable tool in the provision of effective customer service. Both the public and private sectors have turned to technology as a way of leveraging the productivity of workers, and providing more efficient and effective service to customers. With today's rapid pace of technological change, it is vital that state government make regular, periodic reinvestments in core information systems.

- *Year 2000 Project* - \$25 million is provided to fund necessary changes to state computer systems to accommodate the changeover to the year 2000.
- *MnSCU Management Information Systems Development* - \$6.8 million will revamp MnSCU's core student information systems and improve reporting and analysis.
- *Project Unity* - \$3 million for core information capabilities at the Department of Agriculture.
- *Other Agency Core Infrastructure Initiatives* - \$24.8 million of investment in core information technology infrastructure. These investments, in agencies throughout state government, will give state employees the tools necessary to provide increasing levels of service in an era of limited government growth.

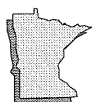
Electronic Commerce and Services

The Governor's budget lays the foundation for citizen access to online government services by funding several key initiatives. Citizens will conduct business with state agencies online and obtain information to help them be better consumers of government services and health care. Businesses will register and obtain necessary permits and licenses from one site, instead of multiple state agencies.

- *Public Access - North Star II* - Enhancement of the State's existing web site, North Star, will provide a gateway for Minnesotans to obtain government information and services and transact business with the state electronically.

- *Business Customer Service* - Creation of a common business registration and electronic permitting and licensing system will enable Minnesota businesses to conduct many transactions with the state at one site, instead of through multiple agencies.
- *Vital Statistics Redesign* - Centralized network for collecting and disseminating data about the health of Minnesotans will enhance efforts to improve public health.
- *Electronic Licensing System* - Obtaining hunting and fishing licenses will be easier and faster, and cash flow to the State will be improved.
- *MNCards*- A pilot project to test the use of "smart card" technology, MNCards promise to give citizens access to an expanded variety of information and services.

These targeted initiatives ensure that all Minnesotans will have the opportunity to share in the benefits that technology can offer.



Education Finance

The Governor's recommendations for the F.Y. 1998-99 Education Finance budget continue to emphasize results and accountability, providing districts with the resources needed to ensure success for all students. Existing funding streams are reshaped to provide districts with increased flexibility and control, and new initiatives provide parents and students with the means to choose the school setting which can best help them meet their academic and vocational goals.

Education funding remains the state's highest and largest spending priority. The Governor's budget recommendations for F.Y. 1998-99 devote 31.4 percent of the state's General Fund budget to education. This reflects a total commitment of \$6.38 billion and an increase of \$523 million in direct state support to schools over F.Y. 1996-97.¹

Total recommended spending for all education and children and family programs administered by the Department of Children, Families and Learning totals \$6.72 billion in F.Y. 1998-99, 33.0 percent of the state's General Fund expenditures.

State Appropriations for K-12 Education (\$ in Millions)

	1996-97	1998-99	% Change
Education Finance	6,521.7	6,380.7	
Property tax recognition	(514.8)	0	
90/10 payment adjustment	(149.6)	0	
Adjusted Total	5,857.2	6,380.7	8.94%

These increases, when coupled with forecasted growth in school levies, are projected to increase school district revenues by 6.8 percent in the upcoming biennium. Under current law, levies were projected to grow by 3.7 percent in F.Y. 1998 and 5.2 percent in F.Y. 1999 (calendar years 1997 and 1998). The Governor's budget does not recommend school levy increases beyond those levels.

¹

This comparison reflects F.Y. 1996-97 data which has been adjusted for two significant one-time expenditures: \$514.8 million to reduce the property tax recognition percent, and \$149.6 million to change the payment basis from 85/15 to 90/10. Both items affect school district cash flow, but have no effect on the amount of revenue a district receives in a given year.

School District Revenue
(\$ in Millions)

	1996-97	1998-99	% Change
State Aid Entitlements	6,013.5	6,440.4	7.1%
Property Tax Levies ²	4,366.1	4,642.2	6.3%
Total School District Revenue	10,379.6	11,082.6	6.8%

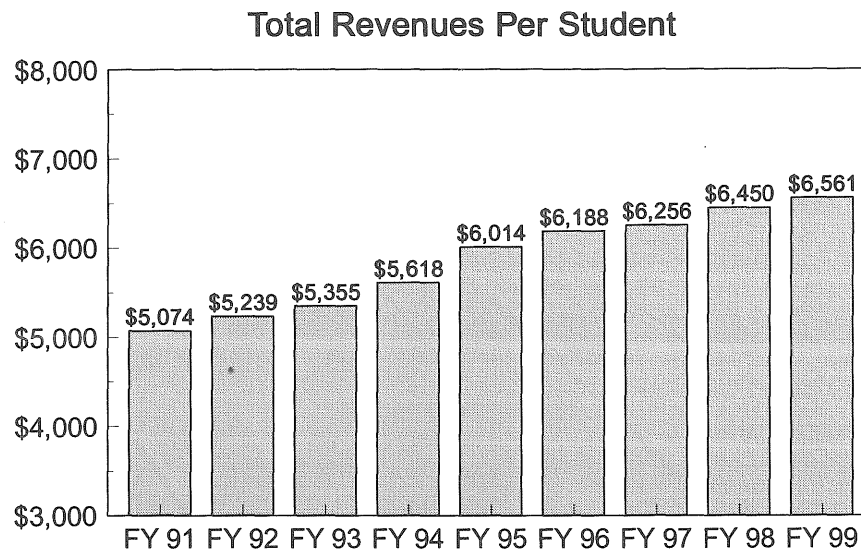
Under the Governor's proposal, total revenues (both state and local funding sources) per student will also increase over the previous biennium.

Revenues Per Student

	Students	Total Revenue (\$ in millions)	Revenue Per Student	Percent Increase
F.Y. 1991	750,865	3,810.2	5,074	6.7%
F.Y. 1992	767,786	4,022.2	5,239	3.3%
F.Y. 1993	785,072	4,203.7	5,355	2.2%
F.Y. 1994	799,285	4,490.5	5,618	4.9%
F.Y. 1995	812,582	4,887.2	6,014	7.0%
F.Y. 1996	827,830	5,122.2	6,188	2.9%
F.Y. 1997	840,377	5,257.4	6,256	1.1%
F.Y. 1998	849,270	5,478.2	6,450	3.1%
F.Y. 1999	854,206	5,604.4	6,561	1.7%

This proposal continues a trend of significant growth in education funding per student over the last six years, with revenues per student growing a total of 29.3 % since F.Y. 1991, outpacing the increase in inflation (25.9%) by nearly four percent over the same period. The average annual growth rate for education over the F.Y. 1991-F.Y. 1999 period was 3.26 percent, as compared with an average annual inflation increase of 2.92 percent.

²Gross property tax levies before reduction for HACA.



School Finance Reform

The Governor's budget proposes major changes to the existing school finance system:

- Combining compensatory, Assurance of Mastery (AOM) and the Limited English Proficiency (LEP) funding into a "Basic Skills" block grant in F.Y. 1999. This revenue will give districts more flexibility in using these funds to improve student achievement without being hampered by specific program restrictions or requirements. Total funding for this block grant will be \$166 million in F.Y. 1999.
- Combining \$65 million of district cooperation revenue into the general education formula in F.Y. 1999, increasing the amount of funding over which districts have discretion by \$67 per pupil;
- Modifying the weighting system for pupils by increasing the weight in kindergarten through grade 3, and adjusting the other weights to more accurately reflect the needs associated with the various grade levels in F.Y. 1999. This change reflects the Governor's concern that a greater emphasis be placed on the early grades, when preventative efforts can reap the most rewards;
- Phasing out separate funding for teacher training and experience as currently-employed teachers leave the system. Together with site-based performance pay, this will promote reform of teacher compensation practices.

- Maintaining the consolidation of \$221 million of transportation revenue into the general education formula. This provides districts with the opportunity and incentive to explore efficiencies in providing transportation to students;

These initiatives, combined with the Governor's recommendation to remove the appropriation "caps" enacted in 1995, bring the formula allowance to \$3,589 in F.Y. 1999. In order to give districts time to plan for the changes recommended above, none of these changes take effect until F.Y. 1999. In F.Y. 1998, the Governor recommends removing the appropriation caps by restoring the formula allowance to the F.Y. 1997 level of \$3,505 from the current law level of \$3,430 and restoring the secondary weight to the F.Y. 1997 level.



Children & Family Services

As part of his 1996-97 budget, the Governor called for the creation of a children's department to serve as the focal point for coordinating the hundreds of programs targeted toward children, families, and communities around the state. Approved by the 1995 Legislature, the Department of Children, Families and Learning (CFL) was established on October 1, 1995, folding in the former Department of Education, and beginning on July 1, 1996, children's programs from the Departments of Corrections, Human Services and Public Safety and the Office of Strategic and Long-Range Planning. Programs from the Department of Economic Security will transfer to Children, Families and Learning on July 1, 1997.

Most of the programs transferring to CFL are housed in the department's Office of Community Services. This office is also the home for all of the early childhood programs and community-focused programs from the former Department of Education.

Total general fund appropriations for the family, children and community programs administered by the Office of Community Services will total \$340.6 million in F.Y. 1998-99. Funding for the major programs in F.Y. 1998-99 includes:

- Adult Education, Graduation and GED Programs (\$23.5 million, including a \$2 million increase in Adult Basic Education);
- Drug Policy and Violence Prevention Programs (\$8.9 million);
- Economic Opportunity Grants (\$18 million, including a \$4 million increase);
- Head Start (\$27.0 million, including a of \$4 million increase);
- Early Childhood Programs, including Learning Readiness, Early Childhood Family Education, and Way to Grow (\$49.9 million, including \$5.8 million in increases); and
- Child Care Assistance (\$164.7 million, including an increase of \$50 million in child care funds for welfare recipients over the \$25 million in growth already forecast for the program, and a \$14 million increase in the basic sliding fee child care program).

The Governor's budget also includes recommendations to transfer in several other programs to the Department of Children, Families & Learning (CFL) from the Department of Human Services, including the MFIP Child Care Program and the Family Visitation Center Program. As integration of programs and staff continues this biennium, efforts will be made to identify other activities which could benefit from integration into CFL.



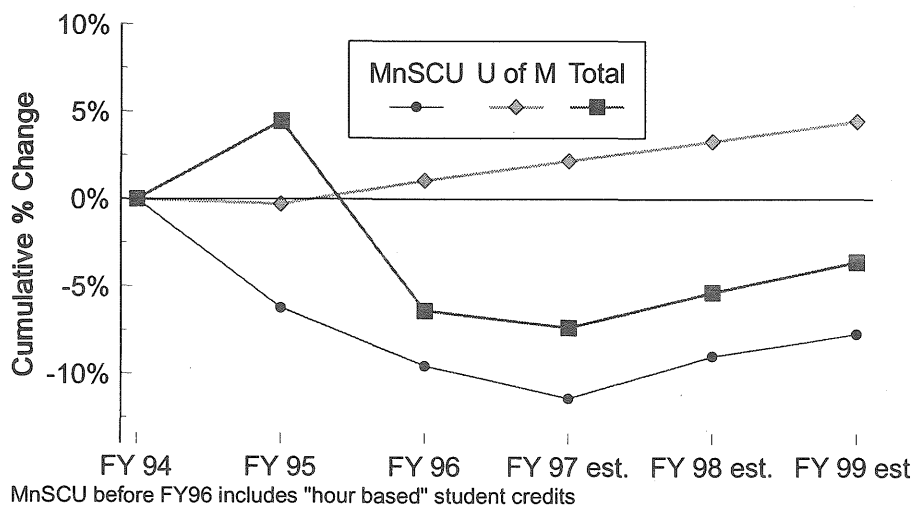
Higher Education

The Governor's 1998-99 budget increases state investments in post-secondary education by \$142.5 million or 7%. Appropriations to the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Higher Education Services Office (HESO) and student financial aid programs comprise 11.2 percent of state general fund expenditures in next biennium.

	FY 96-97	FY 98-99	% Change
HESO			
Student Financial Aids	211,720	218,873	3%
Ed Technology & Library Systems ³	10,466	26,066	149%
Other	3,461	3,523	2%
Total, HESO	225,647	248,462	10%
U of M	972,094	1,040,812	7%
MnSCU	940,801	991,846	5%
Mayo Medical	1,717	1,650	-4%
Total, Post-Secondary	2,140,259	2,282,770	7%

Contrary to predictions, enrollment in Minnesota's public post-secondary institutions continued to decline during the F.Y. 1996-97 biennium. Slight enrollment increases at the University of Minnesota were offset by enrollment declines at MnSCU institutions. MnSCU anticipates this trend of declining enrollment to reverse while the University forecasts continued growth in the 1998-1999 biennium.

Full Year Equivalent Enrollments



³F.Y. 1998-99 HESO budget for Ed Technology & Library Systems includes a one-time appropriation of \$12 million for MnLINK

Minnesota State Colleges and Universities (MnSCU)

The Governor recommends an increase of \$83.1 million in state appropriations for MnSCU. Now in its second year of operation, MnSCU has made substantial progress toward defining a vision and mission for the new system. The Governor's recommendations support the Board of Trustees' and Chancellor's efforts to bring MnSCU into the new century as a more focused system of public higher education, accountable to students and taxpayers, delivering education and job training to meet the future needs of the state's economy.

- **Strengthen MnSCU's Performance.** A \$31 million Continuous Improvement Fund will leverage the commitment of each MnSCU college and university to improving its efficiency and educational quality. To use these funds, each institution must develop a plan that clearly articulates its mission and identifies strategic goals with measurable outcomes. A special fund of \$8 million is created to reward colleges that develop creative innovations in instruction, student services, or institutional management.
- **Technology for the Future.** \$24.5 is provided to advance the Electronic Academy, integrating technology with instruction throughout the MnSCU system. In addition, \$1 million is available to underwrite MnSCU's participation in the development of the Virtual University and the Minnesota Career and Education Planning System (MnCEPS).
- **Management Accountability.** \$6.8 million is provided to support the operation of MnSCU management information systems and to develop a systemwide MnSCU student information system.
- **Advancing Systemwide Strategic Goals.** \$15.8 million is provided for implementation of MnSCU's six strategic goals. The Governor intends that one-quarter of the F.Y. 1998 appropriation for this initiative be made available immediately, with the balance contingent upon development of a detailed implementation plan for each goal.
- **Facilities Repair & Replacement.** \$4 million is provided for facilities repair and replacement needs of the state colleges and universities.

University of Minnesota

The Governor recommends an increase of \$116 million. This investment reflects the state's commitment to a partnership with the University and the private sector in building the University of Minnesota into one of the nation's top ten research universities.

To reach the goal of becoming a top research institution, the University must increase its selectivity and concentrate existing resources on strengthening the quality and ranking of academic and research programs, especially those with the greatest potential to contribute to the economic development of the state.

- **Talented and Productive Faculty.** \$40 million is provided to recruit and retain a top-quality faculty. Strategic investments in retaining and recruiting highly talented and productive scholars will advance the University's national ranking among research universities. This includes \$30 million to aid in recruiting new faculty members and \$10 million to assist in retaining and rewarding current faculty members for their outstanding productivity and contributions.
- **Investments in Excellence.** \$57.7 million is provided to support new investments in technology, facilities and programs. The University will match the state's investment with reallocations and new revenue. Up to \$5 million may be used to provide merit-based compensation increases for current faculty.
- **Management Flexibility.** To give the University greater flexibility in budgeting its state resources, the Governor proposes that \$16 million of the annual appropriations for University Specials be transferred into the O&M budget.
- **Merit Scholarship Challenge Grants.** \$6.5 million is provided for merit scholarships. Matched by new private contributions to the University Foundation, this initiative will aid in recruiting academically-gifted undergraduate and graduate students.
- **Technology Transfer.** \$2 million is provided to create the Minnesota Technology Development Corporation, a non-profit organization that will work with the Academic Health Center to expand and accelerate the transfer of technology from University research laboratories to private industry.
- **Biomedical Engineering Institute.** \$3 million is provided to match private contributions toward building a \$12 million operating endowment for the BMEI to further the University's innovative contributions to the field of medical technology, sustaining and promoting the growth of Minnesota's biomedical industry.
- **Academic Health Center.** \$5.9 million is provided for curriculum and program restructuring at the Academic Health Center. These funds are appropriated without condition and may also be used to assist the AHC as it adjusts to declining operating support from clinical practice income. The F.Y. 1997 appropriation contingent upon changes to the University's tenure code will be canceled.

Information Technology Projects

The Governor's budget for post-secondary education launches three innovative applications of information technology with potential to revolutionize the delivery of and Minnesotan's access to information and post-secondary education and training.

