



**State of Minnesota
Department of Finance**

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (612) 296-5900
TTY/TDD: (612) 297-5353 or
Greater Minnesota 800-627-3529
and ask for 296-5900
Fax: (612) 296-8685

February 28, 1997

To: Senator Keith Langseth, Chairman
Senate Education Finance Committee

Senator Linda Berglin, Chairman
Senate Human Resources Finance Committee

Senator Richard Cohen, Chairman
Senate State Government Finance Committee

Representative Loren Solberg
House Ways and Means Committee

Fr: Wayne Simoneau, Commissioner

Re: Supplement Budget Items, Errata and Omissions to the Governor's 1998-99 Biennial
Budget - Change Order #1

This is to advise you and your colleagues that we will follow the same procedures used in previous biennia for transmitting any changes to the Governor's Budget.

Only changes submitted under my signature should be considered as official changes in the Governor's Budget. This procedure is necessary to ensure control over the General Fund Balance as well as eliminate confusion regarding the Governor's Recommendations. This process has worked well in past legislative sessions.

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

Pursuant to 1979 Minn. Laws Chap. 333
Sec. 71, 1994 Minn. Laws Chap. 587

Sec. 1 Subd. 1 ; Minn. Stat. 16.15

831078

Please find the following page updates:

Children, Families and Learning:

Children, Families and Learning Aids

The attached revisions primarily reflect changes related to the February forecast and to the passage of Laws 1997, Chapter 1, removing the appropriation limits for K-12 spending in F.Y. 1998-99. In addition to these changes, the following revisions reflects additions or expansions to the Governor's January budget submission:

Pages A-154 & A-155, reflecting a \$3.8 million biennial increase to the Capital Expenditure Health and Safety program.

Pages A-272 & A-273, adding \$3.99 million to the Adult Basic Education program.

Pages A-292 & A-293, adding \$1.0 million for a new community crime reduction/mentoring initiative.

Pages A-298 & A-299, adding \$2.0 million to the MN Economic Opportunity Grant program.

Pages A-314 and A-315, reflecting a \$10.0 million increase for Head Start.

Pages A-354 & A-355, adding \$5.0 million for a new Head Start/ECFE/Learning Readiness Block Grant.

Pages A-361 through A-363, increasing the Basic Sliding Fee recommendation by \$29.0 million.

Pages A-364 & A-365, adding \$2.0 million to the Child Care Development Grant program.

Pages A-404 & A-405, adding \$250,000 for a study related to the Advanced Placement program.

Page 440a reflecting a new initiative of \$1.0 million for the Homework Helpline.

Pages A-444 & A-445, reflecting a \$8.874 million increase to the Abatement program.

RECEIVED

MAR 04 1997

LEGISLATIVE REFERENCE LIBRARY
STATE OFFICE BUILDING
ST. PAUL, MN 55155

Higher Education:

Higher Education Services Office:

Pages B-3, B-7, B-13, B-14, B-17, B-19, B-22, B-29, & B-30 were revised. These pages provide necessary changes for the Governor's supplemental budget items, titled: Federal Aid Offsets, Child Care Grant and Work Study. The supplemental items add expenditures of \$100.0 in F.Y. 1998. The net effect to the General fund for the biennium is an increased cost of \$100.0.

Minnesota State Colleges and Universities:

Page B-70 has been revised; this is an errata page.

Page B-96 is revised to show increased revenues collected.

University of Minnesota:

Pages B-125, B-126, B-127, B-139, B-147, B-148, B-179, B-180, B-183, B-184, B-191 & B-201 have been revised with the following new pages added: B-172a, B-172b, B-195, B-201a, B-201b & B-201c. These pages provide necessary changes for the Governor's supplemental budget items, titled: Academic Quality; Health Education, Research; Quality Classrooms; New Value; Womens Ice Sheet/Tennis facility and Eastcliff Renovation. The supplemental items add expenditures of \$24,660.0 in F.Y. 1998 and \$5,000.0 in F.Y. 199, The net effect to the General fund for the biennium is an increased cost of \$29,660.0.

Health & Human Services:

Department of Human Services:

The revised February forecast has driven the majority of the page revisions for DHS. Forecast driven changes result in General Fund savings of \$273.01 million.

In addition to forecast-related revisions, the following new pages are included in this supplement:

Pages C-18a to C-18e, adding the federal funds summary omitted from the original documents.

Pages C-46a and b, adding \$3.00 million to the Governor's supplemental initiative on Child Welfare Protection.

Pages C-80a and b, adding a new initiative on Sponsor Deeming which saves \$4.14 million.

The supplemental budget also increased funding by \$3.85 million for the initiative on Privatizing the Adoption of Children Under State Guardianship on page C-48, by \$.45 million for the Psychopathic Personality Additional Staffing initiative on page C-117, by

\$3.60 million for welfare reform initiatives on pages C-202 and C-203. This revised page also reallocates the federal TANF grant, resulting in savings to the General Fund of \$55.65 million.

Pages C-71, C-91, and C-92 have been revised to reflect the removal of the Compliance with Federal Provider Tax Requirements--MA Hospital Surcharge and Aligning MA, GAMC, and MNCare initiatives.

Additional changes reflect technical corrections.

Department of Health:

Page C-251 is revised to reconcile FTE counts with system generated budget book pages.

Pages C-252, C-254, C-258, & C-259 were revised to reflect supplemental budget items.

Pages C-261, C-263, C-264 & C-282 were revised to reflect changes in WIC federal Funding.

Pages C-269, C-270, C-285, C-286, C-289 & C-290 have been revised and new pages C-290a, C-290b & 290c have been added. These pages provide necessary changes for the Governor's supplemental budget items, titled: Fetal Alcohol Prevention, WIC "Soft Landing", Home visiting/Universal Assessment and Family Planning. These new initiatives add expenditures of \$4,750.0 in F.Y. 1998 and \$4,100.0 in F.Y. 1999. The net effect to the General fund for the biennium is an increased cost of \$8,850.0.

Page C-279 was revised to indicate that a statutory change is necessary.

Page C-288 was revised to indicate that a statutory change is necessary.

Pages C-293, C-294 & C-299 have been revised due to a forecast related change reducing the initiative for Medical Education and Research Costs to \$10,000.0 each year.

Pages C-307, C-308, C-327 & C-328 were revised to add supplemental budget dollars for the Child Hlth-Comm Immunization Regis. initiative in the amount of \$1,500.0 for F.Y. 1998 & \$1,500.0 for F.Y. 1999. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$3,000.0.

Board of Dentistry:

Page C-390 was revised to reflect proper display of negative numbers under the Revenues header. Brackets were missing.

Board of Nursing:

Page C-412 was revised to reflect proper display of negative numbers under the Revenues header. Brackets were missing.

Board of Podiatric Medicine:

Page C-432 was revised to reflect proper display of negative numbers under the Revenues header. Brackets were missing.

Board of Psychology:

Page C-434 was revised to reflect proper display of negative numbers under the Revenues header. Brackets were missing.

Board of Social Work:

Page C-437 was revised to reflect proper display of negative numbers under the Revenues header. Brackets were missing.

Board of Veterinary Medicine:

Page C-442 was revised to reflect proper display of negative numbers under the Revenues header. Brackets were missing.

Ombudsman for Mental Health & Retardation:

Page C-457 was revised to correct a carryforward omission. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$25.0.

Environment & Natural Resources:

Pollution Control Agency:

Pages D-4, D-12, D-13, D-20, D-21, D-22, D-29 & D-30 have been revised and a new page D-30a has been added. These pages provide necessary changes for a Governor's supplemental budget item, titled: Minnesota Frog Investigation. This new initiative adds expenditures of \$160.0 in F.Y. 1998 and \$40.0 in F.Y. 1999. The net effect to the General fund for the biennium is an increased cost of \$200.0.

Page D-23 is revised. Within the box under Item Title, under Revenues: the proper fund for revenues should be Environmental fund, not General. This makes the errata correction.

Department of Natural Resources:

Page D-137 was revised to add six supplemental budget initiatives that total \$300.0 in F.Y. 1997, \$2,958.0 in F.Y. 1998 and \$2,212.0 in F.Y. 1999. Changes are to the initiative list, the General Fund total and the narrative under the Governor's recommendations.

Page D-139 was revised to reflect changes in the Game and Fish Fund Statement, as updated in February. Specifically, the reduction in the dedicated deer management account is revised to \$375.0 in F.Y.'s 1998 & 1999. Also, made are budget reductions of \$217.4 in F.Y. 1998 and \$206.4 in F.Y. 1999 in the computerized licensing and deer/bear management account.

Pages D-141, D-143 & D-144 were revised to include the six new supplemental budget

initiatives and changes in the Game and Fish Fund.

Page D-147 is a new agency level budget initiative on the 1837 Treaty Communications Plan and Enforcement Effort. This adds \$300.0 in each year of F.Y. 1997 and F.Y. 1998.

Pages D-164, D-165 & D-166 were revised and a new page D-166A was added for a new budget initiative of \$446.0 in F.Y. 1998 for Flood Hazard Mitigation Grants.

Pages D-168, D-170 & D-173 were revised and D-174A and D-174B were added to include a new budget initiative of \$750.0 in each year of F.Y. 1998 and F.Y. 1999 to restore the White Pines.

Pages D-188 through D-190a were revised or added to include the budget initiative of \$762.0 in each year of F.Y. 1998 and F.Y. 1999 for a grant to the Metro Council for Regional Parks.

Pages D-210 through D-212, D-223 through D-224B were revised or added to include the budget initiative of \$600.0 in each year of F.Y. 1998 and F.Y. 1999 for Ecological Services.

Pages D-226 through D-229 were revised to include the budget initiative of \$100.0 in each year of F.Y. 1998 and F.Y. 1999 for the Purchase of Snowmobile Equipment in Enforcement and \$200.0 in F.Y. 1998 for the 1837 Treaty.

Page D-230 was updated to include reductions in certain accounts within the Game and Fish Fund.

Pages D-232 through D-234, D-247 through D-248 were revised to include the budget initiative of \$100.0 in each year of F.Y. 1998 and F.Y. 1999 for the 1837 Treaty.

Department of Agriculture:

Pages D-270, D-275, D-276, D-277, were revised to reflect supplemental budget items.

Pages D-284, D-285, D-286, D-288, D-289, D-290, & D-293 were revised to add supplemental budget dollars to the Wheat and Barley Scab initiative in the amount of \$800.0 for F.Y. 1998. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$800.0.

Pages D-305, D-307 & D-309 were revised to add supplemental general fund statutory appropriation budget dollars to the Ethanol Industry Development Appropriation forecast initiative in the amount of \$430.0 for F.Y. 1998 and \$222.0 for F.Y. 1999.

Pages D-312, D-313, D-333, D-334 were revised and a new page D-336 was added in place of a blank page to add a supplemental budget initiative for Dairy Diagnostics in the amount of \$960.0 for F.Y. 1998 and \$40.0 for F.Y. 1999. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$1,000.0.

Agricultural Utilization Research Institute:

Pages D-358 & D-359 have been revised as part of the Governor's supplemental budget. The supplemental budget adds back the annual \$1,000.0 reduction that was displayed as an initiative. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$2,000.0.

Legislative Commission on Minnesota Resources:

Pages D-364 & D-365 were revised to update the Governor's recommendations using current figures from the February 1997 Fund Statements for the Environmental Trust Fund and the Future Resources Fund.

Economic Development:

Department of Trade and Economic Development:

Page E-3, The agency budget Brief is revised to correctly portray an open appropriation that was originally shown as a direct appropriation. No effect to the general fund. Budget amounts of \$240.0 for F.Y. 98 and F.Y. 99 are moved from a direct general fund to an open general fund appropriation account.

Pages E-7, E-13 & E-33 are revised to make the necessary changes at the agency, program and budget activity level number pages related to the moving of dollars from a direct general fund to an open general fund appropriation account.

Pages E-3, E-6, E-7, E-12, E-13, & E-25 were revised and a new page E26a added. The supplemental budget initiative for Wastewater Infrastructure Funding is in the amount of \$5,000.0 for F.Y. 1998. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$5,000.0.

Page E-19 was revised with language changes.

Department of Economic Security:

Page E-78, The agency budget Brief is revised to correctly portray an open appropriation that was originally shown as a direct appropriation. No effect to the general fund. Budget amounts of \$636.0 for F.Y. 98 and F.Y. 99 are moved from a direct general fund to an open general fund appropriation account.

Pages E-81, E-91 & E-103, make the changes at the agency, program and budget activity level related to the moving of dollars from a direct general fund to an open general fund appropriation account.

Pages E-78, E-80, & E-81 were revised to reflect supplemental budget items.

Pages E-90, E-91, E-95 & E-99 were revised and new pages E-95a and E-99a were added. These actions add two supplemental budget initiatives Titled: Hire Education Loan Program in the amount of \$10,000.0 for F.Y. 1998, and the Youth Intervention Program in the amount of \$245.0 for F.Y. 1998 and \$245.0 for F.Y. 1999. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$10,490.0.

Pages E-118, E-119 & E-123 were revised and a new page E-123a was added. These actions add a supplemental budget initiative Titled: Independent Living Centers in the amount of \$1,200.0 for F.Y. 1998, and \$1,200.0 for F.Y. 1999. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$2,400.0.

Department of Commerce:

Pages E-133 & E-134 are revised to reflect proper display of negative numbers for Base Adjustments. Brackets were missing.

Board of Architects, Engineers, Land Surveyors, Land Architects, Geologists & Interior Designers:

Page E-187 has been revised due to an error where an agency plan item was not allocated to the expense budget level in the budget system. The Governor's Executive Budget Summary had the correct numbers using the appropriation level system detail.

Department of Labor & Industry:

Pages E-204, E-206 & E-207 are revised to reflect supplemental budget items.

Page E-211 displays revised revenue estimates and an increase in Federal OSHA funding.

Page E-216 is revised to correct the second bullet under Budget and Revenue Summary. It was previously stated that agency customer assistance initiative was a one-time appropriation. The funding for this initiative is on-going.

Pages E-216, E-217, E-232 & E-233 have been revised and a new page E-233a added for a supplemental budget initiative for Worker's Compensation Case Services in the amount of \$200.0 for F.Y. 1998 and \$200.0 for F.Y. 1999. The net effect to the Worker's Compensation Special Fund for the biennium is an increase of expenditures in the amount of \$400.0.

Page E-235 is revised for forecast changes.

Pages E-247 & E-251 have revised revenue collected estimates.

Pages E-212, E-213, E-240, E-241, E-252, E-253, E-254 & E-255 have been revised to add supplemental budget dollars for additional federal matching funds in the amount of \$60.0 for F.Y. 1998 and \$60.0 for F.Y. 1999. The net effect to the Worker's Compensation Special Fund for the biennium is an increase of expenditures in the amount of \$120.0.

Pages E-257 & E-258 portray increased Federal OSHA revenue collected.

Iron Range Resources and Rehabilitation Board:

Page E-385 was not revised only turned around. Printer had published upside down.

Housing Finance Agency:

Pages E-431, E-432, E-434, E-435, E-442, E-443, E-446, E-447, E-450 & E-451 were revised and new pages E-448 and E-451a were added. These actions add two supplemental budget initiatives Titled: Homeownership Assistance Fund in the amount of \$1,250.0 for F.Y. 1998, and \$1,250.0 in F.Y. 1999 and the Rental Assistance for Family Stabilization initiative in the amount of \$1,250.0 for F.Y. 1998 and \$1,250.0 for F.Y. 1999. The net effect to the General Fund for the biennium is an increase of expenditures in the amount of \$5,000.0.

State Government:

Governor's Office:

Pages F-13, F-14, F-15 & F-16 have been revised in the supplemental budget to provide an initiative for increased residence costs. The net effect to the General fund for the biennium is an increased cost of \$90.0.

Strategic and Long Range Planning:

Pages F-163 & F-164 were revised. Statutory General Fund and Special revenue appropriations were under stated for F.Y 1996 due to an agency error where the dollars were not tied to the program structure within the budget system.

Department of Finance:

Page F-298 was revised, under the header of Planned Results. Two lines of information were erroneously omitted in the production process. Consequently the columns of numbers did not add.

Department of Employee Relations:

Pages F-320, F-322, F-323, F-342, F-343, F-352 & F-353 have been revised and a new page F-355a has been added. These pages provide necessary changes for a Governor's supplemental budget item, titled: Study of Long-Term Care Insurance Benefit for Public Employees. This new initiative adds expenditures of \$350.0 in F.Y. 1998. The net effect to the General fund for the biennium is an increased cost of \$350.0.

Lawful Gambling Control Board:

Page F-498 was revised to portray realistic capabilities of the new data system project within funding provided.

Minnesota State Lottery:

Pages F-504 & F-506 have been revised to clarify that currently 60% of net proceeds are

credited to the Cambridge Bank Deposit Fund. Errata corrects error in F.Y. 1996 column of table on page F-506.

Minnesota State Retirement System:

Page F-509 is revised due to a forecast change for F.Y. 1997.

Transportation & Other Agencies:

Department of Transportation:

Pages G-9, G-12 & G-70 are revised to reduce the highway construction supplement from the original amount of \$25,000.0, and provide funding for snow and ice control and spring maintenance. The new F.Y. 1997 supplemental recommendations for the Trunk Highway Fund are \$8,905.0 for highway construction and \$16,000.0 for snow and ice control and spring maintenance.

Department of Public Safety:

Pages G-125, G-126, G-130, G-134, G-135, G-136, G-137, G-153, G-155, G-159, G-164, G-166 & G-204 were revised as part of the supplemental budget process. Base adjustments were made to correct an error in the January budget that understated appropriations made to reimburse the Trunk Highway Fund for administrative costs paid in that Fund on behalf of programs funded from other funds. Base adjustments added \$405.0 in F.Y. 1998 and \$384.0 in F.Y. 1999 to the General Fund. The net effect to the General fund for the biennium is an increased cost of \$789.0 and base adjustments added \$106.0 in F.Y. 1998 and \$136.0 in F.Y. 1999 for the Highway User Tax Distribution Fund. The net effect to the Highway User Tax Distribution fund for the biennium is an increased cost of \$242.0. A F.Y. 1997 deficiency of \$20,000.0 for winter snow emergencies was also recommended from the General Fund in the above pages..

Criminal Justice:

Supreme Court:

Pages H-3, H-4, H-5 & H-9 have been revised. These pages provide necessary changes for a Governor's supplemental budget item, titled: Policy Development . This new initiative adds expenditures of \$100.0 in F.Y. 1998. The net effect to the General fund for the biennium is an increased cost of \$100.0.

Tax Court:

Page H-66 has been revised as an errata page.

Page H-67 has been revised due to an error where a Governor's initiative was not allocated to the expense budget level in the budget system. The Governor's Executive Budget Summary and the fund balance had the correct numbers using the appropriation level system detail numbers.

Public Defense Board:

Pages H-97, H-103, H-104, H-107, H-111 & H-112 have been revised to add FTE count to the budget book pages.

Department of Corrections:

Pages H-121, H-122, H-124, H-125, H-210, H-211, H-212 & H-221 were revised as part of the supplemental budget process to re-instate funding for the third year of the remote electronic alcohol monitoring pilot program. This was added as a base adjustment for F.Y. 1998. This adjustment adds expenditures of \$235.0 in F.Y. 1998. The net effect to the General fund for the biennium is an increased cost of \$235.0.

Pages H-136, H-140, H-144, H-148, H-152, H-156, H-160, H-164, H-188, H-192 & H-196 have been revised to correct per diem information previously in error.

Errata

Departmental Earnings Report

Department of Agriculture:

Page 49 has been revised to provide current fees recommendations consistent with the biennial budget document.

Department of Corrections:

Pages 189, 190, 194, 200 & 206 have been revised to correct noted errors.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CHILDREN, FAMILIES & LEARNING
PROGRAM: MANAGEMENT & SUPPORT SERVICES
ACTIVITY: STATE BOARD OF EDUCATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	134	146	149	149	149	152	152	152
OPERATING EXPENSES	65	63	58	58	58	58	58	58
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	199	209	207	207	207	210	210	210
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	199	209	207	207	207	210	210	210
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	199	209	207	207	207	210	210	210
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	199	209	207	207	207	210	210	210
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
=====	=====	=====	=====	=====	=====	=====	=====	=====

CHILDREN, FAMILIES & LEARNING AIDS

STATE GENERAL FUND APPROPRIATIONS SUMMARY	<u>PAGE</u> A-98
SCHOOL DISTRICT GROSS CERTIFIED LEVIES SUMMARY	A-102
FEDERAL FUNDS SUMMARY	A-106

PROGRAMS

ACTIVITIES

GENERAL EDUCATION PROGRAM (01)

0101	General Education Program	A-108
0102	Property Tax Shift	A-132
0103	Permanent School Fund Initiative	A-136
0104	Transportation	A-137
0105	Targeted Needs Transportation	A-143
0106	Miscellaneous Transportation Levies	A-147
0107	Enrollment Options Transportation	A-148
0108	Interdistrict Desegregation Transportation	A-150
0109	Transportation Safety	A-152
0110	Capital Expenditure - Health and Safety	A-154
0111	Desegregation Capital Improvements Grants	A-156
0112	Cooperative Secondary Facilities Grants (Information Only)	A-157
0113	Miscellaneous Capital Expenditure and Debt Service Levies	A-158
0114	Debt Service Equalization	A-160
0115	Parental Choice Tax Credit	A-164
0116	Wide Area Transportation Program	A-168
0117	Choice Programs (Information Only)	A-170

SPECIAL PROGRAMS (02)

0201	Special Education - Regular	A-174
0202	Special Education - Special Pupil	A-190
0203	Travel for Home-Based Services	A-192
0204	Special Education - Excess Cost	A-195
0205	Special Education - Equalization Aid	A-198

PROGRAMS**ACTIVITIES****PAGE**

0206	Special Education Levy Summary	A-199
0207	Secondary Vocational - Students with Disabilities	A-201
0208	Targeted Needs - Limited English Proficiency	A-205
0209	Targeted Needs - Assurance of Mastery	A-208
0210	Targeted Needs - Integration Grants	A-210
0211	Integration Programs	A-213
0212	Rule Compliance (Integration) Levy	A-217
0213	Magnet School and Program Grants	A-219
0214	American Indian Language and Culture Programs	A-223
0215	American Indian Education	A-226
0216	American Indian Post-Secondary Preparation	A-229
0217	American Indian Scholarships	A-232
0218	Indian Teacher Preparation Grants	A-234
0219	Tribal Contract Schools	A-236
0220	Early Childhood Programs at Tribal Schools	A-238
0221	Basic Skills Summer School	A-240
0222	Amererican Sign Language: Teacher Education Hearing Impaired	A-242
0223	Mexican Origin Education Grants	A-244
0224	Lay Advocates	A-246
0225	Options Plus Pilot Grants	A-248
0226	Low Income Concentration Grants	A-250
0227	First Grade Preparedness Program	A-253

FEDERAL FLOW-THROUGH PROGRAMS

0228	Special Education - Handicapped	A-256
0229	Special Education - Preschool Incentives	A-257
0230	Special Education - Deaf/Blind	A-258
0231	Special Education - Handicapped in Residential Facilities	A-259
0232	Transition Service for Youth with Disabilities	A-260
0233	Chapter 1 (Title 1) ECIA	A-261
0234	Migrant Grants/Education	A-265

PROGRAMS**ACTIVITIES****PAGE****COMMUNITY AND SCHOOL SERVICES (03)**

0235	Emergency Immigrant Education Grant	A-266
0236	Goals 2000	A-267
0301	Adult Basic Education	A-270
0302	Adult Graduation Aid	A-274
0303	GED Tests	A-276
0304	Alcohol-Impaired Driver Education	A-278
0305	Chemical Abuse Prevention Grants	A-280
0306	Violence Prevention Grants	A-282
0307	Male Responsibility Grants	A-284
0308	After School Enrichment	A-286
0309	Early Intervention, Ages 6 - 12	A-288
0310	Abused Children Program	A-290
0311	Drug Policy and Violence Prevention	A-292
0312	Children's Trust Fund	A-295
0313	Minnesota Economic Opportunity Grants	A-298
0314	Transitional Housing Program	A-300
0315	Emergency Food Assistance Program	A-302
0316	Food Banks/Food Shelves	A-302
0317	Oil Program (Information Only)	A-305
0318	Liquid Propane (LP) Program (Information Only)	A-305
0319	State Weatherization (Information Only)	A-305
0320	State Energy Assistance Program (Information Only)	A-309
0321	State EAP (Reserve)	A-309
0322	Head Start	A-313

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

0323	Comprehensive School Health	A-317
0324	Adult Education	A-319
0325	Drug Free Schools and Communities	A-321
0326	Byrne Memorial Law Enforcement Program	A-322
0327	Victims of Crime Act	A-323
0328	Head Start - Federal Collaboration Grant	A-324
0329	Community Services Block Grant	A-325
0330	Emergency Shelter Grant Program	A-326
0331	Rural Housing Assistance and Support Program	A-326
0332	Supplemental Assistance for Facilities for Homeless	A-326
0333	Emergency Food Assistance	A-326
0334	Community Food and Nutrition	A-326
0335	Energy Assistance Program (EAP)	A-327
0336	Department of Energy Weatherization	A-328
0337	EAP Weatherization	A-328
0338	Children Trust	A-329
0339	Community Action Agency Low Income (Information Only)	A-330
0340	Minnesota Power (Information Only)	A-330

CHILDREN AND FAMILY SUPPORT (04)