- **Minnesota Career Education Planning System (MnCEPS).** \$1 million is provided to the University and MnSCU for the development of MnCEPS, a joint initiative with the Department of Children Families and Learning and the Minnesota Office of Technology. Through MnCEPS, any Minnesotan with access to the Internet will be able to tap up-to-date, user-friendly education, career, and job market information.
- **Virtual University.** \$2 million is provided to the University and MnSCU to develop a Virtual University in concert with the Minnesota Office of Technology. The Virtual U will complement and build upon Minnesota's flourishing distance learning networks and programs, allowing students to receive education and training "asynchronously"-- whenever and wherever they like.
- **Minnesota Library Information Network (MnLINK).** \$12 million is provided to implement MnLINK, begun with planning funds in 1996. MnLINK includes an integrated library system to serve libraries of the University of Minnesota, MnSCU and state government, as well as interested public, school and private college libraries. A common services gateway linking the integrated library system with compatible school, public and private library information systems throughout the state will create a "virtual library" accessible through the Internet and the worldwide web.

Student Financial Aids / Higher Education Services Office

For nearly thirty years, Minnesota has provided need-based grants to ensure Minnesota students can choose the college or university education--public or private--that best meets their aspirations and potential. The Governor's budget adjusts the State Grant Program formula to accommodate projected increases in tuition at public colleges and universities and also provides inflation adjustments in the formula allowance for books and living expenses and the maximum tuition for students attending private institutions.

To encourage more Minnesota families to save and invest in higher education, the Governor recommends the creation of EdVest and implementation of the Minnesota Savings Allowance. EdVest allows families to set aside \$2,000 a year before state taxes in EdVest trust accounts for higher education savings. The Minnesota Savings Allowance adjusts the financial aid formula so that more Minnesota families who have made the effort to save will qualify for aid under Minnesota's State Grant Program.



Health and Human Services

Health and Human Services programs account for 28 percent of state General Fund expenditures. Programs pay for health care services for low-income and chronically ill Minnesotans, provide income assistance to families, and promote the well-being of all Minnesotans. For the F.Y. 1998-99 biennium, the Governor recommends an increase of \$991 million over F.Y. 1996-97 General Fund appropriations, for a total of \$5.6 billion.

Health and Human Services expenditures from all funding sources will total \$11.7 billion, an increase of \$1.2 billion from the F.Y. 1996-97 biennium. Most of the non-General Fund money reflects federal participation in mandated programs such as Medical Assistance. In many cases, federal money is received for every dollar spent by the state. Recent changes, however, have capped federal participation in certain areas, most notably welfare. In the long run, this will have the effect of shifting new program costs into the General Fund.

Health and Human Services Funding All Funds (\$ in millions)

Agency or Program	1996-97 Biennium		1998-99 Biennium		Percent Change	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Human Services⁴						
Health Care	2,976	6,660	3,725	7,647	25%	15%
Economic Support (Welfare)	436	924	485	972	11%	5%
State Operated Services	394	509	382	512	(3%)	1%
All Other	681	2,037	819	2,070	20%	2%
Subtotal:	4,488	10,131	5,411	11,202	21%	11%
Health Department	78	392	134	462	73%	18%
Veterans Homes	37	74	46	89	26%	20%
Total	4,603	10,597	5,591	11,753	21%	11%

Pressure from health care entitlements, particularly for elderly and disabled populations, ensures that spending will grow faster than other areas of the state budget for the foreseeable future. Medical Assistance (MA), General Assistance Medical Care (GAMC), and Chemical Dependency entitlements, comprise more than two-thirds of this area's spending and are responsible for three-quarters of the biennial expenditure growth.

⁴One time technical changes tend to increase biennial spending growth.

Department of Human Services (DHS)

The Governor recommends \$5.4 billion for Department of Human Services programs during the F.Y. 1998-99 biennium, an increase of 21 percent from the 1996-97 biennium. Approximately 6 percent of this growth is due to one-time accounting or program shifts. The remaining 15 percent growth in spending is driven by forecast demand for state entitlement programs.

The Governor's budget includes historic changes in the state's income maintenance programs. Aid to Families with Dependent Children (AFDC) will be eliminated and replaced with a redesigned program. Program reform will not increase new General Fund spending beyond the current AFDC forecast. Key features of the new program are:

- increased requirements and incentives for welfare recipients to work;
- support for working families by helping them pay for child care and health care; and
- tough but fair time limits and residency requirements for recipients.

Basic health care initiatives are proposed that allow the state to integrate and manage rising health care costs. Changes will streamline state programs and ensure that families of like circumstances receive similar benefits. Major initiatives include:

- transitioning GAMC enrollees into the MinnesotaCare program. By F.Y. 2001, MNCare will be the dominant state strategy for subsidizing health care for low-income Minnesotans;
- policy changes to better align and consolidate Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare; and
- changes in MA/GAMC statutes which will lower the cost of MN Comprehensive Health Association (MCHA) assessments on health plans.

Further health care initiatives are proposed to slow the growth in long term care costs. Although elderly and disabled populations comprise one-quarter of the MA population, total costs are up to three-quarters of all funding. Initiatives include:

- demonstration projects for the disabled that offer a managed care approach to providing services that are more flexible, while controlling the growth of health care costs;
- integrating one year of nursing facility benefits into the Prepaid Medical Assistance Program; and

- voluntary closure or decertification of some nursing facility beds to reduce the state's use of high cost, institutional care.

The Governor's budget includes other initiatives to further address the needs of children and their families. Specific recommendations include:

- expansion of collaborative efforts to improve children's mental health services;
- increased funding support for foster care and adoptive family recruitment; and
- new funding to expand crisis nurseries and family visitation centers.

Minnesota Department of Health (MDH)

The Governor recommends \$134.3 million in General Fund spending for the Department of Health programs during the F.Y. 1998-99 biennium, an increase of 73 percent from the prior biennium. Nearly one-third (\$17 million) of this increase is due to appropriations transfers from DHS. The Health Department's mission is to protect, maintain, and improve the health of the citizens of Minnesota. Major functions include assessment of population health data; policy development and planning; and assurance that state standards are met. The Governor's budget provides:

- \$20 million for new medical education and research (MERC) funding to ensure fair and adequate funding statewide;
- \$12 million in state funding for core public health activities at the local level; and
- children's initiatives that serve to promote health outcomes, prevent teen pregnancy, and encourage tobacco free communities.

Veteran's Homes

The Governor recommends \$46.1 million for Veteran's Nursing Homes during the F.Y. 1998-99 biennium, an increase of 26% from the prior biennium. The budget includes \$8.5 million to provide for the full operation of the new veterans home in Fergus Falls and for the increased service capacity at the Hastings home. In addition, the Governor is recommending \$1.9 million to support the renovation of the historic Minneapolis campus.



Criminal Justice

The criminal justice system in Minnesota is comprised of many federal, state and local agencies working together to investigate crimes, apprehend suspects, adjudicate criminal cases, and sanction offenders to reduce the future risk of crime. This section of the budget includes many of the significant state agencies involved in the criminal justice system. The Governor's budget for these agencies provides a 10 percent increase over the 1996-97 biennium. The increase addresses cost pressures on the correctional system, the courts and the public defender.

The goal of the Governor's anti-crime package is to reduce the amount of violent crime in Minnesota, especially juvenile crime, to significantly reduce the adult and juvenile recidivism rates, and to target the first time offender. Funding is provided in this section of the budget for several initiatives to deter juvenile crime and strengthen the corrections system.

Criminal Justice Funding General Fund (\$ in thousands)

Program Area or Agency	1996-97 Biennium	1998-99 Budget	Amount Change	Percent Change
Supreme Court	39,874	41,322	1,448	4%
Court of Appeals	11,646	12,436	790	7%
Trial Courts	133,969	144,362	10,393	8%
Public Defender	76,508	83,701	7,193	9%
Corrections	552,182	612,088	59,906	11%
All Other	14,093	14,707	614	4%
Total	828,272	908,616	80,344	10%

Corrections Department

The Governor recommends funding of \$612 million for the Department of Corrections -- an 11 percent increase over the current biennium, but below the spending limit enacted by the legislature. The budget includes Governor's initiatives to control crime and reduce probation caseloads. The budget also includes funding to ensure adequate support for vital agency services, adjustments for authorized correctional facility expansion, and for the newest projections of inmate growth in the next biennium.

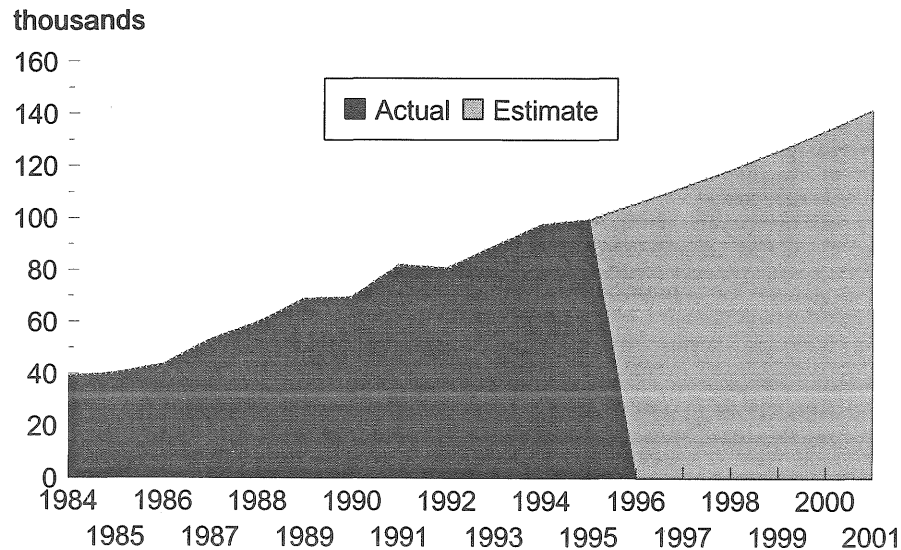
As part of his 1997 anti-crime package, the Governor recommends \$6.7 million to toughen the corrections system.

- Three intensive juvenile work camps will be established at Camp Ripley to deter recidivism among juvenile offenders by targeting first-time offenders and enforcing more intensive activities among repeat offenders.

- Funding will be provided for special needs of juveniles at the state's juvenile correctional facilities, Sauk Centre and Red Wing, including a juvenile female program and strengthening the sex offender program.
- Aftercare support will be provided to juveniles leaving state facilities, to strengthen their ties with families, schools, and communities, and to reduce their chances of recidivism.
- The fugitive unit will be expanded to apprehend offenders who are on fugitive status and an automated victim notification system will be developed to alert victims when offenders are released.
- Innovation grants will be provided to develop innovative judicial strategies such as drug, night, and family courts.

The Governor's budget includes an increase of \$3.4 million for statewide probation caseload reduction. This will increase efforts to the level originally recommended in the 1996-97 biennial budget.

Probation cases continue to rise



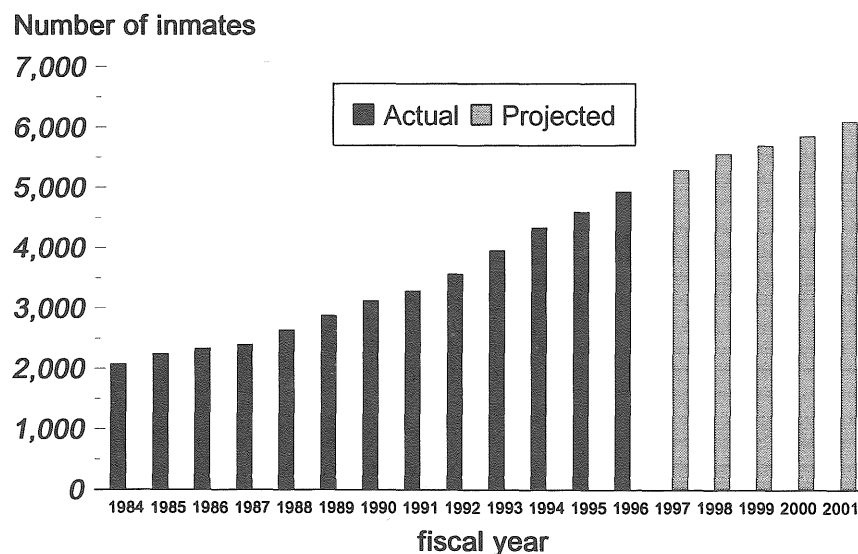
Most criminal offenders do not go to prison; instead, they are sentenced locally to alternative sanctions. The majority of these sanctions involve some form of community supervision by corrections authorities, primarily probation. This initiative will reduce probation officers' caseloads and provide more effective and meaningful oversight of offenders.

The Governor recommends an \$800,000 increase in funding for repair and maintenance to preserve the public investment in state correctional facilities.

Budget provides funding for increased prison population

Minnesota's prison population has continued to grow since the mid-1970s, accelerating in recent years. Increased numbers of offenders and longer prison terms are the major reasons for population growth. Since 1987, there have been more than forty criminal sentencing changes, including the doubling of sentences for the most serious crimes. As a result, the number of adult inmates in state institutions has grown rapidly to over 5,000, a 67 percent increase since 1990.

State prison populations have doubled in the last ten years



The cost of projected prison inmate population increases for the 1998-99 biennium were included in the November, 1996 forecast, based on Sentencing Guidelines Commission and Department of Corrections estimates from December, 1995. New projections issued in December, 1996 reduced the projected population increase for the next biennium. The Governor's budget funds the latest estimate of inmate populations under current sentencing laws.

More than 2,000 beds have been added to the state prison system since 1985, primarily by new construction and conversion of regional treatment centers. The Department of Corrections has also taken management steps to increase the capacity of existing prison facilities. With recommended funding for authorized prison expansions at Shakopee, Moose Lake, Brainerd,

and Rush City, combined with the rental of beds at the privately-managed Prairie Correctional Facility, space will be available for projected populations under current sentencing laws through 2004.

The Courts and the Public Defender

In respect for the separate constitutional status of the courts and the Public Defender, the Governor reaffirms his practice of not making specific recommendations on the budget requests of these offices. However, the Governor's budget allocates a general increase of 7.7 percent for the biennium for the courts and the Public Defender, that includes salary adjustments consistent with state agencies. Biennium to biennium comparisons do not clearly highlight these increases due to one-time spending and other adjustments in the 1996-97 biennium.



Environment and Natural Resources

The agencies included in the Environment and Natural Resources program area of the budget protect and enhance the quality of the environment, our great natural treasure. Balance and sustainability are their common goals as they work with communities, local governments, private businesses, recreational organizations, and individual citizens to facilitate multiple uses of resources while guarding against resource degradation. For 1998-99, the Governor recommends appropriations of \$880 million, representing a 13% increase in general fund spending over the 1996-97 biennium and an overall increase of 9% on an all funds basis.

Environment and Natural Resources Funding All Funds (\$ in thousands)

Agency or Program	1996-97 Biennium		1998-99 Biennium		Percent Change	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Pollution Control Agency	18,679	141,141	25,730	173,129	38%	23%
Office of Envir Assistance	38,226	45,328	38,488	43,091	0%	-5%
Dept. of Natural Resources	202,063	446,029	216,993	457,424	7%	3%
Dept. of Agriculture	28,709	69,718	32,462	74,625	13%	7%
Ethanol Production Subsidy	25,000	25,000	49,059	49,059	96%	96%
Bd. of Soil & Water	29,964	31,104	29,915	31,460	0%	1%
Minn Zoological Garden	10,395	33,119	10,913	36,509	5%	10%
Other Agencies, Items	15,467	17,379	13,351	15,114	-14%	-13%
Total⁵	368,503	808,818	416,911	880,411	13%	9%

Measuring Environmental Outcomes and Working With Communities: Interagency Initiatives

- A sufficient supply of clean groundwater and surface water is vital to healthy communities, improves the quality of life for citizens, and is important for economic growth. The governor's recommendations include \$4.7 million for the 1998-99 biennium for a comprehensive interagency approach to monitoring the quality and quantity of Minnesota's water.
- The Governor recommends spending \$3.8 million over two years in partnership with local stakeholders to implement locally developed strategies for improving lake and stream management, accelerating the investigation and study of feedlot issues, and providing decentralized, individual sewage treatment system (ISTS) assistance to communities.

⁵ totals do not include expenditures from agency or federal fund

Expansion of Minnesota's Ethanol Industry

The Governor's budget provides for doubling state support to the ethanol production industry. This means spending \$49 million over the next two years for ethanol producer payments as the ethanol industry continues to expand in Minnesota. This program has clearly demonstrated the ability of farmer owned co-operatives to come together and profitably convert their raw corn production into higher value products. Due to the early success of the program, the Governor recommends that no additional new plants be added to the state subsidy program after June 30, 1998.

Agency Highlights

Pollution Control Agency - The Governor's budget recommendations provide for:

- Water quality monitoring investments of \$2.35 million as part of an interagency water monitoring initiative to produce information on current conditions and trends, and evaluate the effectiveness of solutions to improve water quality.
- An additional \$870,000 for community technical assistance and seed money grants for local initiatives to develop priorities and strategies for water quality improvement.
- \$300,000 to address problems of hydrogen sulfide emissions, primarily related to feedlots.
- \$400,000 for assistance to local governments for local program development and training related to individual sewage treatment systems.
- \$428,000 for additional administrative support for the Wastewater Infrastructure Fund (WIF) to prevent the delay of construction projects needed to address local wastewater treatment needs.
- Continuation of the current Motor Vehicle Transfer fee in order to assure that contaminated sites are investigated and cleaned up under the state Superfund program. This fee is scheduled end on July 1, 1997, but will be continued for cleanup of superfund sites, waste tire management, used oil, and salvage yard programs. The fee is projected to generate \$7.8 million over the next two years.
- An additional \$1.9 million over the next two years for the regulation of waste from industrial facilities by implementation of a modified water quality permit fee structure as recommended by the Blue Ribbon Task Force on Funding Minnesota's Water Quality Programs.
- An additional \$1.3 million to continue the rapid investigation, remediation, and closure of sites contaminated by leaking petroleum storage tanks that represent threats to human health or the environment.

Department of Natural Resources - The Governor's budget recommendations provide for:

- An additional \$1.2 million for water monitoring and the collection of ecological data as part of an interagency water quality initiative.
- \$830,000 to fund a multi-agency community assistance and education initiative meant to ensure effective local community management of the environment and natural resources.
- An additional \$1.6 million for the operation of state parks to meet public demand. This spending increase is supported by increased operating receipts resulting from greater use and a proposed \$3.00 increase in the annual park use permit fee.
- An additional \$2.1 million for grooming and maintenance of local and state snowmobile trails.
- An additional \$1 million to address deferred maintenance and protect the public investment in existing recreational and office facilities.
- \$1.6 million for necessary agency-wide improvements in information technology and \$728,000 to implement an electronic licensing and revenue management system.
- An additional \$4.8 million for fisheries habitat improvement and management projects supported by proposed increases in fishing licence fees.

Department of Agriculture - The Governor's budget recommendations provide for:

- \$3 million to enhance and modernize the agency's information management systems and improve services to department clients.
- \$1.6 million to continue wheat and barley scab research at the University of Minnesota. \$800,000 is provided from the general fund with the intent that it be matched by the University and the wheat and barley producers
- \$580,000 to conduct feedlot odor and animal waste research in order to develop a scientific data base for researchers, agricultural professionals and producers to facilitate the management of animal waste in an environmentally responsible and scientifically-based manner.

- An additional \$500,000 from the Pesticide Regulatory account to enhance the agency's water monitoring capabilities to reflect the state's diverse agricultural regions, assess trends and evaluate pesticide management plan effectiveness.

Board of Water and Soil Resources

The Governor's budget recommendations provide an additional \$1.3 million for initiatives pertaining to water monitoring, lakeshed cost sharing, and community assistance and education.

Minnesota Zoological Garden

The Governor recommends spending \$300,000 to address deferred maintenance needs and to protect the public investment in existing facilities. One-time appropriations of \$175,000 for computer technology enhancements and \$75,000 for student internships are also provided.



Economic Development

Agencies in the Economic Development area of the budget regulate companies doing business in Minnesota, promote the development of quality jobs, assist workers to locate and secure employment, provide access to housing, and preserve the culture of our community.

Agencies included are Economic Security, Housing Finance, Trade and Economic Development, and the Minnesota Historical Society as well as many small agencies and boards. Together their budgets constitute less than 2 percent of the total general fund. However, their total budgets from all funds amount to \$1.6 billion, primarily from special funds such as Workers Compensation, Petroleum Tank Release Cleanup, Housing Finance, and IRRRB, as well as special fees and federal funds. The 1998-99 general fund budget of \$355 million represents a 7% increase over 1996-97.

Economic Development Funding General Fund (\$ in thousands)

Agency or Program	1996-97 Biennium	1998-99 Biennium	Amount Change	Percent Change
Trade / Economic Development	63,044	78,442	15,398	24%
Economic Security ⁶	118,301	60,780	(57,521)	(14%) ⁶
Housing Finance Agency	47,464	48,014	550	1%
Commerce	27,086	28,812	1,726	6%
Public Service	16,371	19,937	3,566	22%
Historical Society	38,755	45,776	7,021	18%
Arts Board	13,837	26,054	12,217	88%
Other Agencies, Items	44,456	47,141	2,685	6%
Total⁶	369,314	354,956	(14,359)	7%⁶

Department of Trade and Economic Development

The 1998-99 budget includes \$27.2 million for Governor's initiatives related to creating jobs, providing training to Minnesota workers, improving the state's economic development infrastructure, and strategically target emerging opportunities in Minnesota's economy.

- The Minnesota Job Skills Partnership Program is increased by \$7.5 million.^{*} The recommended funding increase will provide service to 210 businesses during the biennium.

⁶Numbers shown are actual, percentages have been adjusted to reflect programs totaling \$40.5 million which will transfer to the Department of Children, Families and Learning in F.Y. 1998.

- A new \$4 million PATHWAY program will assist persons moving from welfare to work and provide an educational "pathway" of training and education linked to the needs of specific employers.
- The Minnesota Investment Program is increased by \$4 million to facilitate the creation of nearly 3,000 new jobs.
- \$4.4 million provided to the Public Facilities Authority will match more than \$22 million in federal funds for the Drinking Water Revolving Fund to continue to ensure safe drinking water for communities.
- \$1 million provided to the Minnesota Film Board will provide for the creation of a "Film Production Jobs Fund" to attract more Minnesota-based feature films.
- \$4 million is provided to the city of St. Paul to support Civic Center improvements related to the capital city's efforts to attract and retain a professional sports franchise. The grant is dependent upon a franchise making a legally binding, long term commitment to St. Paul.

Department of Economic Security

On July 1, 1997 several programs totaling \$40.5 million will transfer to the Department of Children, Families and Learning. The programs include Head Start, the Minnesota Economic Opportunity Grant program, and several related programs that provide food, housing, and energy assistance.

The 1998-99 budget includes \$3 million to continue the Minnesota Workforce Center initiative. This is Minnesota's commitment to "one-stop" delivery of services for people seeking employment and training services and for businesses seeking qualified, skilled employees, and will ensure Minnesota receives the maximum amount of federal support.

The Governor recommends that \$16 million be reserved in the Dislocated Workers Fund to pay a share of the health care costs of individuals covered by the Minnesota Comprehensive Health Association which provides health insurance coverage for persons who are uninsurable, including many dislocated workers. The Governor further recommends that \$13 million be transferred to the General Fund to support related programs that benefit dislocated workers.

Housing Finance Agency

The Governor's budget maintains current funding of \$48 million for housing programs. Additionally \$1.75 million is reallocated to consolidate programs with similar objectives and to simplify access to housing services offered by the Housing Finance agency.

Department of Commerce

The Governor proposes privatizing the State Fund Mutual Insurance Company. Fourteen new companies now provide workers' compensation insurance in Minnesota, and workers' compensation reform has led to an overall 24 percent reduction in premiums. The State Fund served its purpose and is no longer needed in today's competitive insurance market. This will result in repayment to the General Fund of the \$5.6 million loan that supported startup.

Minnesota Technology, Inc.

The Governor recommends \$4 million for a Technology Partnership Fund to develop relationships between small, technologically-oriented companies and post secondary educational institutions and faculties to foster added investment and growth of new enterprises.

State Arts Board

- The Governor's budget provides a \$12 million increase for the biennium, doubling grant programs. This funding will provide increased support for arts organizations, presenters and touring, arts in education, artist assistance, folk arts, and cultural pluralism programs.
- The important contribution the arts make to the quality of life in Minnesota will be highlighted by "Arts Across Minnesota Celebrations" featuring 12 major arts celebrations.

Minnesota Historical Society

- Recognizing the Society's role as the state's largest and most significant repository of historic and government information, the Governor's budget includes an additional \$4 million for information technology infrastructure, making resources more accessible to all citizens.
- The Governor's budget earmarks \$300,000 for a Minnesota Territorial Sesquicentennial/Millennium Celebration to mark the 150th anniversary of the Minnesota territory and the beginning of a new millennium. In conjunction with public and private entities, the Society will coordinate these celebrations in order to develop a greater understanding of the state's collective heritage.



TRANSPORTATION

Funding provided in the transportation area of the state budget allows for the development, maintenance and management of state highways, financing of county state aid and municipal state aid roads, assistance for metropolitan and Greater Minnesota transit, development and maintenance of airports, and operations of the Department of Public Safety including the State Patrol and the Bureau of Criminal Apprehension.

On an all funds basis, the 1998-99 budget exceeds \$3.4 billion, an increase of \$196 million over the current biennium, and includes the largest state road construction program in history.

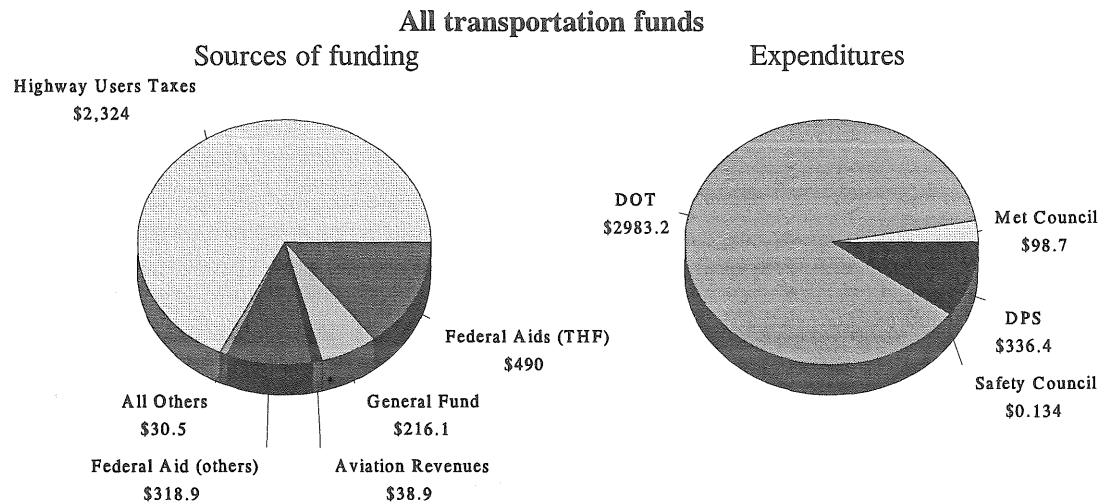
TRANSPORTATION FUNDING

All Funds (\$ in thousands)

Agency or Program	1996-97 Biennium		1998-99 Biennium		Percent Change	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Department of Transportation						
Greater MN Transit	25,009	48,932	28,024	49,080	12%	0%
State Road Construction	0	817,399	0	918,870	0%	12%
State Road Operations ⁷	102	389,774	0	409,030	nm	5%
State Road Support	28	296,972	18	334,864	nm	13%
County State Aid ⁸	0	643,541	0	649,096	0%	1%
Municipal State Aid ⁸	0	202,882	0	196,843	0%	-3%
Aeronautics	0	122,275	400	128,263	0%	5%
Other MNDOT Activities	890	293,784	814	297,074	-9%	1%
Met Council Transit	89,095	89,095	98,702	98,702	11%	11%
Public Safety	70,581	317,183	85,305	336,396	21%	6%
Trans Regulation Bd	0	536	0	0	0%	-100%
Safety Council	0	134	0	134	0%	0%
TOTAL	185,703	3,222,507	213,263	3,418,352	15%	6%
Direct Appropriations		2,771,834		3,007,238		8%
All Other including federal		450,673		411,114		-9%
Total		3,222,507		3,418,352		6%

⁷ Snow and ice removal, and general maintenance of state roads, bridges, and buildings.

⁸ Aids are allocated on a calendar year basis. Expenditures for the 1996-97 include funds carried forward. Appropriations for 1998-99 increase by 10% over 1996-97.

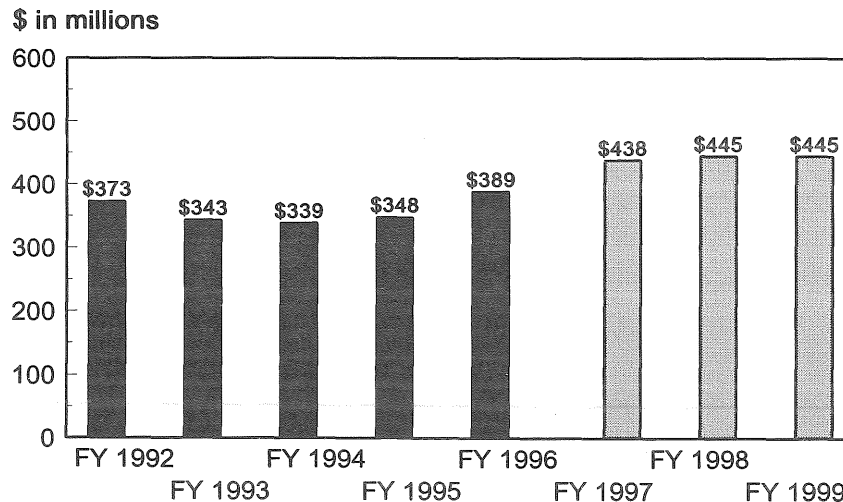


State Road Construction

Growth in the level of state motor fuel taxes and motor vehicle registration receipts, combined with additional anticipated federal highway dollars provide for the largest state highway construction program in history.

- The Governor provides an increase of \$101 million over the 1996-97 biennium for state road construction, increasing the development program to \$445 million each year.
- The Governor's budget also adds \$25 million to the fiscal year 1997 appropriation for state road construction to accelerate needed projects.

State road construction increases to \$445 million per year



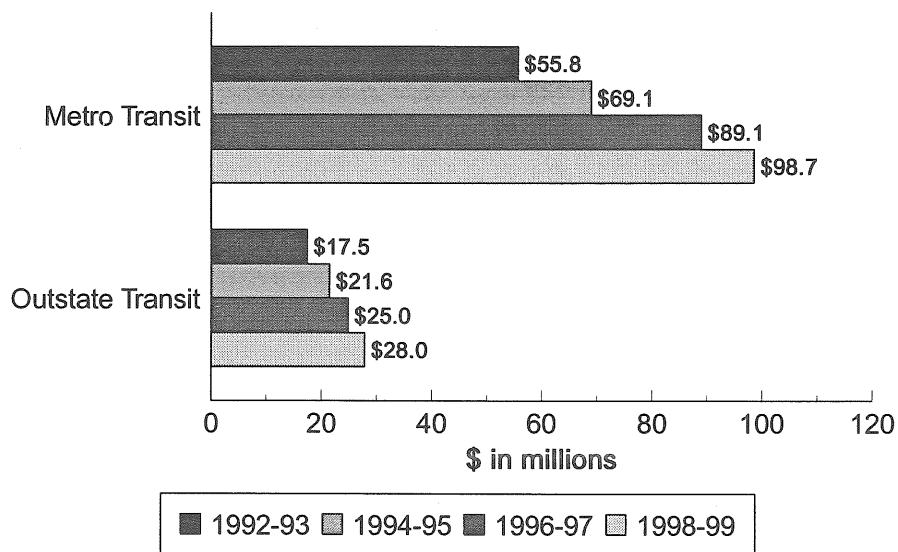
Greater Minnesota Transit

General Fund support for outstate transit in the 1996-97 biennium was \$25 million. The Governor's budget increases this support by \$3 million, to \$28 million for 1998-99. These funds will provide operating and capital assistance to implement transit service commitments that have been made to Greater Minnesota communities. This increased funding will continue the progress already made in meeting the diverse mobility needs of transit users outside the metropolitan area.

Metropolitan Transit Assistance

Metropolitan Council Transit Operations received \$89.1 million in state General Fund support in the 1996-97 biennium. The Governor's budget provides for an increase of \$9.6 million, for a total of \$98.7 million for the 1998-99 biennium. These resources are needed to fund regular route service improvements and Metro Mobility operations. These additional funds will preserve service levels, increase service reliability, and provide incentives for business, job seekers and reverse commuters.

State aids for transit will increase by \$12.6 million



Department of Public Safety

The Governor's budget for the department includes several initiatives which are a major part of the anti-crime initiative. The Governor proposes increases totaling \$30.9 million for:

- Creation of a statewide gang unit of federal, state, county and local law enforcement, including 10 new Bureau of Criminal Apprehension staff and funding for local police overtime.
- Twenty-four hour a day coverage for State Patrol services statewide, requiring 75 additional state troopers and support positions.
- Full funding of the bullet-proof vest reimbursement program for the state peace officers.
- Critical improvements to the state's law enforcement data systems which will result in improved criminal justice information being available to state and local law enforcement.