0401	Community Education	A-333
0402	Extended Day	A-336
0403	Miscellaneous Community Service Levy	A-339
0404	Adults with Disabilities	A-340
0405	Hearing Impaired Adults	A-342
0406	Early Childhood Family Education	A-345
0407	Early Childhood Health and Developmental Screening	A-348
0408	Part H	A-350
0409	Way To Grow	A-352
0410	Learning Readiness and Head Start, ECFE, Learning Readiness Block Grant	A-354

PROGRAMS**ACTIVITIES****PAGE**

0411	Head Start (Information Only)	A-357
0412	Family Collaboratives	A-358
0413	Child Care Assistance	A-361
0414	Child Care Development	A-364

FEDERAL FLOW-THROUGH PROGAMS

0415	Infants and Toddlers - Part H	A-366
0416	Homeless Children and Youth	A-367
0417	Child Care Assistance	A-368
0418	Child Care Development	A-369

LIFEWORk DEVELOPMENT (05)

0501	Secondary Vocational	A-372
0502	Education and Employment Transitions/School-to-Work	A-375
0503	Youth Works	A-378
0504	Youth Works Administration	A-378

FEDERAL FLOW-THROUGH PROGRAMS

0505	School - Work Opportunities	A-381
0506	AmeriCorps	A-382
0507	Serve America (Youth Service)	A-383
0508	Secondary Vocational	A-385

**EDUCATION ORGANIZATION/COOPERATION
(06)**

0601	Cooperation and Combination Revenue	A-388
0602	District Cooperation Revenue	A-390
0603	Consolidation Transition Revenue	A-393
0604	Cooperation/Consolidation Levies	A-396
0605	Special Consolidation Aid	A-398
0606	Interagency Collaboration Grants	A-400

PROGRAMS**ACTIVITIES****PAGE****EDUCATION EXCELLENCE (07)**

0701	Advanced Placement and International Baccalaureate Program	A-403
0702	School Restructuring Grants	A-406
0703	Science-Mathematics Grants (SciMath MN)	A-409
0704	Family Connections Aid	A-412
0705	Education Performance Improvement Grants	A-414
0706	School Enrichment Partnerships	A-416
0707	Teacher Education Improvement (Board of Teaching)	A-418
0708	Community-Based Charter School Grant (Wilder Foundation)	A-420
0709	Charter School Building Lease Aid	A-422
0710	Charter School Start-Up	A-424
0711	Laboratory Schools	A-426
0712	Site Performance Pay	A-429
0713	State Accountability System	A-432
0721	Homework Helpline	A-440a NEW

FEDERAL FLOW-THROUGH PROGRAMS

0714	Foreign Language Assistance	A-434
0715	NEH Articulate Language/Instruction - FIPS	A-435
0716	Byrd Scholarship Program	A-436
0717	Teacher Inservice Training	A-437
0718	Innovative Education Program Strategies: Consolidated Federal Programs (Block Grants)	A-438
0719	Charter School Project	A-439
0720	Internet into Sci/Math; Internet into Classroom	A-440

**NUTRITION AND OTHER EDUCATION
PROGRAMS (08)**

0801	Abatement Revenue	A-443
0802	Nonpublic Pupil Aid	A-447
0803	Nonpublic Pupil Program Summary (Information Only)	A-450
0804	PSEO Replacement Aid	A-452
0805	Miscellaneous General Levies	A-454

PROGRAMS**ACTIVITIES****PAGE**

0806	School Lunch and Food Storage Program	A-456
0807	Summer Food Service	A-456
0808	School Breakfast Aid	A-456

FEDERAL FLOW-THROUGH PROGRAMS

0809	Impact Aid	A-460
0811	School Lunch	A-462
0812	Special Milk Program	A-462
0813	School Breakfast	A-462
0814	Child and Adult Care Program	A-462
0815	Summer Food Service	A-462
0816	Food Distribution	A-462

LIBRARIES (10)

1001	Basic Support Grants for Libraries	A-464
1002	Multicounty, Multitype Library System Grants	A-469
1003	Librarians of Color	A-472
1004	Children's Library Services Grant	A-474

FEDERAL FLOW -THROUGH PROGRAMS

1005	Public Library Aid	A-476
------	--------------------	-------

TECHNOLOGY (11)

1101	INFORMS Grant	A-480
1102	Regional Library Telecommunications Aid	A-482
1103	Interactive Television (ITV) Revenue	A-484
1104	Telecommunication Access Grants	A-486
1105	Instructional Transformation Through Technology	A-488
1106	Education Technology Clearinghouse and Upgrade System	A-490
1107	Learning Academy	A-492

PROGRAMS**ACTIVITIES****PAGE**

1108 Learning Resource Network

A-494

1109 Library Site Grants

A-497

1110 Technology Site Grants

A-501

DISCONTINUED/NONRECURRING PROGRAMS (12)

A-504

F.Y. 1998-99 BIENNIAL BUDGET
STATE GENERAL FUND APPROPRIATION SUMMARY
CHILDREN, FAMILIES AND LEARNING AIDS

(\$ in 000s)

		Estimated Expenditures			Governor's Recommendations		
		F.Y. 1996	F.Y. 1997	F.Y. 1996-97	F.Y. 1998	F.Y. 1999	F.Y. 1998-99
GENERAL EDUCATION							
0101	General Education	2,461,224	2,680,621	5,141,845	2,453,756	2,495,599	4,949,355
0102	Property Tax Shift (above current law)	0	20,000	20,000	0	0	0
0103	Permanent School Fund Restructuring	0	0	0	9,435	8,614	18,049
0104	Transportation	145,492	22,001	167,493	0	0	0
0105	Targeted Needs/Nonpublic Transportation	0	64,538	64,538	76,195	24,303	100,498
0107	Enrollment Options Transportation	60	102	162	102	102	204
0108	Interdistrict Desegregation Transportation	100	630	730	800	970	1,770
0109	Transportation Safety	1,580	1,367	2,947	1,430	1,458	2,888
0110	Capital Expenditure - Health & Safety	8,157	12,602	20,759	14,081	14,179	28,260
0114	Debt Service Equalization	30,053	29,822	59,875	35,480	37,684	73,164
0115	Parental Choice Tax Credit	[73,000]	[77,000]	[150,000]	[81,000]	[85,000]	[166,000]
0116	Wide Area Transportation Program	250	0	250	100	50	150
General Education Subtotal		2,646,916	2,831,683	5,478,599	2,591,379	2,582,959	5,174,338
SPECIAL PROGRAMS							
0201	Special Education - Regular	195,452	248,526	443,978	282,505	382,519	665,024
0202	Special Education - Special Pupil	510	552	1,062	586	644	1,230
0203	Travel for Home-Based Services	97	86	183	107	111	218
0204	Special Education - Excess Cost	6,113	12,160	18,273	28,045	47,654	75,699
0205	Special Education Equalization Aid	24,262	19,936	44,198	11,195	5,780	16,975
0207	Secondary Vocational; Students with Disabilities	4,951	6,329	11,280	7,044	7,985	15,029
0208	Targeted Needs: Limited English Proficiency	7,168	9,477	16,645	13,127	1,355	14,482
0209	Targeted Needs: Assurance of Mastery	13,467	14,320	27,787	13,757	1,377	15,134
0210	Targeted Needs: Integration Grants	18,844	18,844	37,688	18,844	26,124	44,968
0211	Integration Programs	1,000	1,000	2,000	1,000	1,000	2,000
0213	Magnet School and Program Grants	1,500	1,500	3,000	1,750	1,750	3,500
0214	American Indian Language and Culture Programs	591	620	1,211	591	591	1,182
0215	American Indian Education	175	184	359	175	175	350
0216	American Indian Post-Secondary Prep. Grants	857	857	1,714	857	857	1,714
0217	American Indian Scholarships	1,600	1,600	3,200	1,600	1,600	3,200
0218	Indian Teacher Preparation Grants	190	190	380	190	190	380
0219	Tribal Contract Schools	0	820	820	2,243	2,689	4,932
0220	Early Childhood Programs at Tribal Schools	68	68	136	68	68	136
0221	Basic Skills Summer School	0	0	0	4,055	4,885	8,940
0222	ASL: Teacher Ed. Hearing Impaired	13	12	25	13	12	25
0223	Mexican Origin Education Grants	0	75	75	50	25	75
0224	Lay Advocates	1	9	10	10	0	10
0225	Options Plus Pilot Grants	147	3	150	150	0	150
0226	Low-Income Concentration Grants	1,150	1,300	2,450	1,000	0	1,000
0227	First Grade Preparedness Program	0	3,500	3,500	3,150	3,500	6,650
Special Programs Subtotal		278,156	341,968	620,124	392,112	490,891	883,003

F.Y. 1998-99 BIENNIAL BUDGET
STATE GENERAL FUND APPROPRIATION SUMMARY
CHILDREN, FAMILIES AND LEARNING AIDS

(\$ in 000s)

		Estimated Expenditures			Governor's Recommendations		
		F.Y. 1996	F.Y. 1997	F.Y. 1996-97	F.Y. 1998	F.Y. 1999	F.Y. 1998-99
COMMUNITY AND SCHOOL SERVICES							
0301	Adult Basic Education	14,325	9,795	24,120	11,209	11,524	22,733
0302	Adult Graduation Aid	2,836	2,424	5,260	2,245	2,245	4,490
0303	GED Test	113	115	228	125	125	250
0306	Violence Prevention Grants	1,500	1,500	3,000	1,500	1,500	3,000
0307	Male Responsibility Grants	623	375	998	375	375	750
0308	After School Enrichment	3	4,997	5,000	5,000	5,000	10,000
0309	Early Intervention, Ages 6-12	0	0	0	1,050	1,050	2,100
0310	Abused Children Program	0	1,022	1,022	1,048	1,079	2,127
0311	Drug Policy and Violence Prevention	0	2,202	2,202	3,412	3,480	6,892
0312	Children's Trust Fund	0	247	247	247	247	494
0313	Minnesota Economic Opportunity Grants	0	0	0	10,000	10,000	20,000
0314	Transitional Housing	0	0	0	1,385	1,385	2,770
0315	Emergency Food Assistance Program	0	0	0	97	97	194
0316	Food Bank/Food Shelves	0	0	0	700	700	1,400
0322	Head Start	0	0	0	18,506	18,506	37,012
Community & School Services Subtotal		19,400	22,677	42,077	56,899	57,313	114,212
CHILDREN AND FAMILY SUPPORT							
0401	Community Education	2,805	2,546	5,351	1,828	1,619	3,447
0402	Extended Day	349	389	738	347	304	651
0404	Adults with Disabilities Program	695	695	1,390	670	670	1,340
0405	Hearing Impaired Adults	70	70	140	70	70	140
0406	Early Childhood Family Education	14,000	14,388	28,388	14,554	13,668	28,222
0407	Health & Developmental Screening	1,550	1,627	3,177	1,550	1,550	3,100
0408	Part H	0	400	400	400	0	400
0409	Way to Grow	475	475	950	475	475	950
0410	Learning Readiness	9,506	9,980	19,486	10,316	10,405	20,721
0410a	Head Start/ECFE/Learning Readiness Block Gra	0	0	0	2,500	2,500	5,000
0412	Family Collaboratives	3,972	9,528	13,500	7,500	7,500	15,000
0413	Child Care Assistance	0	40,871	40,871	77,111	116,618	193,729
0414	Child Care Development	0	1,930	1,930	4,865	1,865	6,730
Children & Family Support Subtotal		33,422	82,899	116,321	122,186	157,244	279,430
LIFE WORK DEVELOPMENT							
0501	Secondary Vocational	13,218	12,501	25,719	11,617	11,596	23,213
0502	Ed. & Employment Transitions/School-to-Work	1,308	3,692	5,000	4,000	4,000	8,000
0503	Youth Works	1,782	1,844	3,626	1,813	1,813	3,626
0504	Youth Works Administration	44	56	100	50	0	50
Life Work Development Subtotal		16,352	18,093	34,445	17,480	17,409	34,889

F.Y. 1998-99 BIENNIAL BUDGET
STATE GENERAL FUND APPROPRIATION SUMMARY
CHILDREN, FAMILIES AND LEARNING AIDS

(\$ in 000s)