In addition, the Governor's recommendations provide \$3.8 million of new funding to:

- Fully fund State Hazardous Materials Response Teams reimbursements.
- Fully fund the state match required for federal natural disaster assistance and hazard mitigation grants.
- Fully implement current fire sprinkler system licensing legislation.
- Fully fund law enforcement capabilities within the capitol complex.



State Government

The State Government program area provides basic policy and business operations for the state and is composed of the legislature, constitutional offices, major staff agencies, and other related agencies. It accounts for about 3% of the total General Fund budget. The 1998-99 budget of \$626 million includes major new initiatives reflecting the importance of information technology to the efficient operation of state government. The 1998-99 budget also includes initiatives related to the Governor's anti-crime package and one-time funding for bonuses to Persian Gulf veterans.

State Government Funding General Fund (\$ in thousands)

Agency Operations and Other Program Areas	1996-97 Biennium	1998-99 Biennium	Amount Change	Percent Change
Legislature	113,655	118,697	5,042	4%
Governor / Lt. Governor	7,023	7,625	602	9%
State Auditor	14,280	15,423	1,143	8%
State Treasurer	5,363	5,404	41	1%
Attorney General	53,902	45,868	(8,034)	(15%)
Secretary of State	12,191	11,938	(253)	(2%)
Administration	27,454	32,115	4,661	17%
Revenue	156,584	160,005	3,421	2%
Finance	42,271	52,041	9,770	23%
Employee Relations	15,009	15,807	798	5%
Strategic Planning	8,917	11,370	2,453	28%
Mn Office of Technology	-0-	8,673	8,673	n/a
Military Affairs	19,540	23,373	3,833	20%
Veterans Affairs	7,851	8,058	207	3%
All Other Agencies, Items	75,088	66,938	(8,150)	(11%)
Totals	\$559,128	\$583,135	\$24,207	4%

Special One Time Expenditures

In addition to state government operations, the Governor's budget recommends funding for two "once-in-a-lifetime" expenditures.

- \$25 million to finance modifications of critical state business systems including taxation, public safety, and employment in anticipation of the year 2000.

- \$17.5 million for service bonuses to the men and women who served in the armed forces of the United States during the Persian Gulf conflict. Bonuses of this nature have been granted to veterans of previous wars and was authorized by popular vote of the Minnesota electorate in the 1996 general election.

Legislature and Constitutional Officers

In respect for the status of the legislature and other constitutional officers, the Governor reaffirms his practice of not making specific recommendations for these offices. However, the Governor has added the equivalent of a 7.7% biennial increase to the base operating budgets of these offices for salary adjustments and other initiatives. This is equivalent to the overall forecast increase in General Fund revenues.

Biennium to biennium comparisons do not clearly highlight this increase due to one time appropriations, interfund transfers, and other items included in the 1996-97 expenditures. An example is \$8.6 million in 1996-97 in the Attorney General's Office which represents monies transferred to the Office for legal services from "partner" agencies. However, in the 1998-99 budget these resources are requested in the individual budgets of respective agencies.

Department of Administration

The Governor recommends several operating initiatives totaling \$2.3 million designed to deliver state services more efficiently. In addition, the Governor recommends:

- \$270,000 in operating grants for the Minnesota Children's Museum
- \$5 million for a business customer services initiative which will simplify the state's business registration, licensing, and permitting systems.

Department of Finance

The Governor's budget provides an additional \$14.2 million from the general fund to maintain technical support and operations of the states key business systems including accounting, procurement, payroll and human resources. In F.Y. 1997, the legislature authorized the department to bill state agencies \$6.4 million for operation of these systems. This is now reflected in the recommended direct appropriation.

Mn Office of Technology

The Governor's budget includes a total of \$8.7 million for the new Minnesota Office of Technology (MOT):

- \$2.4 million to fund MOT operations
- \$6.3 million for technology projects, including the state's world wide web site, a portion of the funding for a Virtual University, United Nations Trade Point, the International Telecommunications Union Conference in 1998, a pilot project using "smart card" technology and the information technology community resource centers.

Office of Strategic Planning

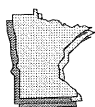
Recommendations include \$3 million to fund the proactive Teen Court initiative, implementing a statewide teen court system where youthful offenders are held accountable for their behavior through sentences imposed by a jury of their peers.

Military Affairs

\$3.9 million is provided to expand use of state armory facilities. Extending the operating hours and making these valuable community resources available to young people for sports and other wholesome after hour activities.

Veterans Affairs

The Governor's budget provides additional resources to provide information and referral services to veterans regarding Agent Orange issues and for operation and maintenance of the veterans cemetery that the legislature transferred to the department in 1994.



State and Local Finance Summary

Price of government will continue to decline

In the belief that Minnesotans deserve to keep a greater portion of what they earn, the Governor recommends a tax rebate and permanent tax reductions totaling \$535 million. Governor Carlson's budget returns the growth of state and local revenues back to the course he recommended two years ago.

Statutes require that, before spending bills are passed, the Governor first propose a "target" percentage of total state aggregate personal income that total state and local revenues should not exceed. The legislature in turn must adopt targets. By setting the level of resources first, future decisions about spending are subject to the same discipline practiced by any Minnesota family seeking to budget its income carefully.

The Governor recommends the following targets for state and local revenues:

Governor's 1997 Price of Government Recommendation (\$ in Millions)

	C.Y. 1995 F.Y. 1996	C.Y. 1996 F.Y. 1997	C.Y. 1997 F.Y. 1998	C.Y. 1998 F.Y. 1999	C.Y. 1999 F.Y. 2000	C.Y. 2000 F.Y. 2001
Recommendation	\$19,949	\$20,903	\$21,316	\$22,523	\$23,382	\$24,345
as % of personal income	18.5%	18.3%	17.8%	18.0%	17.8%	17.7%

By Revenue Type:

State Tax Revenues	\$10,075	\$10,457	\$10,422	\$11,177	\$11,603	\$12,063
as % of personal income	9.4%	9.1%	8.7%	8.9%	8.8%	8.8%
State Non-Tax Revenues	\$1,683	\$1,735	\$1,732	\$1,739	\$1,712	\$1,689
as % of personal income	1.6%	1.5%	1.4%	1.4%	1.3%	1.2%
Local Tax Revenues	\$4,405	\$4,671	\$4,847	\$5,088	\$5,331	\$5,626
as % of personal income	4.1%	4.1%	4.0%	4.1%	4.1%	4.1%
Local Non-Tax Revenues	\$3,786	\$4,041	\$4,315	\$4,519	\$4,737	\$4,969
as % of personal income	3.5%	3.5%	3.6%	3.6%	3.6%	3.6%
Minnesota Personal Income	\$107,720	\$114,428	\$119,738	\$125,473	\$131,558	\$137,583

Note: Subtotals may not sum due to rounding.

In F.Y. 1997, a total of 18.3% of the state's aggregate personal income will be collected in taxes and fees at the state, school district, county, city, and town levels. The Governor's budget recommends adopting state and local revenue targets for the next four years which will reduce this percentage to 17.7% by F.Y. 2001. Provision is made for reasonable growth in revenues at both the state and local levels. State targets reflect the Governor's proposed tax reductions, while local targets provide revenue increases sufficient to cover projected school district pupil growth and non-school local government cost increases.

Governor's Proposed Tax Cuts: \$535 million

The budget contains several changes which reduce state revenues, supporting two of the Governor's primary goals:

- Return money to taxpayers.
- Ensure long term fiscal stability.

Revenue changes must be made with an eye on their future impact. Accordingly, the Governor's proposed revenue changes ensure that current expenditures are less than current revenues at the end of the 1998-99 and 2000-01 biennia.

Governor's Budget Provides for Income Tax Rebate

The Governor believes that a portion of the state is surplus in the current biennium should be returned to those responsible for it, Minnesota taxpayers. The Governor proposes a one-time individual income tax rebate totaling \$261 million. In the fall of 1997, each Minnesota household with a positive tax liability would receive a partial rebate of taxes paid. The rebate would be based on a proportion of each household's taxable income, with a minimum rebate of \$50 and a maximum rebate of \$250 at an income level of \$55,000.

Recommended Ongoing Tax Reductions

Individual Income Taxes Reductions:

- *Education Tax Credits* - In order to continue Minnesota's tradition of providing a broad array of educational choices, the Governor recommends tax credits totaling \$150 million for expanding existing credits for school expenses including tutoring, enrichment programs, computer hardware and software purchases and tuition.
- *EdVest* - To encourage and reward those who are saving to finance a college education, a \$30 million exemption is proposed for contributions and interest earned in EdVest trust accounts.

- *Federal Conformity* - Conform to recent changes in federal tax law costs \$31.2 million for the biennium.
- *Other* - Miscellaneous changes will reduce taxes by \$1.5 million.

Corporate Income Tax Reductions:

- *Repeal Alternative Minimum Tax and Modify Carryover Credit* - The Governor recommends repealing the current state alternative minimum tax (AMT) and simplifying the method used to calculate credits for past AMT payments, reducing taxes \$28.1 million.
- *Conformity to Estimated Tax Payment Date* - Aligns Minnesota's payment dates with the federal schedule, causing a one-time shift in revenue collections of \$5.8 million.
- *Federal Conformity* - Conforming to recent changes in federal tax law will reduce taxes \$25.7 million for the biennium.
- *Job Training Tax Credit* - Provide \$500,000 in tax credits to firms that hire graduates of qualifying job training programs.
- *Other* - Miscellaneous changes will reduce taxes by \$500,000.

Sales Tax Reductions:

- *Eliminate Tax on Replacement Capital Equipment* - Eliminate this tax (\$5.2 million) to further encourage business investment and to help keep Minnesota's economy globally competitive.
- *Miscellaneous changes* - Various changes to treat similar types of items consistently for tax purposes will increase revenues by \$3.7 million.

Other Taxes:

- *Repeal Unfair Cigarette Sales Act* - Ending the state's intervention into the wholesale pricing of cigarettes, will increase revenues by \$1.6 million.
- *Health Care Surcharge* - To prevent a loss of federal revenues due to violation of federal provider tax laws, the Health Care Surcharge is eliminated and the MinnesotaCare tax is adjusted to compensate.

Other Non-Tax Revenue Changes

- *Transfer from Other Funds to General Fund* - includes \$13 million in balances from the Dislocated Workers Fund and \$19.8 million from the Cambridge Bank Fund.
- *Privatize State Fund Mutual* - The governor recommends converting State Fund Mutual Insurance Company to a private company, on the condition that the balance due (\$5.6 million) on a state loan from the general fund be repaid in full in 1998.
- *Miscellaneous Revenue Changes* - A limited number of changes in fees are proposed for selective agencies. These changes offset program cost increases.

Local Aids and Credits Programs

Minnesota's system of local aids and credits, which accounts for approximately 12% of the general fund budget, is intended to lower property taxes and provide state funding for certain locally-provided services. Property tax relief is provided both by direct refund payments to individuals and by general aid payments to localities. Other aid payments are more directly tied to specific functions, such as criminal justice.

Unfortunately, Minnesota's local aid system has also had the effect of making localities less accountable for their spending decisions. Local aid helps shield taxpayers from the true cost of increased spending. Too much aid is distributed haphazardly, without regard to either a jurisdiction's relative wealth or need. The result is widespread variance in the "price" of local government services.

The state must reform the way it finances local services. The Governor repeats his call for effective, bipartisan local finance reform that clearly articulates local and state government responsibilities, corrects the wide disparity in tax rates between commercial/industrial, apartment and homestead property, and more directly targets state tax relief to those individuals who need it most.

	FY 96-97	FY 98-99	% Change
Property Tax Refunds	349,956	381,900	9%
Local Government Aid	688,502	719,665	5%
Homestead and Agricultural Credit Aid (HACA)	1,156,735	1,050,133	-9%
Criminal Justice Aid	30,288	56,163	85%
Aid to Police and Fire	108,673	130,714	20%
All Other Local Aids and Credits	78,135	100,656	29%
Total	2,412,289	2,439,231	1%

Property Tax Refunds

The Governor recommends current law funding levels, which result in a \$31.9 million increase. These refunds reduce property taxes by efficiently targeting tax relief to those who need it most.

Local Government Aid Inflation Eliminated for Cities

The Governor proposes growth in Local Government Aid be limited to 3% in the biennium by eliminating the automatic inflation adjustment for Local Government Aid to cities beginning in F.Y. 1999. Currently, cities receive an automatic inflation adjustment to their LGA payments, regardless of need. This change is consistent with efforts to remove automatic inflators elsewhere in the state budget. Continued growth in Local Government Aid also contributes to the lack of accountability in our system of local aids, and makes real local finance reform even more unlikely. The Governor recommends that cities respond to this elimination of aid growth by containing expenditures, restructuring local services and seeking cooperative agreements with counties and other local governments to provide services at lower cost, not by raising local property taxes.

Homestead and Agricultural Credit Aid (HACA)

The Governor proposes no changes to the Homestead and Agricultural Aid program. The decrease shown for F.Y. 1998, compared to the current biennium, reflects current law provisions and is due primarily to the conversion of HACA to County Criminal Justice Aid, Local Performance Aid and school aid for special education.

County Criminal Justice Aid

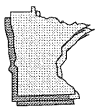
The Governor proposes no change to County Criminal Justice aid payments. The increase of \$25.8 million for the 1998-99 biennium is due largely to conversion of HACA, as well as inflationary indexing.

Aid to Police and Fire

The Governor recommends current law funding for Aid to Police and Fire. The increase of \$19.5 million shown is due to continued growth in employer contributions to the Police and Fire Fund of the Public Employees Retirement Association (PERA).

All Other Local Aids and Credits

The Governor recommends no change in the remaining Aids and Credits. The increase of \$22.5 million is due largely to the conversion of HACA to Local Performance Aid.



Debt Service, Capital Projects

The Governor's budget recommends a General Fund appropriation of \$545.6 million for F.Y. 1998-99 for debt service on bonds sold for existing authorizations, bonds authorized but not yet issued, and new bonds anticipated to be authorized in the 1998 legislative session. This amount represents 2.8 percent of total general fund spending.

Recent capital budget reforms provide for consideration of major capital budgets and accompanying bonding proposals in legislative sessions of even-numbered years. Consequently, the Governor will not recommend a bonding bill in the 1997 legislative session.

The Governor's recommendations provide that a limited number of emergency infrastructure repairs and federal funds matching opportunities, that cannot be delayed until the 1998 legislative session, be funded with direct appropriations. The projects recommended include:

- \$4.4 million for the Drinking Water Revolving Fund to obtain \$22.2 million in available federal matching funds;
- \$8.3 million for repair and maintenance of state and higher education facilities;
- \$1.9 million for emergency infrastructure repairs on the campus of the Minneapolis Veterans Home;
- \$5.5 million from the truck highway fund to relocate the Fort Snelling truck station.

Additionally, the Governor is recommending that \$16.6 million be appropriated to pay remaining state claims from the Cambridge Bank Litigation Judgement, rather than issuing additional revenue bonds for this purpose. This action will reduce both interest and issuance costs.



Financial Summaries

The following section provides additional detail on the historical and recommended level of revenue and spending for the F.Y. 1998-99 budget. The graphics and tables are presented to provide commonly requested information and additional financial data.

■ Total 1998-99 Operating Budget (All Funds)	A-1
■ Where the General Fund Dollars Come From	A-2
■ Where the General Fund Dollars Go	A-3
■ 1998-99 Budget: Change from current biennium	A-4
■ General Fund spending: 1974 to 1999	A-4

Other tables present the current biennium and proposed General Fund budget for the F.Y. 1998-99 biennium displayed by major legislative spending bills.

■ Recommendations by Year	A-5
■ Increase over Current Biennium	A-6
■ Annual Percent Change	A-7
■ Percent of Total	A-8
■ Comparison: November 1996 Forecast - Proposed 1998-99 Budget	A-9
■ F.Y. 2000-01 Planning Estimates	A-10

The General Fund statement details recommended General Fund spending by agency in omnibus bill format beginning on page A-12. Consolidated statement summaries (all funds) are presented beginning on page A-24.

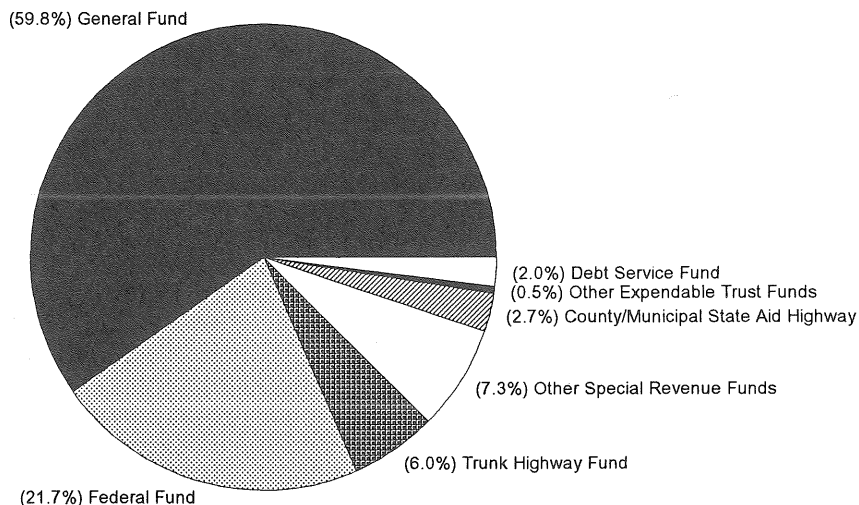
Complete detailed budget information on individual program recommendations can be found in companion Detailed Budget volumes prepared for each omnibus appropriations bill.

Additional information on the economic and revenue forecast can be found in the November 1996 Forecast report. An update to the economic forecast and planning estimates for fiscal years 1997-2001 will be released in February 1997.

Total State 1998-99 Operating Budget

All Operating Funds

1998-99 Budget
\$32,206 Million Spending



	1996-97 Biennium	1998-99 Budget
<u>Actual and Estimated Uses</u>		
General Fund *	\$18,080	\$19,270
Special Revenue Funds:		
Federal Fund	6,343	6,984
Trunk Highway Fund	1,810	1,942
All Other Special Revenue Funds	1,974	2,355
Expendable Trust Funds:		
County/Municipal State Aid Highway	860	859
All Other Expendable Trust Funds	171	153
Debt Service Fund	563	644
Total Expenditures	\$29,801	\$32,206

(\$ in Millions)

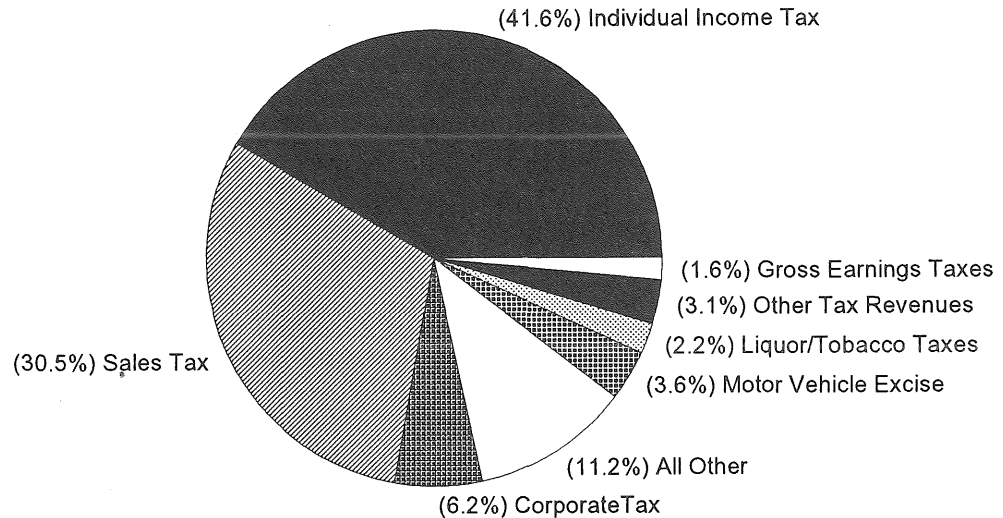
* Spending reported for the General Fund on a consolidated basis (all funds) is slightly lower than that reported for the General Fund alone elsewhere in this document. Interfund transfers are excluded when consolidating data for all funds reporting.

1998-99 Biennium

Where the General Fund Dollars Come From

Governor's Recommendation

1998-99 BIENNIUM
\$21,291 Million



	(\$ in Millions)
Balance Forward 6-30-97	\$1,299
Non-Dedicated Revenues:	
Individual Income Tax	8,867
Sales Tax	6,500
Corporate Tax	1,324
Motor Vehicle Excise Tax	756
Gross Earnings Taxes	333
Liquor, Wine, Beer Taxes	112
Cigarette & Tobacco Taxes	349
Other Tax Revenues	663
All Other Revenues	315
Subtotal Non-Dedicated Revenues	19,219
Dedicated Revenue	241
Transfers From Other Funds	491
Prior Year Adjustments	41
SUBTOTAL CURRENT RESOURCES	19,992
TOTAL AVAILABLE RESOURCES, F.Y. 1998-99	\$21,291
Less: Estimated Expenditures	(20,344)
Cash Flow Account	(350)
Budget Reserve	(522)
Appropriations Carried Forward	(72)
Projected General Fund Balance 6-30-99	\$3
January 23, 1997 Governor's Recommendation	\$3

1998-99 Biennium

Where the General Fund Dollars Go

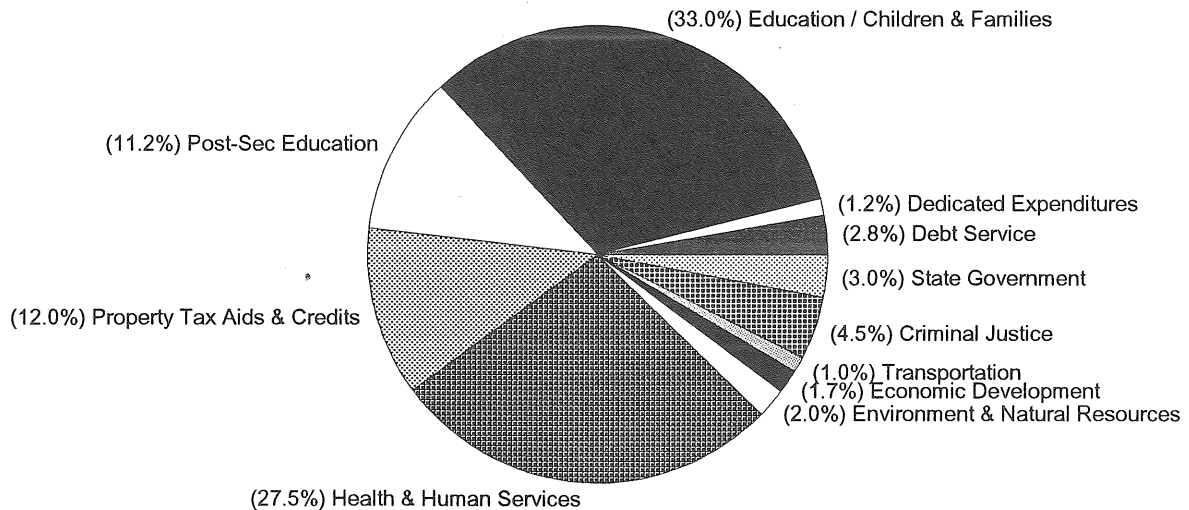
Governor's Recommendation

1998-99 BIENNIUM

\$20,344 Million Spending

\$350 Million Cash Flow Account

\$522 Million Budget Reserve



(\$ in Millions)

TOTAL AVAILABLE RESOURCES, F.Y. 1998-99

\$21,291

Major Spending Items:

Education / Children & Families	\$6,721
Post-Secondary Education	2,283
Property Tax Aids & Credits	2,439
Health & Human Services	5,598
Environment & Natural Resources	417
Economic Development	355
Transportation	213
Criminal Justice	909
State Government	626
Debt Service	562
Estimated Cancellations	(20)

Subtotal-Major Spending Items

\$20,103

Dedicated Expenditures

241

TOTAL ESTIMATED EXPENDITURES, F.Y. 1998-99

\$20,344

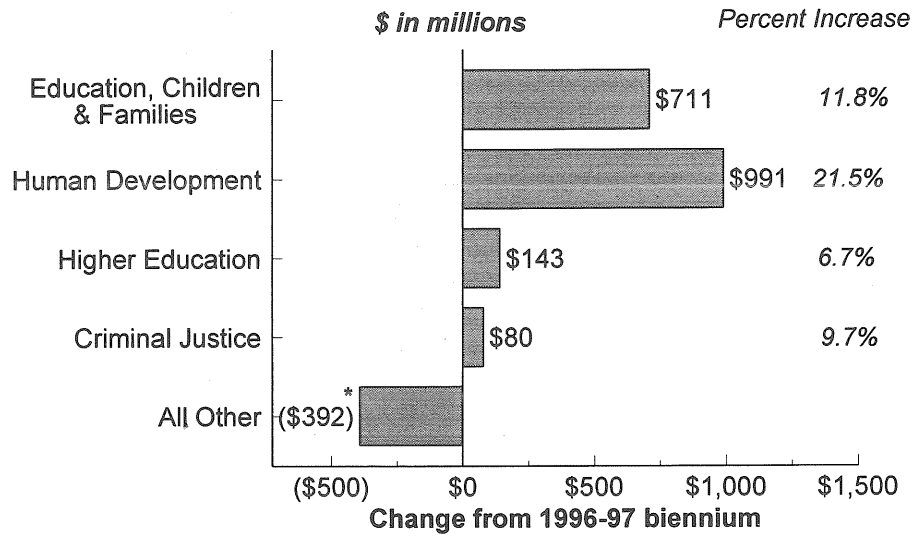
Cash Flow Account	350
Budget Reserve	522
Appropriations Carried Forward	72

Projected General Fund Balance 6-30-99

January 23, 1997 Governor's Recommendation

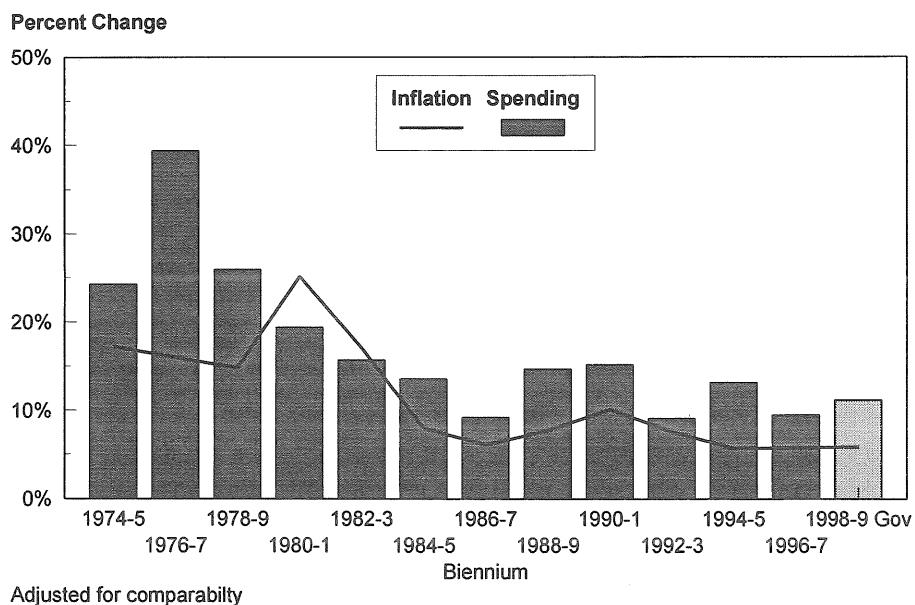
\$3

1998-99 Budget: change from current biennium



* One-time spending in 1996-97 to reverse school property tax recognition and 90-10 payments shifts totaled \$671 million. This savings offsets \$279 million in all other spending.

General Fund Spending: FY 1974 - 1999



**Governor's Proposed Budget
Recommendations by Year**

F.Y. 1998-99 General Fund
(\$ in Thousands)

	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Biennial Total
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	\$1,299,226	\$898,435	\$1,299,226
Current Resources:			
Tax Revenues	9,492,884	9,946,468	19,439,352
Non-Tax Revenues	163,250	143,250	306,500
Dedicated Revenue	120,255	120,255	240,510
Transfers In	219,529	237,951	457,480
Prior year Adjustments	20,450	20,450	40,900
Budget Changes - Taxes	(396,092)	(139,060)	(535,152)
Budget Changes - Non-Taxes	33,500	8,442	41,942
Subtotal-Current Resources	\$9,653,776	\$10,337,756	\$19,991,532
Total Resources Available	\$10,953,002	\$11,236,191	\$21,290,758
<u>Actual & Estimated Spending</u>			
Education / Children & Families	3,348,616	3,372,641	6,721,257
Property Tax Aids & Credits	1,220,810	1,218,421	2,439,231
Higher Education	1,131,949	1,150,821	2,282,770
Health & Human Services	2,718,244	2,879,692	5,597,936
Environment & Natural Resources	208,465	208,446	416,911
Economic Development	179,344	175,612	354,956
Transportation	108,065	105,198	213,263
Criminal Justice	448,012	460,604	908,616
State Government	309,994	315,841	625,835
Debt Service & Borrowing	265,813	296,683	562,496
Cancellation Adjustment	(5,000)	(15,000)	(20,000)
Subtotal Expenditures & Transfers	\$9,934,312	\$10,168,959	\$20,103,271
Dedicated Expenditures	120,255	120,255	240,510
Total Expenditures & Transfers	\$10,054,567	\$10,289,214	\$20,343,781
Balance Before Reserves	\$898,435	\$946,977	\$946,977
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	522,000	522,000	522,000
Appropriations Carried Forward	72,000	72,000	72,000
Budgetary Balance	\$(45,565)	\$2,977	\$2,977

Governor's Proposed Budget
Increase Over Current Biennium
F.Y. 1998-99 General Fund
(\$ in Thousands)

	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998-99	\$ Difference	% Change
<u>Actual & Estimated Resources</u>				
Balance Forward From Prior Year	\$1,020,499	\$1,299,226	\$278,727	27.3%
Current Resources:				
Tax Revenues	18,003,262	19,439,352	1,436,090	8.0%
Non-Tax Revenues	326,351	306,500	(19,851)	(6.1%)
Dedicated Revenue	267,243	240,510	(26,733)	(10.0%)
Transfers In	473,422	457,480	(15,942)	(3.4%)
Prior Year Adjustments	28,971	40,900	11,929	41.2%
Budget Changes - Taxes	(8,500)	(535,152)	(526,652)	n/a
Budget Changes - Non-Taxes	(1,460)	41,942	43,402	n/a
Subtotal - Current Resources	\$19,089,289	\$19,991,532	\$902,243	4.7%
Total Resources Available	\$20,109,788	\$21,290,758	\$1,180,970	5.9%
<u>Actual & Estimated Spending</u>				
Education / Children & Families	6,010,604	6,721,257	710,653	11.8%
Property Tax Recognition	514,832	-0-	(514,832)	n/a
School Payment Change (90/10)	156,421	-0-	(156,421)	n/a
Property Tax Aids & Credits	2,412,289	2,439,231	26,942	1.1%
Higher Education	2,140,259	2,282,770	142,511	6.7%
Health & Human Services	4,606,870	5,597,936	991,066	21.5%
Environment & Natural Resources	369,053	416,911	47,858	13.0%
Economic Development	369,314	354,956	(14,358)	(3.9%)
Transportation	185,703	213,263	27,560	14.8%
Criminal Justice	828,272	908,616	80,344	9.7%
State Government	559,128	625,835	66,707	11.9%
Debt Service & Borrowing	438,934	562,496	123,562	28.2%
Deficiencies/Unallotted	12,284	-0-	(12,284)	n/a
Cancellation Adjustment	(15,000)	(20,000)	(5,000)	33.3%
Subtotal Expenditures & Transfers	\$18,588,963	\$20,103,271	\$1,514,308	8.1%
Dedicated Expenditures	221,599	240,510	18,911	8.5%
Total Expenditures & Transfers	\$18,810,562	\$20,343,781	\$1,533,219	8.2%
Balance Before Reserves	\$1,299,226	\$946,977	\$(352,249)	
Cash Flow Account	350,000	350,000	-0-	
Budget Reserve	261,000	522,000	261,000	
School Aid Reserve	113,800	-0-	(113,800)	
Appropriations Carried Forward	72,000	72,000	-0-	
Budgetary Balance	\$502,426	\$2,977	\$(499,449)	

Governor's Proposed Budget
Annual Percent Change
F.Y. 1998-99 General Fund
(\$ in Thousands)