Estimated Expenditures				Governor's Recommendations		
	F.Y. 1996	F.Y. 1997	F.Y. 1996-97	F.Y. 1998	F.Y. 1999	F.Y. 1998-99
EDUCATION ORGANIZATION/COOPERATION						
0601 Cooperation and Combination Revenue	3,451	2,105	5,556	562	42	604
0602 District Cooperation Revenue	12,829	12,558	25,387	9,766	954	10,720
0603 Consolidation Transition Revenue	995	765	1,760	1,254	1,151	2,405
0605 Special Consolidation Aid	98	43	141	3	0	3
0606 Interagency Collaboration Grants	0	0	0	500	0	500
Educ. Organization/Coop. Subtotal	17,373	15,471	32,844	12,085	2,147	14,232
EDUCATION EXCELLENCE						
0701 Adv. Placement/Int'l Baccalaureate Prog.	739	1,011	1,750	1,125	875	2,000
0702 School Restructuring Grants	300	300	600	300	300	600
0703 Science - Mathematics Grant (SciMath MN)	1,086	1,558	2,644	1,322	1,322	2,644
0704 Family Connections Aid	125	125	250	0	0	0
0705 Education Performance Improvement Grants	505	295	800	0	0	0
0706 School Enrichment Partnerships	500	0	500	500	0	500
0707 Teacher Education Improvement (BdT)	309	591	900	450	450	900
0708 Community-Based Charter School (Wilder Grant)	0	300	300	1,000	1,000	2,000
0709 Charter School Building Lease Aid	0	0	0	1,078	1,577	2,655
0710 Charter School Start-Up	0	0	0	3,922	3,423	7,345
0711 Laboratory Schools	0	0	0	10,000	0	10,000
0712 Site Performance Pay	0	0	0	22,500	25,000	47,500
0713 State Accountability System	0	0	0	2,500	2,500	5,000
0721 Homework Helpline				250	250	500
Education Excellence Subtotal	3,564	4,180	7,744	44,947	36,697	81,644
NUTRITION AND OTHER EDUCATION PROGRAMS						
0801 Abatement Revenue	32,583	10,775	43,358	9,275	13,287	22,562
0802 Nonpublic Pupil Aid	8,325	9,561	17,886	9,430	9,688	19,118
0804 PSEO Replacement Aid	232	142	374	12	0	12
0806 School Lunch and Food Storage Program	7,242	7,254	14,496	7,254	7,254	14,508
0807 Summer Food Service	15	15	30	15	15	30
0808 School Breakfast Aid	381	456	837	456	456	912
Nutrition and Other Ed. Progs. Subtotal	48,778	28,203	76,981	26,442	30,700	57,142
LIBRARIES						
1001 Basic Support Grants for Libraries	7,819	8,210	16,029	7,819	7,819	15,638
1002 Multicounty, Multitype Library Systems	527	554	1,081	527	527	1,054
1003 Librarians of Color	55	55	110	55	55	110
1004 Children's Library Services Grants	50	50	100	50	50	100
Libraries Subtotal	8,451	8,869	17,320	8,451	8,451	16,902

F.Y. 1998-99 BIENNIAL BUDGET
STATE GENERAL FUND APPROPRIATION SUMMARY
CHILDREN, FAMILIES AND LEARNING AIDS

(\$ in 000s)

		Estimated Expenditures			Governor's Recommendations		
		F.Y. 1996	F.Y. 1997	F.Y. 1996-97	F.Y. 1998	F.Y. 1999	F.Y. 1998-99
TECHNOLOGY							
1101	INFORMS Grants	400	400	800	0	0	0
1102	Regional Library Telecommunications Aid	148	652	800	0	0	0
1103	Interactive Television (ITV) Revenue	4,040	3,871	7,911	4,030	5,942	9,972
1104	Telecommunication Access Grants	5,500	10,000	15,500	13,000	5,250	18,250
1105	Instructional Trans. through Tech. Grants	2,700	2,700	5,400	0	0	0
1106	Education Tech. Clearinghouse & Upgrade System	0	250	250	250	250	500
1107	Learning Academy	0	0	0	1,000	1,000	2,000
1108	Learning Resource Network	0	0	0	7,000	0	7,000
1109	Library Site Grants	0	0	0	4,650	0	4,650
1110	Technology Site Grants	0	0	0	50,000	0	50,000
Technology Subtotal		12,788	17,873	30,661	79,930	12,442	92,372
DISCONTINUED/NON-RECURRING PROGRAMS							
	Rural Computerized Routing	25	0	25	0	0	0
	Special Education - Summer School	4,291	2,610	6,901	0	0	0
	Vocational School Study	35	65	100	0	0	0
	School Interpreters	136	114	250	0	0	0
	Early Intervention Grant (White Bear Lake)	390	0	390	0	0	0
	Violence Prevention Education	0	100	100	0	0	0
	Violence Prevention Councils	75	75	150	0	0	0
	Milan Grant	36	36	72	0	0	0
	Capital Facility Grants	0	408	408	0	0	0
	Crow River Coop	0	100	100	0	0	0
	Capital Expenditure - Facilities	75,642	11,530	87,172	0	0	0
	Capital Expenditure - Equipment	43,547	6,748	50,295	0	0	0
	South Central Planning Grant	21	19	40	0	0	0
	Preston - Fountain - Harmony Grant	70	70	140	0	0	0
	Joint Elementary Facility	0	200	200	0	0	0
	Year-Round School	948	852	1,800	0	0	0
	Pilot Breakfast Program	86	106	192	0	0	0
	Montevideo Grant	100	0	100	0	0	0
	Nett Lake Unemployment	25	62	87	0	0	0
	Mankato Truancy Project	15	15	30	0	0	0
	Angle Inlet Grant	30	25	55	0	0	0
	Aquila Community Together Project	50	0	50	0	0	0
	New Moon Girls Program	20	0	20	0	0	0
	Nett Lake Community Center	0	74	74	0	0	0
	West St. Paul Graduation Standards	0	20	20	0	0	0
	St. Paul Local Accountability	0	100	100	0	0	0
	Floodwood Technology Grant	125	0	125	0	0	0
	Cromwell Technology Grant	125	0	125	0	0	0
	After School Technology	0	1,000	1,000	0	0	0
	Instructional Software	0	860	860	0	0	0
	Technology Integration Grants	0	3,500	3,500	0	0	0
	Student Suspension Study	14	19	33	0	0	0
	Multicultural - Red Lake	69	0	69	0	0	0
Discontinued Subtotal		125,875	28,708	154,583	0	0	0
Children, Families and Learning Aids Total		3,211,074	3,400,624	6,611,698	3,351,909	3,396,253	6,748,162

This page intentionally left blank.

This page intentionally left blank.

F.Y. 1998-99 BIENNIAL BUDGET
SCHOOL DISTRICT GROSS CERTIFIED LEVIES SUMMARY
CHILDREN, FAMILIES & LEARNING AIDS
(\$ in 000s)

		<u>F.Y. 1996</u> <u>(PAY 1995)</u>	<u>F.Y. 1997</u> <u>(PAY 1996)</u>	<u>F.Y. 1996-97</u>	<u>F.Y. 1998</u> <u>(PAY 1997)</u>	<u>F.Y. 1999</u> <u>(PAY 1998)</u>	<u>F.Y. 1998-99</u>
01	GENERAL EDUCATION						
01	General Ed	1,054,267.7	1,358,222.1	2,412,489.8	1,351,363.8	1,443,686.9	2,795,050.7
01	Referendum	187,487.6	219,125.6	406,613.2	239,739.0	261,720.2	501,459.2
01	Training & Experience	44,824.7	0.0	44,824.7	0.0	0.0	0.0
01	Supplemental	2,240.4	2,678.8	4,919.2	2,309.7	2,439.0	4,748.7
01	Facilities	42,980.8	0.0	42,980.8	0.0	0.0	0.0
01	Transition	0.0	6,430.4	6,430.4	9,610.5	6,882.3	16,492.8
01	Facilities & Equipment	23,026.8	0.0	23,026.8	0.0	0.0	0.0
04	Basic Transportation	65,666.0	0.0	65,666.0	0.0	0.0	0.0
04	Targeted Needs Transportation	0.0	17,220.4	17,220.4	19,441.9	0.0	19,441.9
04	Nonregular	29,111.0	0.0	29,111.0	0.0	0.0	0.0
04	Excess	26,466.5	0.0	26,466.5	0.0	0.0	0.0
04	Contracts	8,148.1	0.0	8,148.1	0.0	0.0	0.0
04	Bus Purchase	6,086.2	0.0	6,086.2	0.0	0.0	0.0
04	Late Activity Transport	2,999.1	3,014.7	6,013.8	0.0	0.0	0.0
04	Bus Purchase	0.0	0.0	0.0	0.0	796.0	796.0
04	Post-Secondary	124.5	0.0	124.5	0.0	0.0	0.0
10	Hazardous/ Health & Safety	30,825.7	35,828.3	66,654.0	46,891.8	58,948.2	105,840.0
13	Building Lease	12,111.8	16,724.3	28,836.1	19,513.2	23,513.2	43,026.4
13	Disabled Access	7,506.7	5,918.5	13,425.2	4,274.7	3,206.0	7,480.7
13	Alternate Facilities	0.0	0.0	0.0	0.0	0.0	0.0
13	Down Payment	785.8	830.7	1,616.5	980.7	980.7	1,961.4
13	Technology	0.0	0.0	0.0	0.0	0.0	0.0
13	Other Capital	108.8	0.0	108.8	298.2	0.0	298.2
14	Basic Debt Levy (No Equal.)	271,106.0	303,617.9	574,723.9	339,543.5	384,952.7	724,496.2
14	Debt Equalization	(30,053.1)	(32,200.0)	(62,253.1)	(34,092.0)	(38,000.0)	(72,092.0)
14	Lease Purchase	12,178.6	12,178.6	24,357.2	20,416.0	21,600.0	42,016.0
14	Alt Facilities Debt	13,748.0	15,515.8	29,263.8	16,456.2	17,415.5	33,871.7
14	Energy Loan	3,985.6	3,985.6	7,971.2	3,419.3	3,431.8	6,851.1
14	Debt Facilities & Equipment	650.6	650.6	1,301.2	3,339.6	5,000.0	8,339.6
14	Alternate Facilities	5,900.0	6,500.0	12,400.0	8,420.2	8,420.3	16,840.5
14	Secondary Coop Facilities Debt	1,714.2	1,714.2	3,428.4	289.1	0.0	289.1
	Limitation Adjustments	<u>(22,077.4)</u>	<u>(16,960.6)</u>	<u>(39,038.0)</u>	<u>(25,672.9)</u>	<u>(22,957.0)</u>	<u>(48,629.9)</u>
	TOTAL	1,801,920.7	1,960,995.9	3,762,916.6	2,026,542.6	2,182,035.7	4,208,578.3
02	SPECIAL PROGRAMS						
01	Special Educ Current Year	133,954.2	92,528.8	226,483.0	67,668.5	44,830.0	112,498.5
12	Desegregation	19,936.7	20,628.9	40,565.6	21,264.7	24,726.0	45,990.7
26	Osseo at Risk	0.0	407.4	407.4	800.0	0.0	800.0
	Limitation Adjustments	<u>8,600.5</u>	<u>(12,425.9)</u>	<u>(3,825.4)</u>	<u>8,245.3</u>	<u>9,835.8</u>	<u>18,081.1</u>
	TOTAL	162,491.4	101,139.2	263,630.6	97,978.5	79,391.8	177,370.3

		<u>F.Y. 1996</u> <u>(PAY 1995)</u>	<u>F.Y. 1997</u> <u>(PAY 1996)</u>	<u>F.Y. 1996-97</u>	<u>F.Y. 1998</u> <u>(PAY 1997)</u>	<u>F.Y. 1999</u> <u>(PAY 1998)</u>	<u>F.Y. 1998-99</u>
03	COMMUNITY AND SCHOOL SERVICES						
	01 Adult Basic Education	<u>3,398.3</u>	<u>3,702.1</u>	<u>7,100.4</u>	<u>4,051.3</u>	<u>4,438.2</u>	<u>8,489.5</u>
	TOTAL	3,398.3	3,702.1	7,100.4	4,051.3	4,438.2	8,489.5
04	CHILDREN AND FAMILY SUPPORT						
	01 Basic Community Education	28,101.3	28,433.1	56,534.4	29,536.4	30,081.3	59,617.7
	01 Levy Equity	5,707.0	6,525.5	12,232.5	7,936.8	9,678.9	17,615.7
	01 Grandfather	590.3	575.8	1,166.1	588.2	588.2	1,176.4
	02 Extended Day--Disabled	2,311.8	2,577.5	4,889.3	3,056.6	3,100.1	6,156.7
	04 Adults with Disabilities	637.8	650.1	1,287.9	666.4	670.0	1,336.4
	06 ECFE	18,071.5	18,791.3	36,862.8	20,316.2	23,333.0	43,649.2
	06 ECFE Home Visiting	440.0	451.9	891.9	461.2	466.2	927.4
	Limitation Adjustments	<u>45.8</u>	<u>(893.7)</u>	<u>(847.9)</u>	<u>(262.2)</u>	<u>(209.1)</u>	<u>(471.3)</u>
	TOTAL	55,905.5	57,111.5	113,017.0	62,299.6	67,708.6	130,008.2
06	EDUCATION ORGANIZATION/COOPERATION						
	01 Coop & Combination	2,065.5	1,375.0	3,440.5	975.5	816.0	1,791.5
	02 District Coop	47,236.3	51,061.1	98,297.4	53,880.5	0.0	53,880.5
	04 Reorganization Severance	1,083.6	847.9	1,931.5	811.6	811.6	1,623.2
	04 Consolidation	449.1	597.9	1,047.0	487.3	550.0	1,037.3
	Limitation Adjustments	<u>17,867.7</u>	<u>0.0</u>	<u>17,867.7</u>	<u>148.1</u>	<u>555.6</u>	<u>703.7</u>
	TOTAL	68,702.2	53,881.9	122,584.1	56,303.0	2,733.2	59,036.2
08	NUTRITION AND OTHER EDUCATION PROGRAMS						
	01 Abatements	35,327.3	23,314.9	58,642.2	6,744.7	21,043.6	27,788.3
	05 School Restructuring	399.3	0.0	399.3	0.0	0.0	0.0
	05 Operating Debt	1,156.9	1,177.1	2,334.0	1,152.1	658.0	1,810.1
	05 Crime	3,638.5	3,712.8	7,351.3	3,837.2	3,913.9	7,751.1
	05 Ice Arena	188.4	182.1	370.5	292.1	292.1	584.2
	05 Reorganization Oper Debt	621.9	776.6	1,398.5	951.8	820.0	1,771.8
	05 Health Benefits	7,761.1	6,895.9	14,657.0	5,726.4	4,982.0	10,708.4
	05 Outplacement	18.4	0.0	18.4	0.0	0.0	0.0
	05 Statutory Operating Debt	53.6	37.0	90.6	38.0	40.5	78.5
	05 Reemployment Insurance	5,068.0	5,170.3	10,238.3	5,943.2	0.0	5,943.2
	05 Health Insurance	5,899.0	5,618.1	11,517.1	5,157.6	5,157.6	10,315.2
	05 Consolidation/Retirement	37.6	156.1	193.7	156.1	450.0	606.1
	05 Mpls Retirement	1,159.2	959.1	2,118.3	759.1	558.9	1,318.0
	05 St. Paul Severance	0.0	374.5	374.5	391.0	415.0	806.0
	05 Staff Development	5.0	5.4	10.4	8.4	0.0	8.4
	05 Additional Retirement	2,350.0	3,600.0	5,950.0	3,962.0	3,962.0	7,924.0
	05 Judgments	326.2	856.8	1,183.0	578.3	700.0	1,278.3

		F.Y. 1996 (PAY 1995)	F.Y. 1997 (PAY 1996)	F.Y. 1996-97	F.Y. 1998 (PAY 1997)	F.Y. 1999 (PAY 1998)	F.Y. 1998-99
	Limitation Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	TOTAL	64,010.4	52,836.7	116,847.1	35,697.9	42,993.6	78,691.5
11	TECHNOLOGY						
	03 Interactive Television	1,713.9	2,098.1	3,812.0	2,537.5	3,871.5	6,409.0
	Limitation Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	TOTAL	1,713.9	2,098.1	3,812.0	2,537.5	3,871.5	6,409.0
OTHER							
	Technical College Building Const	67.4	0.0	67.4	0.0	0.0	0.0
	Taconite	<u>(10,916.6)</u>	<u>(10,942.6)</u>	<u>(21,859.2)</u>	<u>(11,259.0)</u>	<u>(11,259.9)</u>	<u>(22,518.9)</u>
	TOTAL	<u>(10,849.2)</u>	<u>(10,942.6)</u>	<u>(21,791.8)</u>	<u>(11,259.9)</u>	<u>(11,259.9)</u>	<u>(22,519.8)</u>
	TOTAL CERTIFIED LEVY BEFORE HACA	2,147,293.2	2,220,822.8	4,368,116.0	2,274,150.5	2,371,912.8	4,646,063.3
	FORMULA-BASED CERTIFIED LEVIES	1,691,026.3	1,706,256.8	3,397,283.1	1,694,891.2	1,730,357.2	3,425,248.4
	REFERENDUM-BASED CERTIFIED LEVIES	456,266.9	514,566.0	970,832.9	579,259.3	641,555.6	1,220,814.9
	TOTAL	2,147,293.2	2,220,822.8	4,368,116.0	2,274,150.5	2,371,912.8	4,646,063.3
	HACA	<u>(145,688.6)</u>	<u>(117,498.5)</u>	<u>(263,187.1)</u>	<u>(90,764.7)</u>	<u>(64,014.0)</u>	<u>(154,778.7)</u>
	TOTAL CERTIFIED LEVY AFTER HACA	2,001,604.6	2,103,324.3	4,104,928.9	2,183,385.8	2,307,898.8	4,491,284.6
	TOTAL SCHOOL DISTRICT REVENUE LEVIES:						
	TOTAL CERTIFIED LEVY BEFORE HACA	2,147,293.2	2,220,822.8	4,368,116.0	2,274,150.5	2,371,912.8	4,646,063.3
	HOMESTEAD CREDIT ADJUSTMENT - PERA	(2,762.2)	(3,000.0)	(5,762.2)	(2,944.9)	(2,943.7)	(5,888.6)
	INT-HOMESTEAD CREDIT ADJUSTMENT - PERA	(61.7)	0.0	(61.7)	0.0	0.0	0.0
	TECHNICAL COLLEGE BUILDING CONSTRUCTION	(67.4)	0.0	(67.4)	0.0	0.0	0.0
	TACONITE	10,916.6	10,942.6	21,859.2	11,259.9	11,259.9	22,519.8
	STATUTORY OPERATING DEBT	<u>(53.6)</u>	<u>(37.0)</u>	<u>(90.6)</u>	<u>(38.0)</u>	<u>(40.5)</u>	<u>(78.5)</u>
	TOTAL:	2,155,264.9	2,228,728.4	4,383,993.3	2,282,427.5	2,380,188.5	4,662,616.0
	SUBTOTAL - OPERATING LEVIES	1,768,628.2	1,869,877.5	3,638,505.7	1,942,907.2	2,000,353.1	3,943,260.3
	SUBTOTAL - NONOPERATING LEVIES	386,636.7	358,850.9	745,487.6	339,520.3	379,835.4	719,355.7

GENERAL EDUCATION PROGRAMS (01)

State Aid Programs	<u>Page</u>
0101 General Education Program	A-108
0102 Property Tax Shift	A-132
0103 Permanent School Fund Initiative	A-136
0104 Transportation	A-137
0105 Targeted Needs Transportation	A-143
0106 Miscellaneous Transportation Levies	A-147
0107 Enrollment Options Transportation	A-148
0108 Interdistrict Desegregation Transportation	A-150
0109 Transportation Safety	A-152
0110 Capital Expenditure - Health and Safety	A-154
0111 Desegregation Capital Improvements Grants	A-156
0112 Cooperative Secondary Facilities Grants (Information Only)	A-157
0113 Miscellaneous Capital Expenditures and Debt Service	A-158
0114 Debt Service Equalization	A-160
0115 Parental Choice Tax Credit	A-164
0116 Wide Area Transportation Program	A-168
0117 Choice Programs (Information Only)	A-170

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION

CITATION: M.S. 124; 124A
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide Minnesota school districts with general operating revenues, thereby promoting an adequate and equitable system of elementary and secondary education for more than 800,000 students. More specifically, the General Education Program has the following objectives:

■ Equity for students.

The General Education Program formula provides equity for students by distributing a large base of funding on a uniform per pupil basis. The formula also provides additional revenues for variations in 1) the cost of delivering equivalent educational programs and services to students, and 2) the cost of educational programs to meet the unique needs of different student populations. Students have the ability to attend alternative educational programs through a variety of programs such as Open Enrollment and Post-secondary Enrollment Options.

■ Equity for taxpayers.

The General Education formula provides equity for taxpayers by imposing tax burdens for basic educational programs and services that are uniform throughout the state. In addition, school districts that provide discretionary programs and services have higher tax rates than school districts that do not provide these services.

■ Efficient use of resources.

The General Education formula encourages school districts to provide needed educational programs and services at the least possible cost by addressing only those cost factors that are beyond the control of the school districts.

■ Local control.

Minnesota school districts have a long history of local control. The General Education formula preserves local control of education by providing funding through a general purpose formula that does not significantly restrict local discretion.

■ Stability for students and taxpayers.

The General Education formula provides stable funding to ensure continuity of programs for students and stability in tax rates for taxpayers.

DESCRIPTION:

The General Education Revenue Program provides Minnesota school districts with approximately 80% of their operating fund revenues. The program ensures that districts receive equivalent revenues per pupil, and that the associated taxes on real property are levied at a rate that is uniform across districts. Since equivalent tax efforts result in equivalent funding per student, the system is said to be fully equalized.

A. OVERVIEW OF GENERAL EDUCATION REVENUE

General education revenue can be categorized along two dimensions: by funding component and by revenue source. First, the district's total revenue is determined for each funding component. Next, it is determined how much of this revenue will be generated by the local property tax levy. Finally, state aid is calculated by subtracting local revenue from total revenue.

B. CALCULATION OF REVENUE

The revenue components are:

Revenue Prior to Adjustment:

- | | |
|------------------------------------|-------------------------------------|
| 1. Basic Revenue | 5. Transition Revenue |
| 2. Compensatory Revenue | 6. Operating Capital Revenue |
| 3. Sparsity Revenue | 7. Supplemental Revenue |
| 4. Transportation Sparsity Revenue | 8. Operating Fund Balance Reduction |

Basic revenue is received by all districts. Compensatory revenue, sparsity revenue, transportation sparsity revenue, transition revenue, and operating capital revenue are based on extra costs that are difficult or impossible to control. Supplemental revenue and the fund balance reduction are restricted to certain districts.

1. Basic Revenue

Basic revenue is found by multiplying a district's Weighted Average Daily Membership (WADM) by the formula allowance.

a. WADM

WADM is the primary measure of school district revenue need. It is based on the associated concept of Average Daily Membership (ADM), which equals the number of student membership days divided by the number of session days. Students are kept in membership until they exit from enrollment or have not been accounted for in three weeks.

To reflect cost differences, WADM is calculated from ADM by applying the following weights:

	F.Y. 1997 1996 - 1997	F.Y. 1998 1997 - 1998	F.Y. 1999 1998 - 1999
Handicapped Pre-Kindergarten	1.00	1.00	1.00
Handicapped Kindergarten	1.00	1.00	1.00
Regular Kindergarten	0.53	0.53	0.53
Elementary (Grades 1-6)	1.06	1.06	1.06
Secondary (Grades 7-12)	1.30	1.30	1.30

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
 (Continuation)

The weight for regular kindergarten is lower because the state provides revenue for only half-day kindergarten programs. Starting in 1995-96, the WADM generated by a pre-kindergarten student equals the number of hours of service in the student's Individual Education Plan (IEP) divided by 825, with a minimum of 0.28 for a full year student and a maximum of 1.0. The WADM generated by a handicapped kindergarten student equals the number of hours of service in the student's IEP divided by 875, with a minimum of 0.5 for a full year student and a maximum of 1.0.

The weight for regular kindergarten students was 0.50 until 1992-93. It was increased to 0.515 for 1993-94, and to 0.530 for 1994-95 and thereafter. The weight for grades 1-6 was 1.00 until 1992-93. It was increased to 1.03 for 1993-94, and to 1.06 for 1994-95 and thereafter. The extra basic revenue generated by the increase in kindergarten and elementary pupil weights is restricted for the purpose of reducing class size.

b. Formula Allowance

This term refers to the level of basic funding per WADM. Recent amounts are:

Year	Formula Allowance	Change From Prior Year
F.Y. 1990	\$2,838	
F.Y. 1991	2,953	83
F.Y. 1992	3,050	97
F.Y. 1993	3,050	0
F.Y. 1994	3,050	0
F.Y. 1995	3,150	100
F.Y. 1996	3,205	55
F.Y. 1997	3,505	300
F.Y. 1998	3,505	0
F.Y. 1999	3,505	0

The above figures only tell a part of the story, however, for three reasons:

- The formula allowances do not reflect changes from year to year in pupil weights. For example, if the 1994-95 formula allowance is adjusted for changes between 1992-93 and 1994-95 in the kindergarten and elementary pupil weights, funding jumps from \$3,150 to \$3,237.
- Starting in 1994-95, supplemental and referendum revenues are reduced by a portion of the increase from 1993-94 levels in basic, compensatory, and training & experience revenue per WADM. (These other funding components are explained below.) For many districts, much of the gain in basic revenue is lost in supplemental or referendum revenue.

- Starting in 1996-97, the formula allowance includes \$170 that previously was provided through transportation funding, and \$130 that previously was provided through the training and experience formula.

2. Compensatory Revenue

Compensatory revenue is found by multiplying a district's AFDC Pupil Units by the formula, minus \$300. (The \$300 subtraction -- which did not apply until 1996-97 -- corresponds to the \$170 roll-in from transportation and the \$130 roll-in from training and experience.)