	Gov's Rec F.Y. 1997	Gov's Rec F.Y. 1998	Percent Change	Gov's Rec F.Y. 1999	Percent Change
<u>Actual & Estimated Resources</u>					
Balance Forward From Prior Year	\$1,343,277	\$1,299,226	(3.3%)	\$898,435	(30.8%)
Current Resources:					
Tax Revenues	9,166,859	9,492,884	3.6%	9,946,468	4.8%
Non-Tax Revenues	175,250	163,250	(6.8%)	143,250	(12.3%)
Dedicated Revenue	130,255	120,255	(7.7%)	120,255	0.0%
Transfers In	205,467	219,529	6.8%	237,951	8.4%
Prior Year Adjustments	20,450	20,450	0.0%	20,450	0.0%
Budget Changes - Taxes	(8,500)	(396,092)	n/a	(139,060)	n/a
Budget Changes - Non-Taxes	(1,460)	33,500	n/a	8,442	n/a
Subtotal-Current Resources	\$9,688,321	\$9,653,776	(0.4%)	\$10,337,756	7.1%
Total Resources Available	\$11,031,598	\$10,953,002	(0.7%)	\$11,236,191	2.6%
<u>Actual & Estimated Spending</u>					
Education / Children & Families	3,086,739	3,348,616	8.5%	3,372,641	0.7%
Property Tax Recognition	200,000	-0-	n/a	-0-	n/a
School Payment Change (90/10)	156,421	-0-	n/a	-0-	n/a
Property Tax Aids & Credits	1,199,274	1,220,810	1.8%	1,218,421	(0.2%)
Higher Education	1,078,113	1,131,949	5.0%	1,150,821	1.7%
Health & Human Services	2,429,623	2,718,244	11.9%	2,879,692	5.9%
Environment & Natural Resources	196,525	208,465	6.1%	208,446	0.0%
Economic Development	191,159	179,344	(6.2%)	175,612	(2.1%)
Transportation	100,376	108,065	7.7%	105,198	(2.7%)
Criminal Justice	442,008	448,012	1.4%	460,604	2.8%
State Government	289,010	309,994	7.3%	315,841	1.9%
Debt Service & Borrowing	241,345	265,813	10.1%	296,683	11.6%
Deficiencies/Unallotted	6,524	-0-	n/a	-0-	n/a
Cancellation Adjustment	(15,000)	(5,000)	(66.7%)	(15,000)	200.0%
Subtotal Expenditures & Transfers	\$9,602,117	\$9,934,312	3.5%	\$10,168,959	2.4%
Dedicated Expenditures	130,255	120,255	(7.7%)	120,255	0.0%
Total Expenditures & Transfers	\$9,732,372	\$10,054,567	3.3%	\$10,289,214	2.3%
Balance Before Reserves	\$1,299,226	\$898,435		\$946,977	
Cash Flow Account	350,000	350,000		350,000	
Budget Reserve	261,000	522,000		522,000	
School Aid Reserve	113,800	-0-		-0-	
Appropriations Carried Forward	72,000	72,000		72,000	
Budgetary Balance	\$502,426	\$(45,565)		\$2,977	

Governor's Proposed Budget
Percent of Total

F.Y. 1998-99 General Fund
(\$ in Thousands)

	Forecast F.Y. 1996-97	Percent of Total	Gov's Rec F.Y. 1998-99	Percent of Total
<u>Actual & Estimate Resources</u>				
Balance Forward From Prior Year	\$1,020,499	5.1 %	\$1,299,226	6.1 %
Current Resources:				
Tax Revenues	18,003,262	89.5 %	19,439,352	91.3 %
Non-Tax Revenues	326,351	1.6 %	306,500	1.4 %
Dedicated Revenue	267,243	1.3 %	240,510	1.1 %
Transfers In	473,422	2.4 %	457,480	2.1 %
Prior Year Adjustments	28,971	0.1 %	40,900	0.2 %
Budget Changes - Taxes	(8,500)	0.0 %	(535,152)	(2.5 %)
Budget Changes - Non-Taxes	(1,460)	0.0 %	41,942	0.2 %
Subtotal-Current Resources	\$19,089,289	94.9 %	\$19,991,532	93.9 %
Total Resources Available	\$20,109,788	100.0 %	\$21,290,758	100.0 %
<u>Actual & Estimated Spending</u>				
Education / Children & Families	6,010,604	32.0 %	6,721,257	33.0 %
Property Tax Recognition	514,832	2.7 %	-0-	0.0 %
School Payment Change (90/10)	156,421	0.8 %	-0-	0.0 %
Property Tax Aids & Credits	2,412,289	12.8 %	2,439,231	12.0 %
Higher Education	2,140,259	11.4 %	2,282,770	11.2 %
Health & Human Services	4,606,870	24.5 %	5,597,936	27.5 %
Environment & Natural Resources	369,053	2.0 %	416,911	2.0 %
Economic Development	369,314	2.0 %	354,956	1.7 %
Transportation	185,703	1.0 %	213,263	1.0 %
Criminal Justice	828,272	4.4 %	908,616	4.5 %
State Government	559,128	3.0 %	625,835	3.1 %
Debt Service & Borrowing	438,934	2.3 %	562,496	2.8 %
Deficiencies/Unallotted	12,284	0.1 %	-0-	0.0 %
Cancellation Adjustment	(15,000)	(0.1 %)	(20,000)	(0.1 %)
Subtotal Expenditures & Transfers	\$18,588,963	98.8 %	\$20,103,271	98.8 %
Dedicated Expenditures	221,599	1.2 %	240,510	1.2 %
Total Expenditures & Transfers	\$18,810,562	100.0 %	\$20,343,781	100.0 %
Balance Before Reserves	\$1,299,226		\$946,977	
Cash Flow Account	350,000		350,000	
Budget Reserves	261,000		522,000	
School Aid Reserve	113,800		-0-	
Appropriations Carried Forward	72,000		72,000	
Budgetary Balance	\$502,426		\$2,977	

Governor's Proposed Budget
November, 1996 Forecast - Proposed 1998-99 Budget

F.Y. 1998-99 General Fund
(\$ in Thousands)

	Nov '96 Fcst F.Y. 1998-99	Gov's Rec F.Y. 1998-99	\$ Difference	% Change
<u>Actual & Estimated Resources</u>				
Balance Forward From Prior Year	\$1,319,023	\$1,299,226	\$(19,797)	(1.5%)
Current Resources				
Tax Revenues	19,439,352	19,439,352	-0-	0.0%
Non-Tax Revenues	306,500	306,500	-0-	0.0%
Dedicated Revenue	240,510	240,510	-0-	0.0%
Transfers In	457,480	457,480	-0-	0.0%
Prior Year Adjustments	40,900	40,900	-0-	0.0%
Budget Changes - Taxes	-0-	(535,152)	(535,152)	n/a
Budget Changes - Non-Taxes	-0-	41,942	41,942	n/a
Subtotal Current Resources	\$20,484,742	\$19,991,532	(493,210)	(2.4%)
Total Resources Available	\$21,803,765	\$21,290,758	\$(513,007)	(2.4%)
<u>Actual & Estimated Spending</u>				
Education / Children & Families	\$6,168,800	\$6,721,257	\$552,457	9.0%
Property Tax Aids & Credits	2,450,960	2,439,231	(11,729)	(0.5%)
Higher Education	2,170,260	2,282,770	112,510	5.2%
Health & Human Services	5,661,670	5,597,936	(63,734)	(1.1%)
Environment & Natural Resources	414,652	416,911	2,259	0.5%
Economic Development	312,054	354,956	42,902	13.7%
Transportation	182,729	213,263	30,534	16.7%
Criminal Justice	899,776	908,616	8,840	1.0%
State Government	541,022	625,835	84,813	15.7%
Debt Service & Borrowing	545,896	562,496	16,600	3.0%
Cancellation Adjustment	(20,000)	(20,000)	-0-	0.0%
Subtotal Expenditures & Transfers	\$19,327,821	\$20,103,271	\$775,451	4.0%
Dedicated Expenditures	240,510	240,510	-0-	0.0%
Total Expenditures & Transfers	\$19,568,331	\$20,343,781	\$775,451	4.0%
Balance Before Reserves	\$2,235,434	\$946,977	\$(1,288,458)	
Cash Flow Account	\$350,000	\$350,000	\$-0-	
Budget Reserve	261,000	522,000	261,000	
School Aid Reserve	113,800	-0-	(113,800)	
Appropriations Carried Forward	72,000	72,000	-0-	
Budgetary Balance	\$1,438,634	\$2,977	\$(1,435,658)	

Governor's Proposed Budget
F.Y. 1996 - F.Y. 2001 Planning Horizon
F.Y. 1998-99 General Fund
(\$ in Thousands)

	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998-99	1-97 Plng Est F.Y. 2000-01
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	\$1,020,499	\$1,299,226	\$946,977
Current Resources:			
Tax Revenues	18,003,262	19,439,352	21,121,110
Non-Tax Revenues	326,351	306,500	276,500
Dedicated Revenue	267,243	240,510	240,510
Transfers In	473,422	457,480	471,262
Prior Year Adjustments	28,971	40,900	40,900
Budget Changes - Taxes	(8,500)	(535,152)	(296,240)
Budget changes - Non-Taxes	(1,460)	41,942	16,801
Subtotal Current Resources	\$19,089,289	\$19,991,532	\$21,870,843
Total Resources Available	\$20,109,788	\$21,290,758	\$22,817,820
<u>Actual & Estimated Spending</u>			
Education / Children & Families	6,010,604	6,721,257	7,104,240
Property Tax Recognition	514,832	-0-	-0-
School Payment Change (90/10)	156,421	-0-	-0-
Property Tax Aids & Credits	2,412,289	2,439,231	2,436,363
Higher Education	2,140,259	2,282,770	2,384,772
Health & Human Services	4,606,870	5,597,936	6,291,852
Environment & Natural Resources	369,053	416,911	434,022
Economic Development	369,314	354,956	366,465
Transportation	185,703	213,263	211,503
Criminal Justice	828,272	908,616	986,250
State Government	559,128	625,835	600,576
Debt Service & Borrowing	438,934	562,496	582,386
Deficiencies/Unallotted	12,284	-0-	-0-
Cancellation Adjustment	(15,000)	(20,000)	(20,000)
Subtotal Expenditures & Transfers	\$18,588,963	\$20,103,271	\$21,378,429
Dedicated Expenditures	221,599	240,510	240,510
Total Expenditures & Transfers	\$18,810,562	\$20,343,781	\$21,618,939
Balance Before Reserves	\$1,299,226	\$946,977	\$1,198,881
Cash Flow Account	\$350,000	\$350,000	\$350,000
Budget Reserve	261,000	522,000	522,000
School Aid Reserve	113,800	-0-	-0-
Appropriations Carried Forward	72,000	72,000	72,000
Budgetary Balance	\$502,426	\$2,977	\$254,881

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
Omnibus Summary						
Actual & Estimated Resources						
Balance Forward From Prior Year	1,020,499	1,343,277	1,020,499	1,299,226	898,435	1,299,226
Current Resources:						
Tax Revenues	8,836,403	9,166,859	18,003,262	9,492,884	9,946,468	19,439,352
Non-Tax Revenues	151,101	175,250	326,351	163,250	143,250	306,500
Dedicated Revenue	136,988	130,255	267,243	120,255	120,255	240,510
Transfers In	267,955	205,467	473,422	219,529	237,951	457,480
Prior Year Adjustments	8,521	20,450	28,971	20,450	20,450	40,900
Budget Changes - Taxes	0	(8,500)	(8,500)	(396,092)	(139,060)	(535,152)
Budget Changes - Non-Taxes	0	(1,460)	(1,460)	33,500	8,442	41,942
Subtotal-Current Resources	9,400,968	9,688,321	19,089,289	* 9,653,776	10,337,756	19,991,532
Total Resources Available	10,421,467	11,031,598	20,109,788	10,953,002	11,236,191	21,290,758
Actual & Estimated Spending						
Education / Children & Families	2,923,865	3,086,739	6,010,604	3,348,616	3,372,641	6,721,257
Property Tax Recognition	314,832	200,000	514,832	0	0	0
School Payment Change (90/10)	0	156,421	156,421	0	0	0
Property Tax Aids & Credits	1,213,015	1,199,274	2,412,289	1,220,810	1,218,421	2,439,231
Higher Education	1,062,146	1,078,113	2,140,259	1,131,949	1,150,821	2,282,770
Health & Human Services	2,177,247	2,429,623	4,606,870	2,718,244	2,879,692	5,597,936
Environment & Natural Resources	172,528	196,525	369,053	208,465	208,446	416,911
Economic Development	178,155	191,159	369,314	179,344	175,612	354,956
Transportation	85,327	100,376	185,703	108,065	105,198	213,263
Criminal Justice	386,264	442,008	828,272	448,012	460,604	908,616
State Government	270,118	289,010	559,128	309,994	315,841	625,835
Debt Service & Borrowing	197,589	241,345	438,934	265,813	296,683	562,496
Deficiencies/Unallotted	5,760	6,524	12,284	0	0	0
Cancellation Adjustment	0	(15,000)	(15,000)	(5,000)	(15,000)	(20,000)
Subtotal Expenditures & Transfers	8,986,846	9,602,117	18,588,963	9,934,312	10,168,959	20,103,271
Dedicated Expenditures	91,344	130,255	221,599	120,255	120,255	240,510
Total Expenditures & Transfers	9,078,190	9,732,372	18,810,562	10,054,567	10,289,214	20,343,781
Balance Before Reserves	1,343,277	1,299,226	1,299,226	898,435	946,977	946,977
Cash Flow Account	350,000	350,000	350,000	350,000	350,000	350,000
Budget Reserve	220,000	261,000	261,000	522,000	522,000	522,000
School Aid Reserve	0	113,800	113,800	0	0	0
Appropriations Carried Forward	276,977	72,000	72,000	72,000	72,000	72,000
Budgetary Balance	496,300	502,426	502,426	(45,565)	2,977	2,977

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<u>Net Non-Dedicated Revenue</u>						
Tax Revenues:						
Individual Income	4,135,332	4,376,600	8,511,932	4,552,900	4,788,200	9,341,100
Corporate Income	701,735	674,800	1,376,535	676,800	708,100	1,384,900
Sales Tax-General	2,901,268	3,028,800	5,930,068	3,171,900	3,329,200	6,501,100
Motor Vehicle Excise	381,219	374,900	756,119	371,300	384,900	756,200
Inheritance, Estate, Gift	43,743	30,003	73,746	30,003	30,003	60,006
Liquor, Wine, Beer	55,732	55,908	111,640	55,993	55,969	111,962
Cigarette & Tobacco Products	169,588	168,056	337,644	169,692	178,157	347,849
Iron Ore Occupation	133	50	183	50	50	100
Taconite Occupation	3,261	3,000	6,261	3,000	3,000	6,000
Taconite Production Taxes	0	75	75	75	75	150
Deed & Mortgage Registration	87,984	87,800	175,784	88,600	88,600	177,200
Insurance Gross Earnings	154,595	159,000	313,595	163,900	168,800	332,700
Controlled Substance Tax	211	200	411	200	200	400
Other Gross Earnings	53	55	108	55	56	111
Lawful Gambling Taxes	67,025	67,278	134,303	67,450	67,626	135,076
Health Care Surcharge	123,468	128,060	251,528	129,921	131,803	261,724
Income Tax Reciprocity	28,504	31,909	60,413	30,686	31,592	62,278
Illegal Sports Bookmaking Tax	12	20	32	25	30	55
Motor Vehicle Registration Tax	669	0	669	0	0	0
Other Excise Tax & All Other	522	0	522	0	0	0
All Other Tax Refunds	(18,651)	(19,655)	(38,306)	(19,666)	(19,893)	(39,559)
Subtotal-Tax Revenues	8,836,403	9,166,859	18,003,262	9,492,884	9,946,468	19,439,352
Non-Tax Revenues:						
Investment Income	70,465	70,000	140,465	60,000	40,000	100,000
DHS RTC Collections	12,896	41,300	54,196	41,300	41,300	82,600
Other Non-Dedicated Revenue	67,826	64,000	131,826	62,000	62,000	124,000
All Other Refunds	(86)	(50)	(136)	(50)	(50)	(100)
Subtotal-Non-Tax Revenues	151,101	175,250	326,351	163,250	143,250	306,500
Total Net-Non-Dedic Revenue	8,987,504	9,342,109	18,329,613	9,656,134	10,089,718	19,745,852