Every district that serves at least one AFDC pupil qualifies for compensatory revenue. The number of pupil units per AFDC pupil increases with the "concentration ratio," the ratio of AFDC pupils to pupils served. If the concentration ratio is zero, each AFDC pupil generates zero pupil units. If the concentration ratio is 11.5% or greater, each AFDC pupil generates the maximum of 0.67 pupil units.

3. Sparsity Revenue

Sparsity Revenue is provided to districts with small schools that are too isolated to reduce costs by cooperating or consolidating. The smaller the enrollment, the greater the potential sparsity revenue per student. The greater the isolation, the greater the portion of potential revenue that is paid.

a. Sparsity Revenue for High Schools

Sparsity revenue is calculated on a school-by-school basis. For a high school to generate sparsity revenue, it must have a secondary ADM (grades 7-12) of less than 400. The first step in calculating revenue is to determine the extra cost associated with small class sizes, low student-teacher ratios, and so forth. Extra cost is determined by the following formula:

extra cost =

$$1.5 \times \frac{(\text{formula allowance} - \$300) \times \text{secondary ADM}}{(400 - \text{secondary ADM}) + (400 + \text{secondary ADM})}$$

The next step is to determine the portion of extra cost that will be allowed. This is determined with reference to a high school's isolation index, which equals the square root of 55% of the area of the school district, plus the distance to the nearest other high school. (If a district is perfectly square and has a high school at its center, the square root of 55% of the area equals a little more than the distance from the high school to the most remote point within the district. If a district has more than one high school, the district's area is divided equally among all high schools.)

The portion of extra cost that is allowed is determined by the formula:

$$\text{portion} = \frac{(\text{isolation index} - 23)}{15} \quad \text{with a minimum of zero and a maximum of one.}$$

The isolation index approximates the longest travel distance that would be necessary after consolidation. Under this formula:

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
(Continuation)

- If the isolation index is less than 23, no sparsity revenue is generated. A commute less than 23 miles is not considered a bar to consolidation.
- If the isolation index is more than 38, all extra costs are paid. A commute more than 38 miles is considered a complete bar to consolidation.

b. Sparsity Revenue for Elementary Schools

Sparsity revenue for elementary schools was first provided in 1989-90. It is determined on a school-by-school basis, and provided for schools with an elementary ADM (kindergarten through grade 6) less than 140. The extra cost of operating a small school is determined by the formula:

extra cost =
(formula allowance - \$300) x
elementary ADM x
 $(140 - \text{elementary ADM}) / (140 + \text{elementary ADM})$

If an elementary school is located at least nineteen miles from the nearest other elementary school, the entire extra cost is covered by sparsity revenue. If an elementary school is located less than nineteen miles from the nearest other elementary school, none of the extra cost is covered.

4. Transportation Sparsity Revenue

Starting in 1996-97, transportation sparsity revenue is based on school districts' resident WADM per square mile. Transportation sparsity revenue increases as the student density decreases.

5. Transition Revenue

1996-97 marks a significant reorganization of general education funding components.

1995-96 funding for:

- transportation, excluding targeted needs, and
- training and experience revenue,

is the 1996-97 basis for:

- \$300 per WADM within basic revenue,
- transportation sparsity revenue (as noted above), and
- transition revenue.

The basic revenue increase of \$300 per WADM includes \$130 per WADM that was previously training and experience revenue, and \$170 per WADM that was previously transportation revenue.

Training and experience (T & E) Revenue was provided to cover the cost of employing teachers who have high seniority and graduate education, and who therefore receive high salaries.

Districts are guaranteed that the 1996-97 total of their training and experience transition allowance plus \$130 will equal or exceed their 1995-96 training and experience revenue per WADM.

Also, they are guaranteed that the 1996-97 total of their transportation transition allowance plus their transportation sparsity revenue per WADM plus \$170 will equal or exceed their corresponding 1995-96 transportation revenue per WADM.

In 1996-97, a district's total funding per WADM from these three transportation components cannot exceed equivalent 1995-96 funding per WADM by more than 10%. In 1997-98, this cap no longer applies.

Under current law, the transportation and training and experience formulas that applied in 1995-96 will apply again starting in 1998-99.

6. Operating Capital Revenue

Beginning in 1996-97, the capital expenditure facilities and equipment revenues are combined into operating capital revenue and placed in a reserved account within the general fund.

School districts may use operating capital revenue to improve facilities by acquiring land, constructing buildings, maintaining and improving structures, and acquiring fixtures to promote accessibility and support the learning process and school district operations. More specifically, districts may:

- acquire land for school purposes;
- acquire or construct buildings for school purposes, up to \$400,000;
- rent or lease buildings;
- improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures;
- pay for capital improvements on a surplus school building that is used substantially for a public non-school purpose;
- eliminate barriers or increase access by handicapped individuals;
- bring school buildings into compliance with the uniform fire code;
- remove or treat asbestos;
- clean up and dispose of PCBs (polychlorinated biphenyl);
- clean up and dispose of fuels, or make repairs related to their storage;
- perform energy audits and to make related improvements;
- improve leased buildings;
- pay special assessments levied against school property (not including service charges);
- pay principal and interest on state loans for energy conservation according to M.S. 116J.37 or loans made under the Northeast Minnesota Economic Protection Trust Fund Act;
- purchase or lease interactive telecommunications equipment; and

School districts can also use operating capital revenue to purchase equipment. Instructional equipment provides the "tools" required for educational programs and the learning process.

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
(Continuation)

3. Taconite Aid

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

E. SHARED TIME GENERAL EDUCATION AID

General education aid is paid to districts for students who attend public schools on a part-time basis while also attending private schools. Revenue for shared time pupils equals their full time equivalent WADM times the formula allowance. This revenue does not have a levy component; it comes entirely in the form of aid.

BUDGET ISSUES:

A. CHALLENGES:

- The complexity of the current education funding system limits public understanding and involvement.
- Minnesota districts face differing challenges. Priorities in districts vary based on their needs.

B. STRATEGIES:

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

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modifications in the general education program:

1. Beginning in F.Y. 1999, increase the formula allowance to \$3,589, and change the pupil unit weightings to 0.55 for kindergarten, 1.10 for grades 1 - 3, 1.00 for grades 4 - 6, and 1.22 for grades 7 - 12.
2. Beginning in F.Y. 1999, repeal the sunset on the roll-in of transportation funding into the general education formula.

3. Beginning in F.Y. 1999, roll district cooperation revenue into the general education formula.
4. Beginning in F.Y. 1999, provide a new category of transition revenue to ensure that no district incurs a decrease in revenue per pupil in average daily membership between F.Y. 1998 and F.Y. 1999 due to the change in pupil unit weightings or the roll-in of district cooperation revenue into the general education formula.
5. Beginning in F.Y. 1999, adjust the formulas used in computing various general education revenues, aids and levies for the change in pupil unit weights, the roll-in of district cooperation revenue into the general education formula, and the sunset on the roll-in of training and experience revenue into the general education formula:
 - a. Set the equalizing factor for referendum levies spread on referendum market value at \$493,700.
 - b. Adjust referendum allowances based on pupil units, the referendum allowance reduction, and the supplemental allowance by the ratio of the F.Y. 1999 old formula pupil units to the F.Y. 1999 new formula pupil units.
 - c. Equalize the first \$327 per pupil unit of referendum revenue.
 - d. Set the referendum revenue limit at 25 percent of the formula allowance less \$246, or the greater of the district's referendum allowance for F.Y. 1994 or F.Y. 1998, adjusted for pupil unit weight changes.
 - e. Compute compensatory revenue and sparsity revenue using the formula allowance less \$384.
 - f. Compute aid for shared time, contracted alternatives and post-secondary enrollment options using the formula allowance less \$300 for F.Y. 1998 and the formula allowance less \$176 for F.Y. 1999 and later years.
 - g. Increase the multiplier used to compute training and experience revenue to \$685.
 - h. Increase the allowances used in computing total operating capital revenue from \$68, \$100, \$128, and \$16 to \$71, \$104, \$133, and \$16, respectively.
 - i. Change the multipliers used in computing transportation sparsity revenue from .1469 and .0484 to .1481 and .0489, respectively.

These changes will provide increased revenue for school districts, will redirect resources to the early elementary grades, and will increase school district flexibility to manage resources in the manner determined locally to be most effective for improving student performance.

6. Beginning in F.Y. 1999, phase out training and experience revenue by computing the training and experience index for teachers employed by the school district during F.Y. 1997 using F.Y. 1997 data, and the index for teachers not employed by the district during F.Y. 1997 using the amount for beginning teachers with only a bachelor's degree. This change will continue training and experience funding for currently-employed teachers based on F.Y. 1997 data, while eliminating this funding for new teachers. Together with site-based management reform (see program 0712), this will promote reform of teacher compensation.

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
(Continuation)

7. Beginning in F.Y. 1999, combine the compensatory, assurance of mastery and limited English proficiency (LEP) revenues to form a basic skills block grant. This block grant will provide all districts with greater flexibility to manage resources in the manner determined locally to be most effective in ensuring that all learners are successful in mastering the required graduation standards.
8. Beginning in F.Y. 1999, compute AFDC concentration based on the concentration of AFDC pupils in the district of residence, instead of the district of enrollment. By permitting the full compensatory portion of basic skills revenue to follow an AFDC pupil who enrolls in a school district with a lower AFDC concentration, the receiving district will be able to provide appropriate compensatory instruction and services for the pupil, thereby improving learning opportunities and facilitating voluntary integration.
9. Beginning in F.Y. 1999, discontinue the separate district cooperation and limited English proficiency levies, set the state total general education levy target at \$1,452,865,000, and round the general education tax capacity rate up to the nearest hundredth of a percent, instead of the nearest tenth of a percent. This will improve taxpayer equity by creating a more uniform tax rate for general education programs statewide. On a state aggregate basis, the recommended total education levy for F.Y. 1999 is the same as the total education levy for F.Y. 1999 under current law.
10. Beginning in F.Y. 1999, compute the state aid and levy shares of equalized referendum revenue spread on tax capacity, supplemental revenue, transition revenue, and the revenue adjustment for excess fund balance using a uniform equalizing factor fixed at \$10,447 per pupil unit. This will improve taxpayer equity by creating a uniform tax rate for each dollar of additional revenue per pupil unit, will simplify aid and levy computations, and will stabilize aid and levy computations as changes are made in funding formulas and pupil unit weightings.
11. Beginning in F.Y. 1998, modify the referendum revenue hold-harmless for newly consolidated school districts to include the cap on referendum revenue per pupil unit as well as the referendum allowance reduction. This will prevent school districts from incurring a loss of referendum revenue as the result of a consolidation due to the limit on the amount of referendum revenue per pupil unit as applied to combined data for the consolidated district.
12. Eliminate the June 30, 1999 sunset of the general education and referendum revenue programs, and repeal the Education Finance Act of 1992. Since 1992, a series of incremental changes have resulted in significant reform of the education finance system, while the outline of a new education finance system in the Education Finance Act of 1992 has remained undeveloped. Continuation of the incremental reform strategy offers the best opportunity for long-term education finance reform.
13. Clarify that a pupil enrolled in a learning year program may generate more than one average

daily membership only if the number of hours for the year exceeds the greater of: (a) 1,020 hours for a secondary pupil, 935 for an elementary pupil, or 425 for a kindergarten pupil or (b) the number of hours required in the district for pupils of that grade level. Clarifying language is needed to accurately reflect legislative intent.

14. Beginning in F.Y. 1998, provide contracted alternative programs with the portion of basic skills revenue attributable to AFDC pupil units. This will make funding for students in contracted alternative programs more comparable to that provided for similar students in regular public school programs.
15. Beginning in F.Y. 1999, compute the amount reserved for learning and development (class size reduction) as the sum of (a) the number of kindergarten fund balance pupils in average daily membership times the formula allowance times 5.5 percent, plus (b) the number of fund balance pupils in average daily membership in grades 1 through 3 times the formula allowance times 11 percent. This will adjust the learning and development reserve computations to reflect the new pupil weights and formula allowance, with no change in the total amount reserved.
16. Require equalized referendum revenue approved or renewed after July 1, 1997 to follow students enrolled in another school district under an alternative attendance program or in a charter school. This will improve education funding equity and increase the availability of enrollment options for students by allocating equalized referendum revenue to the school district or charter school serving the student.
18. Beginning in F.Y. 1998, eliminate the requirement that a parent of a student attending another district under open enrollment must request approval from the resident district for the nonresident district to transport the student within the boundaries of the resident district. This will eliminate a barrier to the participation of students in open enrollment. Nearly all cases appealed to the state have been approved by the commissioner.

The Governor recommends an aid entitlement of \$2,518,172 for F.Y. 1998 and \$2,558,601 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$2,453,756 in F.Y. 1998 (\$227,451 for F.Y. 1997 and \$2,226,305 for F.Y. 1998), and \$2,495,599 in F.Y. 1999 (\$233,672 for F.Y. 1998 and \$2,261,927 for F.Y. 1999).