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<u>Dedicated Revenues</u>						
Tuition & Fees:						
University of Minnesota	[196,544]	[214,229]	[410,773]	[221,112]	[228,127]	[449,239]
MN State Colleges & Universities	[219,231]	[227,981]	[447,212]	[239,804]	[251,016]	[490,820]
Subtotal-Tuition & Fees	[415,775]	[442,210]	[857,985]	[460,916]	[476,143]	[940,059]
Contamination Tax-DTED	228	255	483	255	255	510
All Other Dedicated Revenue	121,773	130,000	251,773	120,000	120,000	240,000
Technical Colleges Carryforward	14,987	0	14,987	0	0	0
Total Dedicated Revenues	136,988	130,255	267,243	120,255	120,255	240,510
<u>Transfers From Other Funds</u>						
Special Revenue Funds	12,099	4,910	17,009	4,910	4,910	9,820
Cambridge Bank Special Revenue Fund	223,382	161,388	384,770	177,420	195,648	373,068
All Other Transfers	13,091	13,097	26,188	13,097	13,097	26,194
Repay of Revolving Fund Loans	11,551	7,949	19,500	10,906	11,100	22,006
Laws 1993, Transfers In	0	1,790	1,790	1,790	1,790	3,580
Laws 1995, Transfers In	7,832	15,433	23,265	10,506	10,506	21,012
Laws 1996, Transfers In	0	900	900	900	900	1,800
Total Transfers Fr Other Funds	267,955	205,467	473,422	219,529	237,951	457,480
Prior Year Adjustments	8,521	20,450	28,971	20,450	20,450	40,900

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<u>New Legislation Revenues</u>						
Tax Revenues:						
Indiv-Income Tax Rebate	0	0	0	(261,000)	0	(261,000)
Indiv-Education Tax Credits	0	0	0	(73,000)	(77,000)	(150,000)
Indiv-Federal Update	0	(5,700)	(5,700)	(14,200)	(17,000)	(31,200)
Indiv-Composite Tax Rate Reduction	0	0	0	(700)	(800)	(1,500)
Indiv-EdVest	0	0	0	(14,300)	(16,000)	(30,300)
			0			
Corp-Repeal Alternative Minimum Tax	0	(4,600)	(4,600)	(13,200)	(11,200)	(24,400)
Corp-Estimated Tax Payment Conformity	0	0	0	(5,500)	(300)	(5,800)
Corp-Modify AMT Carryover Credit	0	(700)	(700)	(2,400)	(1,300)	(3,700)
Corp-Env Tax Addback/Federal Depletion Conf	0	(100)	(100)	(200)	(300)	(500)
Corp-Federal Update	0	3,300	3,300	(11,000)	(14,700)	(25,700)
Corp-Job Training Tax Credit	0	0	0	(100)	(400)	(500)
			0			
Sales-Elim Tax on Replacement Capital Equip	0	0	0	(2,100)	(3,100)	(5,200)
Sales-Exempt State Hospitals	0	(600)	(600)	(600)	(600)	(1,200)
Sales-Exempt For-Profit Hospitals	0	(100)	(100)	(100)	(100)	(200)
Sales-Exempt Fuel for Fire Trucks/Emergency Veh	0	0	0	(100)	(100)	(200)
Sales-Prepared Foods	0	0	0	3,000	3,300	6,300
Sales-Nurseries & Greenhouses	0	0	0	(600)	(600)	(1,200)
Sales-Indoor Plant Care	0	0	0	700	700	1,400
Sales-Exempt Haulers Fuel Tax	0	0	0	200	200	400
Sales-Exempt Univ Athletic Ticket Sales	0	0	0	(800)	(800)	(1,600)
Cig-Repeal Unfair Cigarette Sales Act	0	0	0	800	800	1,600
Health Care Surcharge	0	0	0	(892)	240	(652)
Subtotal - Tax Revenues	0	(8,500)	(8,500)	(396,092)	(139,060)	(535,152)
Non-Tax Revenues:						
DHS-RTC Collections	0	0	0	250	450	700
DHS-Other	0	0	0	725	725	1,450
DNR-Parks Operations	0	0	0	786	786	1,572
Agric-Liming Materials Fees	0	0	0	26	26	52
Commerce-Privatize State Fund Mutual	0	0	0	5,600	0	5,600
Planning-SW Wind Energy Assessment	0	0	0	36	49	85
Admin-Plant Mgmt	0	0	0	(500)	(500)	(1,000)
POST Board	0	0	0	(113)	(87)	(200)
LCMR-Repeal Transfer (TR IN)	0	(1,460)	(1,460)	0	0	0
Dislocated Worker Fund (TR IN)	0	0	0	6,500	6,500	13,000
Cash Payment on Cambridge Bank Judgment (TR IN)	0	0	0	19,750	0	19,750
Cambridge Fund Fee Changes (TR IN)	0	0	0	440	493	933
Subtotal - Non-Tax Revenues	0	(1,460)	(1,460)	33,500	8,442	41,942
Total New Legislation Revenues	0	(9,960)	(9,960)	(362,592)	(130,618)	(493,210)

(\$ in thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<u>Education / Children & Families</u>						
General Education	2,333,488	2,626,101	4,959,589	2,587,050	2,579,148	5,166,198
Property Tax Recognition	314,832	200,000	514,832	0	0	0
School Payment Change (90/10)	0	(149,600)	(149,600)			
Special Programs	276,074	337,740	613,814	380,247	470,847	851,094
Community & School Services	13,086	24,458	37,544	48,509	48,713	97,222
Children & Family Support	33,458	82,367	115,825	107,631	135,752	243,383
Life Work Development	16,352	18,336	34,688	17,480	17,409	34,889
Educ Organization/Cooperation	17,373	15,473	32,846	12,085	2,147	14,232
Education Excellence	3,639	4,105	7,744	44,447	36,447	80,894
Nutrition & Other Educational Programs	48,737	29,604	78,341	23,996	24,257	48,253
Public Libraries	8,451	8,869	17,320	8,451	8,451	16,902
Technology	13,438	17,221	30,659	79,930	10,551	90,481
Discontinued	126,825	28,962	155,787	0	0	0
Subtotal - Education Aids	3,205,753	3,243,636	6,449,389	3,309,826	3,333,722	6,643,548
Children, Families & Learning, Dept of	19,941	29,134	49,075	24,339	23,957	48,296
Faribault Academies	7,919	8,665	16,584	8,910	8,908	17,818
Arts School & Resource Center	5,084	5,304	10,388	5,541	6,054	11,595
Total Education / Children & Families	3,238,697	3,286,739	6,525,436	3,348,616	3,372,641	6,721,257
<u>School Payment Change (90/10)</u>						
Education Aids	0	149,600	149,600	0	0	0
Property Tax Aids & Credits	0	6,821	6,821	0	0	0
Total School Payment Change (90/10)	0	156,421	156,421	0	0	0
<u>Higher Education</u>						
Higher Educ Services Office	112,005	113,642	225,647	126,211	122,251	248,462
University of Minnesota	483,910	488,184	972,094	517,395	523,417	1,040,812
MN State Colleges & Universities	465,480	475,321	940,801	487,518	504,328	991,846
Mayo Medical School	751	966	1,717	825	825	1,650
Total Higher Education	1,062,146	1,078,113	2,140,259	1,131,949	1,150,821	2,282,770

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<u>Health & Human Services</u>						
Human Services, Dept of						
Economic Self-Sufficiency:						
Aid to Families with Dep Children	126,315	126,074	252,389	8,197	0	8,197
Assistance to Families Grants	0	0	0	130,326	145,230	275,556
MN Family Investment Plan	19,180	25,432	44,612	23,704	10,022	33,726
General Assistance	46,218	48,159	94,377	59,428	55,159	114,587
Work Readiness	1,580	0	1,580	0	0	0
MN Supplemental Aid	21,803	23,266	45,069	25,572	27,659	53,231
Child Care Entitlements	34,327	0	34,327	0	0	0
Health Care:						
Medical Assistance	1,188,384	1,406,649	2,595,033	1,596,635	1,743,954	3,340,589
General Assistance Medical Care	151,566	153,971	305,537	0	0	0
Transfer to Health Care Access Fund (TR OUT)	0	0	0	153,971	153,971	307,942
Chem. Dependency Entitlements	43,330	32,394	75,724	37,218	38,790	76,008
Alternative Care Program	34,424	41,053	75,477	47,787	52,608	100,395
Group Residential Housing Grants	43,494	51,169	94,663	65,276	68,840	134,116
Community Social Services Act	54,140	54,019	108,159	54,203	54,203	108,406
All Other Major Local Assistance	93,924	115,019	208,943	140,002	144,637	284,639
State Residential Facilities	194,143	199,569	393,712	193,607	188,483	382,090
Other Human Services, Dept of	98,328	111,960	210,288	112,127	110,606	222,733
Subtotal - DHS Appropriations	2,151,156	2,388,734	4,539,890	2,648,053	2,794,162	5,442,215
Federal Reimbursement	(28,378)	(23,780)	(52,158)	(19,504)	(11,448)	(30,952)
Total - Human Services, Dept of (Net)	2,122,778	2,364,954	4,487,732	2,628,549	2,782,714	5,411,263
Health, Dept of						
Community Health Services Act	14,393	14,393	28,786	14,393	14,393	28,786
Other Health, Dept of	20,250	28,639	48,889	48,543	56,942	105,485
Subtotal - Health, Dept of	34,643	43,032	77,675	62,936	71,335	134,271
Emergency Medical Services Board	0	871	871	881	1,133	2,014
Veterans Affairs-Nursing Homes	17,937	18,739	36,676	23,731	22,395	46,126
Cncl on Disability	700	637	1,337	616	631	1,247
MH/MR Ombudsman	1,051	1,244	2,295	1,374	1,323	2,697
Ombudsperson for Families	138	146	284	157	161	318
Total Health & Human Services	2,177,247	2,429,623	4,606,870	2,718,244	2,879,692	5,597,936

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<i>Environment & Natural Resources</i>						
Pollution Control Agency	8,304	10,375	18,679	13,981	11,749	25,730
Office of Environmental Assistance	17,244	20,982	38,226	19,211	19,277	38,488
Zoological Garden	5,163	5,232	10,395	5,545	5,368	10,913
Natural Resources, Dept of	82,553	92,552	175,105	94,514	95,259	189,773
Natural Resources, Dept of (OPENS)	13,293	13,665	26,958	13,689	13,531	27,220
Water & Soil Resources Bd	13,223	16,741	29,964	14,986	14,929	29,915
Agriculture, Dept of	14,262	14,997	29,259	16,503	15,959	32,462
Agriculture, Dept of (OPENS)	10,799	14,201	25,000	23,399	25,660	49,059
Animal Health Board	2,155	2,227	4,382	2,259	2,303	4,562
Mn/Wisc Boundary Area Comm	134	138	272	141	145	286
Voyageurs Natl Park Adv Comm	52	69	121	63	64	127
Science Museum of Minnesota	1,108	1,108	2,216	1,136	1,164	2,300
Academy of Science	36	36	72	36	36	72
Horticulture Society	72	72	144	72	72	144
Agric Util Research Inst	4,130	4,130	8,260	2,930	2,930	5,860
Total Env & Natural Resources	172,528	196,525	369,053	208,465	208,446	416,911
<i>Economic Development</i>						
Trade & Economic Development	28,822	34,222	63,044	41,518	36,924	78,442
Minnesota Technology, Inc (TR OUT)	7,834	7,587	15,421	9,412	9,412	18,824
World Trade Center (TR OUT)	170	128	298	217	0	217
Economic Security, Dept of	52,560	56,741	109,301	30,816	29,964	60,780
Home Energy Assistance Contingency	0	9,000	9,000	0	0	0
Housing Finance (TR OUT)	29,582	17,882	47,464	24,007	24,007	48,014
Commerce, Dept of	13,070	14,638	27,708	14,240	14,572	28,812
Accountancy, Bd of	480	629	1,109	572	587	1,159
Architectural/Eng, Bd of	523	764	1,287	684	700	1,384
Barbers Examiners, Bd of	122	129	251	136	140	276
Boxing, Bd of	66	88	154	79	82	161
Labor & Industry	3,686	4,063	7,749	4,112	4,171	8,283
Mediation Services	1,748	1,982	3,730	2,061	2,074	4,135
Labor Interpr Center	101	205	306	207	214	421
Public Utilities Comm	3,171	3,997	7,168	3,326	3,400	6,726
Public Service, Dept of	7,733	8,638	16,371	9,505	10,432	19,937
Historical Society	19,076	19,679	38,755	22,670	23,106	45,776
Humanities Commission	886	586	1,472	586	586	1,172
State Arts Board	6,874	6,963	13,837	13,018	13,036	26,054
MN Municipal Board	271	332	603	307	315	622

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
Cncl on Black Minnesotans	223	450	673	246	251	497
Cncl For Chicano Latino Affairs	189	313	502	265	270	535
Cncl Asian-Pacific Minnesotans	150	254	404	222	219	441
Cncl on Indian Affairs	416	577	993	488	500	988
IRRRB	0	890	890	0	0	0
Subtotal - Direct Appropriations	177,753	190,737	368,490	178,694	174,962	353,656
Region 3 - Occupation Tax (OPEN)	402	422	824	650	650	1,300
Total Economic Development	178,155	191,159	369,314	179,344	175,612	354,956
<u>Transportation</u>						
Transportation, Dept of						
Public Transportation Assistance	9,563	14,449	24,012	12,005	12,005	24,010
All Other Transportation, Dept of	702	1,313	2,015	2,814	2,432	5,246
Subtotal - Transportation, Dept of	10,265	15,762	26,027	14,819	14,437	29,256
Metropolitan Council Transit	42,037	47,058	89,095	49,351	49,351	98,702
Public Safety, Dept of	31,505	36,110	67,615	42,375	39,964	82,339
Public Safety, Dept of (TR OUT)	1,520	1,446	2,966	1,520	1,446	2,966
Total Transportation	85,327	100,376	185,703	108,065	105,198	213,263

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<u>Criminal Justice</u>						
Supreme Court	18,321	21,553	39,874	20,561	20,761	41,322
Court of Appeals	5,785	5,861	11,646	6,155	6,281	12,436
District Courts	65,043	68,926	133,969	71,450	72,912	144,362
Judicial Stnds, Bd on	261	267	528	223	228	451
Judges Retirement (OPEN)(TR OUT)	1,473	1,485	2,958	1,485	1,485	2,970
Tax Court of Appeals	598	620	1,218	980	645	1,625
Private Detective Board	89	148	237	130	132	262
Bd of Public Defense	36,691	39,817	76,508	41,563	42,138	83,701
Human Rights, Dept of	3,207	3,802	7,009	3,673	3,710	7,383
Corrections, Dept of						
Correctional Institutions	172,527	196,760	369,287	201,564	210,745	412,309
CCA & Other Local Assistance	54,605	67,321	121,926	63,795	64,198	127,993
All Other Corrections, Dept of	26,490	34,479	60,969	35,438	36,348	71,786
Subtotal - Corrections, Dept of	253,622	298,560	552,182	300,797	311,291	612,088
Ombudsman for Corrections	774	545	1,319	565	580	1,145
Sentencing Guidelines Commission	372	391	763	395	405	800
Uniform Laws Comm	28	33	61	35	36	71
Total Criminal Justice	386,264	442,008	828,272	448,012	460,604	908,616

(\$ in Thousands)

State Government

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
Legislature	46,761	57,162	103,923	53,847	54,414	108,261
Legislative Rent	4,850	4,882	9,732	5,187	5,249	10,436
Governor/Lt Gov Office	3,366	3,657	7,023	3,786	3,839	7,625
State Auditor Office	6,101	8,179	14,280	7,628	7,795	15,423
State Treasurer Office	2,474	2,889	5,363	2,670	2,734	5,404
Attorney General Office	26,426	27,476	53,902	22,699	23,169	45,868
Secretary of State	6,414	5,777	12,191	5,892	6,046	11,938
Bd of Govt Innov & Coop	407	1,373	1,780	1,006	1,009	2,015
Ethical Practices Board	422	485	907	593	483	1,076
Campaign Financing (OPEN)(TR OUT)	118	4,372	4,490	110	4,403	4,513
Political Contribution Refunds (OPEN)	3,785	2,500	6,285	2,500	2,500	5,000
Tax Refund Interest (OPEN)	3,215	3,310	6,525	3,409	3,512	6,921
Investment Board	2,059	2,126	4,185	2,163	2,247	4,410
Adm Hearing-Rule Review Loan	50	237	287	0	0	0
Office of Strategic Planning	4,606	4,311	8,917	5,643	5,727	11,370
Administration, Dept of	12,257	15,197	27,454	28,290	28,825	57,115
Administration, Dept of (OPEN) (TR OUT)	12,340	11,034	23,374	12,600	11,100	23,700
Intergovernmental Info System (IISAC)	567	0	567	0	0	0
Capitol Area Arch Planning Bd	258	853	1,111	406	289	695
Public Broadcasting	3,675	2,583	6,258	3,789	3,039	6,828
Finance, Dept of	21,632	20,639	42,271	25,631	26,410	52,041
Indirect Cost Receipts Offset	(20,518)	(19,904)	(40,422)	(21,587)	(21,587)	(43,174)
Finance Non-Operating (OPEN)	4,441	492	4,933	0	0	0
Employee Relations, Dept of	7,060	7,949	15,009	8,452	7,355	15,807
MN Office of Technology	0	0	0	4,572	4,101	8,673
Revenue, Dept of	74,968	79,216	154,184	77,511	79,694	157,205
Revenue, Dept of (OPENS)	1,000	1,400	2,400	1,400	1,400	2,800
Amateur Sports Commission	1,940	1,970	3,910	620	599	1,219
Amateur Sports Commission (STANDING)	750	750	1,500	750	750	1,500
Military Affairs, Dept of	8,744	10,796	19,540	11,631	11,742	23,373
Veterans Affairs, Dept of	3,224	4,627	7,851	12,759	12,799	25,558
Vets of Foreign Wars	41	41	82	41	41	82
Military Order of Purple Hearts	20	20	40	20	20	40
Disabled American Vets	12	12	24	13	12	25
Lawful Gambling Control Bd	2,049	2,071	4,120	2,205	2,249	4,454
Minn Racing Commission	367	367	734	371	379	750
Contingent Accounts	0	297	297	200	200	400
Tort Claims	163	187	350	275	275	550
Legislators Retirement	2,162	1,993	4,155	2,093	2,197	4,290
Constitutional Officers Retirement	158	165	323	173	182	355
Mpls/St Paul TRA (OPEN)	2,970	3,338	6,308	3,338	3,338	6,676