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
(Continuation)

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

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
I. Pupil Unit and Property Valuation Data					
A. Average Daily Membership					
1. Pre-Kindergarten	5,126	4,701	4,701	4,701	4,700
2. Kindergarten disabled	2,831	2,671	2,671	2,671	2,671
3. Kindergarten non-disabled	58,248	59,339	59,125	57,914	56,863
4. Elementary	380,880	383,614	386,239	386,975	386,501
5. Secondary	<u>360,942</u>	<u>372,899</u>	<u>383,035</u>	<u>392,403</u>	<u>398,864</u>
6. Total ADM	808,027	823,224	835,771	844,664	849,599
B. Weighted Average Daily Membership					
1. Total WADM	911,790	930,224	946,066	958,384	965,723
2. WADM for General Education and Referendum	N/A	N/A	N/A	N/A	N/A
C. AFDC Pupil Units					
1. Student Counts	74,854	76,935	76,811	77,041	78,241
2. AFDC pupil units (old formula)	27,765	N/A	N/A	N/A	N/A
3. AFDC pupil units (new formula)	38,847	40,017	41,082	41,084	41,744
D. Property Valuation					
1. Valuation Year	1992	1993	1994	1995	1996
2. ANTC (Adjusted Net Tax Capacity)	3,012,878.5	3,102,418.0	3,348,309.5	3,638,312.5	3,895,118.0
II. General Education Revenues					
A. Basic Revenue					
1. Formula Allowance	3,150	3,205	3,505	3,505	3,205(a)
2. Basic Revenue (WADM times formula allowance)	2,872,800.6	2,981,368.1	3,315,963.0	3,359,136.2	3,095,141.4
3. Districts	382	365	358	358	358
B. Compensatory Revenue					
1. Amount	113,640.9	128,253.3	131,667.8	131,673.6	133,788.0
2. Districts	382	363	356	354	354
C. Elementary Sparsity Revenue					
1. Amount	726.5	696.2	696.2	678.7	656.3
2. Districts	10	10	10	10	10

(a) Formula allowance is reduced by \$300 because of restoration of training and experience revenue and categorical transportation funding.

REVISED 2/28/97
PAGE A-124

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
 (Continuation)

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

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>Current Law</u>	
				<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
D. Secondary Sparsity Revenue					
1. Amount	8,623.0	8,823.5	8,846.9	8,803.4	8,702.6
2. Districts	64	64	63	64	63
E. Operating Capital Revenue					
1. Amount	N/A(b)	N/A(b)	185,788.3	188,304.6	189,852.8
2. Districts	N/A	N/A	358	358	358
F. Transportation Sparsity Revenue					
1. Amount	N/A	N/A	44,569.5	44,506.6	N/A
2. Districts	N/A	N/A	358	358	N/A
G. Fund Balance Reduction					
1. Maximum fund balance per pupil unit	787.50	N/A	876.25	876.25	801.25
2. Fund balance reduction	3,587.3	N/A	1,682.8	1,908.5	6,912.5
3. Districts	31	N/A	19	33	80
H. General Education Revenue (Excl. Supplemental)					
1. Amount	2,992,203.7	3,119,141.1	3,685,848.8	3,731,194.6	3,421,228.6
2. Districts	382	365	358	358	358
III. General Education Aid and Levy					
A. Initial General Education levy					
1. Basic tax rate					
Percent of ANTC	34.9	34.2	40.8	37.4	31.5
2. Statutory amount to be levied	1,044,000.0	1,054,000.0	1,359,000.0	1,359,000.0	1,229,000.0(c)
3. Actual Levy Amount	1,046,067.1	1,056,403.7	1,361,121.3	1,357,225.2	1,225,110.2
4. Districts	381	364	357	357	357
B. Fund Balance Reduction to Levy					
1. Amount	(1,885.3)	N/A	(632.1)	(679.5)	(2,598.8)
2. Districts	30	N/A	19	33	80
C. Net General Education Levy					
1. Amount (initial levy minus fund balance reduction)	1,044,181.8	1,056,403.7	1,360,489.2	1,356,545.7	1,222,511.4
2. Districts	381	364	357	357	357
D. General Education Aid					

(b) Previously funded with capital equipment and capital facilities revenues. The amounts for F.Y. 1995 and F.Y. 1996 were \$176,882.6 and \$188,647.2 respectively.

(c) Levy target reduced for restoration of categorical transportation levies.

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
(Continuation)

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

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
1. Initial Aid Amount	1,950,612.7	2,063,538.2	2,328,643.7	2,377,485.5	2,204,078.9
2. Fund balance reduction	(1,702.0)	0.0	(1,050.8)	(1,229.0)	(4,313.7)
3. Total aid	1,948,910.7	2,063,538.2	2,327,592.9	2,376,256.5	2,199,765.2
4. Districts					
a. Receiving initial aid	379	363	353	353	355
b. Fund balance reductions	31	N/A	18	32	79
c. Total districts	379	363	353	379	355
E. Levy Equity Adjustment					
1. Amount off the formula	6,313.2	5,424.0	7,222.3	5,111.2	2,890.0
2. Levy equity adjustment (the amount added to the levy and then subtracted from state categorical aids)	888.8	800.8	2,233.3	1,607.6	1,048.0
3. Districts	3	2	5	3	2
IV. Training and Experience Aid and Levy					
A. Training and Experience Revenue					
1. Amount	93,814.5	119,284.3	N/A(d)	N/A(d)	123,770.5
2. Districts	379	361	N/A	N/A	354
B. Training and Experience Levy					
1. Amount	36,036.8	44,098.5	N/A	N/A	N/A
2. Districts	379	361	N/A	N/A	N/A
C. Training and Experience Aid					
1. Amount	57,777.7	75,185.8	N/A	N/A	N/A
2. Districts	377	359	N/A	N/A	N/A
V. Supplemental Aid and Levy					
A. Supplemental Revenue					
1. Amount	3,981.1	4,396.6	4,406.7	2,978.1	2,987.6
2. Districts	27	27	26	13	13
B. Supplemental Levy					
1. Amount	2,412.8	2,464.6	2,741.9	2,325.9	2,223.4
2. Districts	27	27	26	13	13

(d) Training and experience revenue was replaced for F.Y. 1997 and F.Y. 1998 by increasing the formula allowance by \$130 and a portion of transition revenue. For F.Y. 1997 this was \$122,325.9 and for F.Y. 1998 this was \$123,077.9

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
 (Continuation)

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

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
C. Supplemental Aid					
1. Amount	1,568.3	1,932.0	1,664.8	652.2	764.2
2. Districts	26	26	24	12	12
VI. Supplemental Aid and Levy					
A. Training & Experience Transition Revenue					
1. Amount	N/A	N/A	(662.7)	942.7	N/A
2. Districts	N/A	N/A	358	358	N/A
B. Transportation Transition Revenue					
1. Amount	N/A	N/A	7,707.7	15,333.0	N/A
2. Districts	N/A	N/A	296	183	N/A
C. Total Transition Revenue					
1. Amount	N/A	N/A	7,045.0	16,275.8	N/A
2. Districts	N/A	N/A	358	358	N/A
D. Transition Levy					
1. Amount	N/A	N/A	4,399.2	7,243.1	N/A
2. Districts	N/A	N/A	358	358	N/A
E. Transition Aid					
1. Amount	N/A	N/A	2,645.8	9,032.7	N/A
2. Districts	N/A	N/A	353	355	N/A
VII. Referendum Aid and Levy					
A. Referendum Revenue					
1. Amount	292,843.2	307,297.5	353,618.5	378,230.1	397,715.6
2. Districts	269	272	278	286	290
B. Referendum Levy					
1. Amount	189,201.1	190,059.2	227,710.8	247,200.3	257,729.9
2. Districts	269	272	278	286	290
C. Referendum Aid					
1. Amount	103,642.1	117,238.3	125,907.7	131,029.7	139,985.7
2. Districts	236	271	275	279	282

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
 (Continuation)

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

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
VIII. Post Secondary Enrollment Aid					
A. Amount	11,606.9	11,641.5	11,733.1	12,181.2	12,906.4
B. Districts	290	291	291	291	291
IX. Contracted Alternative Aid					
A. Amount	4,640.9	4,835.0	5,287.6	5,287.6	5,287.6
B. Districts	3	3	3	3	3
X. Shared Time Aid					
A. FTE Pupil Units	746	826	826	826	826
B. Formula Allowance	3,150	3,205	3,205	3,205	3,205
C. Amount	2,350.8	2,647.8	2,647.8	2,647.8	2,647.8
D. Districts	158	158	158	158	158
XI. Subtractions from Aid					
A. Endowment Fund Earnings	35,730.0	31,180.3	28,100.0	28,100.0	28,100.0
B. Taconite Aid	3,389.7	3,735.6	3,869.8	3,722.3	3,722.3
C. County Apportionment	17,623.5	17,903.3	17,000.0	17,000.0	17,000.0
D. Total Subtractions	56,743.2	52,819.2	48,969.8	48,822.3	48,822.3
XII. Program Totals					
A. Total Program Revenue					
1. Reserved for Parental Involvement	4,558.9	N/A	N/A	N/A	N/A
2. Reserved for staff development	57,442.7	N/A	N/A	N/A	N/A
3. Learning and Development Reserve	77,490.9	79,474.4	87,443.1	87,470.5	79,791.5
4. Unreserved Revenue	<u>3,261,948.6</u>	<u>3,489,769.4</u>	<u>3,983,144.4</u>	<u>4,061,324.7</u>	<u>3,886,725.6</u>
5. Total Program Revenue (before TRA sub.)	3,401,441.1	3,569,243.8	4,070,587.5	4,148,795.2	3,966,544.1
6. TRA Adjustment	<u>(16,040.6)</u>	<u>(16,746.6)</u>	<u>(17,547.0)</u>	<u>(18,161.1)</u>	<u>(18,796.8)</u>
7. Total Program Revenue	3,385,400.5	3,552,497.2	4,053,040.5(e)	4,130,634.1(e)	3,947,747.3(e)
B. Total Local Levies	1,271,848.6	1,293,026.0	1,595,341.1	1,613,315.0	1,482,464.7
C. Total Aid Entitlement					
1. Gross aid (districts on the formula)	2,130,497.4	2,277,018.6	2,477,479.7	2,537,087.7	2,485,127.4
2. Levy equity adjustment	<u>905.0</u>	<u>800.8</u>	<u>2,233.3</u>	<u>1,607.6</u>	<u>1,048.0</u>
3. Aid Before TRA Adj	2,129,592.4	2,276,217.8	2,475,246.4	2,535,480.1	2,484,079.4
4. TRA Adjustment	<u>(16,040.6)</u>	<u>(16,746.6)</u>	<u>(17,547.0)</u>	<u>(18,161.1)</u>	<u>(18,796.8)</u>
5. Aid after TRA adjustment	2,113,551.8	2,259,471.2	2,457,699.6	2,517,319.0	2,465,282.6
6. Subtractions	<u>56,743.2</u>	<u>52,819.2</u>	<u>48,969.8</u>	<u>48,969.8</u>	<u>48,822.3</u>
7. Net Aid	2,056,808.6	2,206,652.0	2,408,729.6	2,468,496.7	2,416,460.3

(e) Includes revenues previously funded through categorical formulas. The amounts included in F.Y. 1997 through through F.Y. 1999 are \$238,865.0, \$246,955.9, and \$182,420.4 respectively.