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
Local Pension Funds:						
Pre-1973 Retirees (MERF)	550	550	1,100	550	550	1,100
Mpls Pension Reimbursement	10,455	10,455	20,910	10,455	10,455	20,910
Local Police/Fire Amortization	7,779	3,176	10,955	6,303	6,300	12,603
SUBTOTAL-Local Pension Funds	18,784	14,181	32,965	17,308	17,305	34,613
Total State Government	270,118	289,010	559,128	309,994	315,841	625,835
<i>Debt Service & Short-Term Borrowing</i>						
Debt Service	197,549	241,318	438,867	249,182	296,412	545,594
Arbitrage Rebate (OPEN)	40	27	67	31	271	302
Cash Payment-Cambridge Bank Judgment	0	0	0	16,600	0	16,600
Total Debt Svc & Borrowing	197,589	241,345	438,934	265,813	296,683	562,496
<i>Property Tax Aids & Credits</i>						
Property Tax Refunds:						
Regular Homeowners	78,335	83,628	161,963	90,500	99,900	190,400
Regular Renters	89,111	89,364	178,475	91,500	92,800	184,300
Targeting	4,911	4,607	9,518	3,400	3,800	7,200
SUBTOTAL-Property Tax Refunds	172,357	177,599	349,956	185,400	196,500	381,900
Aid To Local Government	339,322	349,180	688,502	360,128	359,537	719,665
Disparity Reduction Aid						
School	12,616	13,222	25,838	12,569	12,547	25,116
Non-School	15,647	15,736	31,383	15,689	15,641	31,330
Border City Disparity Credit						
School	1,870	1,948	3,818	1,903	1,978	3,881
Non-School	3,232	3,290	6,522	3,404	3,540	6,944
Attached Machinery Aid						
School	836	878	1,714	836	836	1,672
Non-School	2,382	2,382	4,764	2,382	2,382	4,764
HACA-Basic						
School	142,554	124,657	267,211	90,494	63,745	154,239
Non-School	449,383	426,913	876,296	436,939	445,753	882,692
HACA-Mobile Home						
School	3,222	3,383	6,605	3,230	3,239	6,469
Non-School	3,222	3,264	6,486	3,315	3,366	6,681
HACA-Prior Year Adjustment						
School	2	35	37	4	0	4
Non-School	0	52	52	0	0	0
TIF HACA	24	24	48	24	24	48
School Payment*Change (90/10)	0	(6,821)	(6,821)	0	0	0
Local Performance Aid (LPA)	0	0	0	9,270	9,624	18,894

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
Taconite Reimbursement	561	561	1,122	561	561	1,122
Supplemental Homestead	467	482	949	495	495	990
Aid To Police And Fire	50,847	55,688	106,535	61,018	64,991	126,009
Police State Aid Technical Correction	0	2,138	2,138	2,278	2,427	4,705
Regional Transit Bd Levy Reduction	2,165	1,930	4,095	1,319	1,319	2,638
Enterprise Zone Credit	17	17	34	17	17	34
Criminal Justice Aid	9,798	20,010	29,808	27,488	27,837	55,325
Criminal Justice Aid Admin	75	405	480	414	424	838
Family Preservation Aid	1,500	1,547	3,047	1,598	1,638	3,236
St. Paul Rental Equity						
School	192	219	411	21	0	21
Non-School	295	247	542	0	0	0
Brooklyn Park Rental Equity Pilot Prog.						
School	0	127	127	14	0	14
Non-School	0	161	161	0	0	0
Trust Fund Administration:						
Dept of Finance	103	0	103	0	0	0
Dept of Revenue	326	0	326	0	0	0
Total Property Tax Aids & Credits	1,213,015	1,199,274	2,412,289	1,220,810	1,218,421	2,439,231
Deficiencies						
Public Safety	0	1,619	1,619	0	0	0
Education Aids	0	4,405	4,405	0	0	0
Dept of Natural Resources	0	500	500	0	0	0
Total Deficiencies	0	6,524	6,524	0	0	0
Unallotted/Other	5,760	0	5,760	0	0	0
Cancellation Adjustments	0	(15,000)	(15,000)	(5,000)	(15,000)	(20,000)

(\$ in Thousands)

	Actual F.Y. 1996	Forecast F.Y. 1997	Forecast F.Y. 1996-97	Gov's Rec F.Y. 1998	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 1998-99
<u>Dedicated Expenditures</u>						
Tuition & Fees:						
University of Minnesota	[196,544]	[214,229]	[410,773]	[221,112]	[228,127]	[449,239]
MN State Colleges & Universities	[219,231]	[227,981]	[447,212]	[239,804]	[251,016]	[490,820]
Subtotal-Tuition & Fees	[415,775]	[442,210]	[857,985]	[460,916]	[476,143]	[940,059]
Contamination Tax-DTED	228	255	483	255	255	510
All Other Dedicated Revenue	91,116	130,000	221,116	120,000	120,000	240,000
Total Dedicated Revenues	91,344	130,255	221,599	120,255	120,255	240,510
<u>Reserve/Appr Carried Forward</u>						
Cash Flow Account	350,000	350,000	350,000	350,000	350,000	350,000
Budget Reserve	220,000	220,000	220,000	522,000	522,000	522,000
96, CH452 Home Energy Assistance Contingency	0	(9,000)	(9,000)	0	0	0
96, CH461 Budget Reserve	0	50,000	50,000	0	0	0
School Aid Reserve	0	113,800	113,800	0	0	0
Appropriations Carried Forward	200,288	0	0	0	0	0
MnSCU Dedicated Balance Forward Out	76,689	72,000	72,000	72,000	72,000	72,000
Total Reserve/Appr Carried Fwd	846,977	796,800	796,800	944,000	944,000	944,000

(\$ in Thousands)

I. CONSOLIDATED FUND STATEMENT

Revenues and Expenditures by Fund

(\$ in Thousands)

	ACTUAL F.Y. 1995	ACTUAL F.Y. 1996	ESTIMATED F.Y. 1997	GOV REC F.Y. 1998	GOV REC F.Y. 1999
Actual & Estimated Resources					
Balance Forward	\$2,145,580	\$2,335,153	\$2,934,979	\$2,786,488	\$2,320,491
Prior Year Adjustments	\$63,491	\$156,839	\$34,881	(\$3,209)	\$29,934
Adjusted Balance Forward	\$2,209,071	\$2,491,992	\$2,969,860	\$2,783,279	\$2,350,425
Net Receipts:					
General Fund & Local Govt Trust Fund	8,624,902	9,124,492	9,463,864	9,387,107	10,072,362
Special Revenue Funds:					
Minnesota Technology, Inc.	2,268	2,007	1,330	1,079	2,124
Minnesota Future Resources	8,622	7,800	7,709	7,669	7,597
Petroleum Tank Release Fund	56,967	13,900	39,046	26,762	51,446
State Government Special Revenue	33,290	43,005	39,277	44,756	44,720
Natural Resources	10,731	8,843	9,380	9,755	9,260
Health Care Access	145,978	171,597	197,331	226,065	239,344
Special Revenue	293,943	326,411	358,027	335,323	336,231
Cambridge Deposit Fund	0	258,887	224,000	225,340	225,093
Cambridge Debt Service	0	625	0	2,463	1,149
State Airports	16,875	18,279	17,677	17,637	17,795
Game and Fish	52,536	52,945	52,828	55,250	59,275
Iron Range Resources and Rehab	21,880	27,924	35,275	30,827	31,287
Trunk Highway	270,649	296,948	313,979	326,622	327,725
Highway User Tax Distribution	925,246	974,832	1,011,683	1,029,630	1,060,615
Federal	2,887,265	2,959,047	3,394,497	3,418,123	3,569,840
Workers Compensation Special	145,540	125,289	107,916	98,971	93,372
Environmental	26,723	25,797	25,518	27,387	28,332
Metro Landfill Contingent	632	370	297	297	297
Solid Waste	11,311	24,472	25,934	21,089	20,589
Maximum Effort School Loan	878	2,365	2,170	1,000	1,000
Expendable Trust Funds:					
MN Env & Natural Res Trust Fund	731	298	240	220	220
Endowment School	0	0	0	0	0
Municipal-State Aid Street	8,143	7,693	8,750	8,750	8,750
County-State Aid Highway	15,298	16,436	16,250	16,250	16,250
NE Minn Economic Protection	11,083	11,763	10,556	9,607	9,977
Gift	9,183	15,714	30,045	21,865	21,866
Endowment	16	17	16	16	16
Debt Service Fund	45,474	42,577	40,314	44,425	31,932
Total Receipts	\$13,626,164	\$14,560,333	\$15,433,909	\$15,394,285	\$16,288,464
Transfers from Other Funds	72,345	73,447	71,461	76,125	80,262
Interfund Transactions	(82,729)	0	0	0	0
Total Resources Available	\$15,824,851	\$17,125,772	\$18,475,230	\$18,253,689	\$18,719,151

I. CONSOLIDATED FUND STATEMENT

Revenues and Expenditures by Fund

(\$ in Thousands)

	ACTUAL F.Y. 1995	ACTUAL F.Y. 1996	ESTIMATED F.Y. 1997	GOV REC F.Y. 1998	GOV REC F.Y. 1999
Actual & Estimated Uses					
Expenditures:					
General Fund	8,295,360	8,724,714	9,355,133	9,542,421	9,727,100
Special Revenue Funds:					
Minnesota Technology, Inc.	9,568	10,204	11,629	11,701	11,250
Minnesota Future Resources	5,163	9,438	11,552	8,193	7,181
Petroleum Tank Release Fund	43,760	34,627	40,814	40,942	40,816
State Government Special Revenue	32,579	37,242	48,450	47,461	48,653
Natural Resources	19,947	18,549	23,402	21,112	21,128
Health Care Access	76,499	82,770	124,760	309,161	326,594
Special Revenue	356,580	384,412	484,844	394,889	396,222
Cambridge Deposit Fund	0	0	0	0	0
Cambridge Debt Service	0	0	62,612	30,193	30,101
State Airports	18,361	18,651	17,435	19,482	19,551
Game and Fish	51,832	50,309	55,589	56,722	58,009
Iron Range Resources and Rehab	26,914	43,253	33,866	34,347	32,749
Trunk Highway	800,653	813,976	996,238	967,723	974,030
Highway User Tax Distribution	12,754	12,261	13,906	16,404	16,530
Federal	2,882,515	2,951,430	3,391,213	3,415,307	3,568,944
Workers Compensation Special	157,993	108,677	141,898	119,411	117,027
Environmental	25,388	22,309	27,209	29,213	30,592
Metro Landfill Contingent	440	252	382	335	338
Solid Waste	7,049	15,914	26,829	29,295	29,444
Maximum Effort School Loan	41	0	0	0	0
Expendable Trust Funds:					
MN Env & Natural Res Trust Fund	12,068	10,431	12,344	10,171	10,171
Endowment School	35,730	31,191	32,500	32,500	32,500
Municipal-State Aid Street	104,576	113,861	92,213	98,551	101,290
County-State Aid Highway	303,142	351,962	301,801	324,785	334,196
NE Minn Economic Protection	5,144	7,158	35,034	19,559	6,068
Gift	10,155	13,661	28,349	20,147	21,489
Endowment	20	24	144	28	28
Debt Service Fund	256,043	275,401	287,958	295,053	349,243
Total Expenditures	\$13,550,274	\$14,142,677	\$15,658,104	\$15,895,106	\$16,311,244
Transfers to Other Funds	22,153	48,116	30,638	38,092	36,592
Interfund Transactions	(82,729)	0	0	0	0
Total Uses	\$13,489,698	\$14,190,793	\$15,688,742	\$15,933,198	\$16,347,836
Balance Before Reserves	2,335,153	2,934,979	2,786,488	2,320,491	2,371,315
Reserved Balance	27,850	249,763	280,177	544,125	544,741
Cash Flow Account	500,000	350,000	350,000	350,000	350,000
School Aid Reserve	0	0	113,800	0	0
Appropriations Carried Forward	494,803	706,348	477,965	476,319	474,142
Budgetary Balance	\$1,312,501	\$1,628,869	\$1,564,547	\$950,048	\$1,002,433

II. CONSOLIDATED FUND STATEMENT

Revenues by Type Expenditures by Agency (\$ in Thousands)

	ACTUAL F.Y. 1995	ACTUAL F.Y. 1996	ESTIMATED F.Y. 1997	GOV REC F.Y. 1998	GOV REC F.Y. 1999
Actual & Estimated Resources					
Balance Forward	\$2,145,580	\$2,335,153	\$2,934,979	\$2,786,488	\$2,320,491
Prior Year Adjustments	\$63,491	\$156,839	\$34,881	(\$3,209)	\$29,934
Adjusted Balance Forward	\$2,209,071	\$2,491,992	\$2,969,860	\$2,783,279	\$2,350,425
Net Receipts:					
Tax Receipts	9,310,861	10,074,558	10,457,031	10,421,565	11,176,623
Federal Grants	3,212,969	3,292,314	3,753,905	3,775,769	3,925,586
Departmental Earnings	358,331	390,518	429,131	429,598	462,951
Investment Income	120,028	150,555	142,089	141,233	116,091
All Other	623,975	652,388	651,753	626,120	607,213
Total Receipts	\$13,626,164	\$14,560,333	\$15,433,909	\$15,394,285	\$16,288,464
Interfund Transfers/Transactions	(10,384)	73,447	71,461	76,125	80,262
Total Resources Available	\$15,824,851	\$17,125,772	\$18,475,230	\$18,253,689	\$18,719,151
Actual & Estimated Uses					
Expenditures:					
Education / Children & Families	3,131,186	3,572,204	3,869,133	3,850,384	3,871,527
Post-Secondary Education	1,092,276	1,103,261	1,120,112	1,178,547	1,197,252
Health & Human Services	4,516,496	4,563,611	5,138,117	5,464,910	5,815,616
Environment & Natural Resources	391,835	391,757	476,665	468,195	465,490
Economic Development	671,919	647,556	773,029	669,359	645,444
Transportation	1,502,793	1,544,899	1,732,434	1,707,411	1,704,683
Criminal Justice	378,868	403,048	466,524	474,417	488,182
State Government	343,234	333,904	402,050	403,598	419,823
Debt Service & Other	258,040	275,441	350,597	341,877	379,615
Property Tax Aids & Credits	1,191,565	1,213,361	1,207,954	1,221,153	1,218,772
Dedicated/Unallotted/Other	72,062	93,635	130,380	120,255	120,255
Cancellation Adjustment	0	0	(15,415)	(5,000)	(15,415)
Subtotal by Appropriation Bill	13,550,274	14,142,677	15,658,104	15,895,106	16,311,244
Interfund Transfers/Transactions	(60,576)	48,116	30,638	38,092	36,592
Total Expenditures & Transfers	\$13,489,698	\$14,190,793	\$15,688,742	\$15,933,198	\$16,347,836
Balance Before Reserves	2,335,153	2,934,979	2,786,488	2,320,491	2,371,315
Reserves	27,850	249,763	280,177	544,125	544,741
Cash Flow Account	500,000	350,000	350,000	350,000	350,000
School Aid Reserve	0	0	113,800	0	0
Appropriations Carried Forward	494,803	706,348	477,965	476,319	474,142
Budgetary Balance	\$1,312,501	\$1,628,869	\$1,564,547	\$950,048	\$1,002,433

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