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
(Continuation)

TABLE 1-2
GENERAL EDUCATION PROGRAM (APPROPRIATION ACCOUNT BASIS)

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
I. Prior Year Adjustment					
A. Gross Payment					
1. Regular	290,369.3	318,301.6	345,713.8	247,483.2	253,444.0
2. Shared Time	<u>359.2</u>	<u>352.6</u>	<u>397.2</u>	<u>264.8</u>	<u>264.8</u>
3. Total Gross Payment	290,728.5	318,654.2	346,111.0	247,748.0	253,708.8
B. Subtractions (Taconite and County Apportionment)	(19,941.0)	(20,736.8)	(20,778.6)	(20,296.8)	(20,122.3)
C. Tax Shift Adjustment	(2,352.4)	(4,683.6)	0.0	0.0	0.0
D. Other Adjustment	<u>(2,626.4)</u>	<u>(891.3)</u>	<u>163.6</u>	<u>0.0</u>	<u>(0.6)</u>
E. Net Payment	265,738.7	292,342.5	325,496.0	227,451.2	233,586.5
II. Current Payment					
A. Gross Payment					
1. Regular	1,809,845.1	1,928,656.8	2,227,348.8	2,280,995.8	2,234,231.6
2. Shared Time	<u>1,998.2</u>	<u>2,250.6</u>	<u>2,383.0</u>	<u>2,383.0</u>	<u>2,383.0</u>
3. Total Gross Payment	1,811,843.3	1,930,907.4	2,229,731.8	2,283,378.8	2,236,614.7
B. Subtractions					
1. Endowment	(35,730.0)	(31,180.3)	(28,100.0)	(28,100.0)	(28,100.0)
2. Prior year taconite and county apportionment (not recover on final payment)	<u>10.2</u>	<u>(365.0)</u>	<u>(17.1)</u>	<u>(600.0)</u>	<u>(600.0)</u>
C. Payment after Subtractions	1,776,123.5	1,899,362.1	2,201,614.7	2,254,678.8	2,207,914.7
D. Tax Shift Adjustment	(39,903.9)	294,523.1	179,615.1	(1,337.0)	0.0
E. Levy Equity Adjustment	(5,956.8)	(7,029.4)	(8,457.9)	(9,544.4)	(10,726.9)
F. TRA Reduction	(16,104.3)	(16,746.6)	(17,547.0)	(18,161.1)	(18,796.8)
G. Other Adjustments	<u>(3,533.6)</u>	<u>(1,226.7)</u>	<u>(100.0)</u>	<u>(100.0)</u>	<u>(100.0)</u>
H. Net Advance Payment	1,710,624.9	2,168,882.5	2,355,124.9	2,225,536.3	2,178,291.0
III. Total Payments	1,976,363.6	2,461,225.0	2,680,629.9	2,452,987.5	2,411,877.4

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0101 GENERAL EDUCATION
(Continuation)

TABLE 1-3
GENERAL EDUCATION PROGRAM (CHANGE IN ENTITLEMENT)

	F.Y. 1996	F.Y. 1997	Current Law	
			F.Y. 1998	F.Y. 1999
Appropriation Implied Entitlement	2,281,002	2,473,007	2,473,007	2,473,007
Entitlement Changes Per Law				
Budget Variables				
Revenue Increases/(Decreases)				
Pupil Unit Change	(18,311)	(23,450)	24,841	52,597
AFDC Count Change	--	(1,930)	(1,925)	190
Referendum Revenue Changes	(2,031)	20,138	44,749	64,235
TRA Adjustment	369	424	(190)	(826)
Levy Decreases/(Increases)				
Pupil Unit Change	(303)	1,149	--	--
Fund Balance Change	--	--	--	--
Referendum Revenue Changes	(1,671)	(10,587)	(30,076)	(40,606)
Legislation Becoming Effective				
Revenue Increases/(Decreases)				
Restor T & E Funding	--	--	--	123,771
Eliminate Roll-ins of T & E and Transportation	--	--	--	(343,423)
Expiration of Special Supplemental Provision	--	--	(1,436)	(1,426)
Phase-in of Transition Revenue	--	--	6,962	--
Repeal of Fund Balance Reduction	680	--	--	--
Restore Fund Balance Reduction	--	(1,683)	(1,909)	(6,912)
Reduce Formula Allowance & PU Weights	--	--	--	--
Levy Decreases/(Increases)				
Eliminate Roll-ins of T & E and Transportation	--	--	--	135,902
Expiration of Special Supplemental Provision	--	--	407	510
Phase-in of Transition Revenue	--	--	(1,303)	--
Repeal of Fund Balance Reduction	(263)	--	--	--
Restore Fund Balance Reduction	--	632	679	2,599
Reduce Formula Allowance & PU Weights	--	--	--	--
Property Tax Class Rate Change	--	--	3,513	5,665
Total Aid Entitlement after TRA Subtraction	2,259,472	2,457,700	2,517,319	2,465,283

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0101: GENERAL EDUCATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	2,259,471	2,457,699	2,517,319	2,465,283
2. Statutory Excess / (Shortfall)	21,531	15,308		
3. Appropriated Entitlement	2,281,002	2,473,007	2,517,319	2,465,283
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Changes in Estimated Entitlement	(21,531)	(15,308)		
5. Current Law Aid	2,259,471	2,457,699	2,517,319	2,465,283
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	1,293,026	1,595,341	1,613,315	1,482,465
8. Current Law Funding: Aid & Levy	3,552,497	4,053,040	4,130,634	3,947,748

GOVERNOR'S RECOMMENDATION: AID

Current Law Aid (from Line 5)			2,517,319	2,465,283
b. Retain Transportation and Training & Experience (T & E) Roll-ins			0	91,894
c. Fold in District Cooperation			0	8,194
d. Levy Adjustment for Roll-ins			0	(34,985)
e. T & E/Pupil Weights Reform			0	(5,001)
f. Add AFDC for Private Alternatives			853	895
g. Fold in AOM and LEP			0	32,121
h. AFDC Revenue to Follow Students			0	200
Recommended Aid Entitlement			2,518,172	2,558,601

GOVERNOR'S RECOMMENDATION: LEVY

Current Law Levy (from Line 7)			1,613,315	1,482,465
a. Retain Transportation and Training and Experience (T & E) Roll-ins			0	140,300
b. Fold in District Cooperation			0	56,979
c. Levy Adjustment for Roll-ins			0	34,985
Recommended Levy			1,613,315	1,714,729

TOTAL RECOMMENDED FUNDING: AID & LEVY

4,131,487 4,273,330

APPROPRIATIONS BASIS:(a)

Prior Year	301,965	325,496	227,451	233,672
Current Year	2,170,068 (b)	2,231,251 (c)	2,226,305	2,261,927
Current Year Adj. to 90%, per M.S. 124.904		123,874		
Subtotal before Transfers	2,472,033	2,680,621	2,453,756	2,495,599
Transfers per M.S. 124.14, subd. 7	(10,809)	0		
Total State General Funds	2,461,224	2,680,621	2,453,756	2,495,599

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) Appropriation of \$2,192,511 less cancellation of \$22,443

c) Includes a direct appropriation of \$2,224,887 plus an estimated open appropriation of \$6,364.

REVISED 2/28/97
PAGE A-131

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

 0102 PROPERTY TAX REVENUE RECOGNITION

CITATION: M.S. 121.904, Subd. 4a; 124.14, Subd. 6; 124.155
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

DESCRIPTION:

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

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

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

PROGRAM STATUS:

Program statistics are shown in Tables 1-3 and 2-3.

BUDGET ISSUES:**A. CHALLENGES:**

- The percentage of the calendar year levy to be recognized early has changed through the years reflecting the budgetary needs and financial position of the state. While the provisions of the tax shift have allowed state appropriations for education to remain stable or experience growth in economic periods that might otherwise have required decreases in state education funding, in years when the tax shift percentage increases, school district may need to borrow to meet cash flow shortages attributable to the tax shift.

B. STRATEGIES:

- Minnesota Statutes give authority for school districts to borrow for cashflow needs based on property taxes receivable from the county and state education aids receivable from the state. The credit enhancement program under M.S. 124.755 provides that if a participating district defaults on redemption of its certificates or bonds, the state will make the payment to the holders of the certificates or bonds if state cash balances are sufficient. The program gives the school districts the benefit of the state of Minnesota credit rating and is designed to allow school districts to qualify for favorable interest rates. In event of a district default and payment made by the state, a district participating in the program is obligated to repay the state treasurer through a combination of special levy proceeds and recovery of state aid and credit payments due to the district.

GOVERNOR'S RECOMMENDATION:

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

1. Increase the amount appropriated from \$180,000,000 to \$200,000,000 in F.Y. 1997 to reduce the property tax levy recognition percentage.
2. Beginning in F.Y. 1997, simplify property tax revenue recognition by computing the levy recognition amount as a percentage of the lesser of: (a) the general education levy or (b) the total certified levy in the General Fund, excluding levies not subject to the levy recognition aid adjustment policy.
3. Beginning in F.Y. 1997, adjust the general levy recognition percent to offset the narrower base used in the levy recognition computations, such that there is no change in the state total amount of the levy recognized during the fiscal year the levy is certified. Set the general levy recognition percentage at 6.9% for F.Y. 1997 and at 6.6% for F.Y. 1998 and later years.
4. Beginning in F.Y. 1997, increase the levy recognition percentage for the health insurance levy, the health benefits levy, and the levy adjustment for law changes from 50% to 100%.
5. Beginning in F.Y. 1999, permit school districts to recognize 100% of the reemployment insurance levy in the fiscal year the levy is certified and exempt this levy from the levy recognition aid adjustment.

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

0102 PROPERTY TAX REVENUE RECOGNITION
 (Continuation)

TABLE 1-3
PROPERTY TAX REVENUE RECOGNITION CHANGE AND STATE AID ADJUSTMENT (\$ in 000s)
 F.Y. 1990 - F.Y. 1999

	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	ESTIMATE F.Y. 1997	ESTIMATE F.Y. 1998	ESTIMATE F.Y. 1999
1. Revenue Recognition Percent	31%	31%	37%	50%	37.4%	37.4%	18.1%	7%	7%	7%
2. Gross Revenue Recognition Change	\$378,082	\$425,602	\$546,092	\$801,230	\$629,562	\$689,437	\$385,902	\$221,842	\$225,701	\$229,015
3. Less Adjustment for Certain Districts ^a										
Number of Districts	14 ^b	14	11	14 ^d	2	1	0	0	0	0
Amount	<u>(12,100)</u>	<u>(9,958)</u>	<u>(22,645)</u>	<u>(24,432)</u>	<u>(1,787)</u>	<u>(862)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4. Adjusted Gross Revenue Recognition Change	\$365,982	\$415,644	\$523,447	\$776,798	\$627,775	\$688,575	\$385,902	\$221,842	\$225,701	229,015
5. Less Referendum Levy Recognition Change	(60,155)	(66,693)	(78,011)	(109,432)	(70,013)	(69,796)	(67,143)	(76,264)	(78,000)	(80,211)
Revenue Recognition Percent	31%	31%	37%	50%	37.4%	31%	31%	31%	31%	31%
6. Less Levy Recognition Change for Shiftable Levies with no Aid										
Subtraction	<u>(3,302)</u>	<u>(3,755)</u>	<u>(4,294)</u>	<u>(20,615)</u>	<u>(28,368)</u>	<u>(44,803)</u>	<u>(25,780)</u>	<u>(32,214)</u>	<u>(33,000)</u>	<u>(34,000)</u>
7. Net Recognition change Amount for Aid Adjustment Calculation	\$302,525	\$345,196	\$441,142	\$646,751	\$529,394	\$573,976	\$292,979	\$113,364	\$114,701	114,804
8. Aid Adjustment Calculation:										
a. Prior Year Recognition Change (out)	295,966	302,525	345,196	441,142	646,751	529,394	573,976	292,979	113,364	114,701
b. Current Year Recognition Change (in)	<u>302,525</u>	<u>345,196</u>	<u>441,142</u>	<u>646,751</u>	<u>529,394</u>	<u>573,976</u>	<u>292,979</u>	<u>113,364</u>	<u>114,701</u>	<u>114,804</u>
9. Adjustment to State Aids (8a-8b)	\$(6,559)	\$(42,671)	\$(95,946)	\$(205,609)	\$117,357	\$(44,582)	\$280,997	\$179,615	(1,337)	(103)
10. Referendum Levy Recognition Amount Based On:										
a. Prior Year Recognition Percent			65,361	80,980	97,590					
b. Current Year Recognition Percent			78,011	109,432	70,013					
c. Difference = Adjustment to Aids ^c			(12,650)	(28,452)	27,577		13,526			
11. Total Adjustment to State Aids (9 + 10 ^c)	\$(6,559)	\$(42,671)	\$(108,596)	\$(234,061)	\$144,934	\$(44,582)	\$294,523	\$179,615	(1,337)	(103)

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

0102 PROPERTY TAX REVENUE RECOGNITION
(Continuation)

TABLE 2-3
PROPERTY TAX REVENUE RECOGNITION CHANGE AND STATE AID ADJUSTMENT (\$ in 000s)
F.Y. 1983 - F.Y. 1989

	<u>F.Y. 1983</u>	<u>F.Y. 1984</u>	<u>F.Y. 1985</u>	<u>F.Y. 1986</u>	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>
1. Revenue Recognition Percent	32%	32%	24%	24%	24%	27%	27%
2. Gross Revenue Recognition Change	\$260,957	\$295,295	\$220,808	\$230,887	\$246,385	\$295,624	\$339,382
3. Less Adjustment for Certain Districts ^a							
Number of Districts	6	5	3	4	1	1	6
Amount	<u>(4,402)</u>	<u>(3,624)</u>	<u>(540)</u>	<u>(1,082)</u>	<u>(137)</u>	<u>(450)</u>	<u>(6,950)</u>
4. Adjusted Gross Revenue Recognition Change	\$256,555	\$291,671	\$220,268	\$229,805	\$246,248	\$295,174	\$332,432
5. Less Referendum Levy Recognition Change	(15,897)	(16,633)	(14,262)	(16,769)	(20,258)	(27,726)	(34,822)
6. Less Levy Recognition Change for Shiftable Levies with no Aid Subtraction	—	—	<u>(459)</u>	<u>(1,002)</u>	<u>(1,093)</u>	<u>(442)</u>	<u>(1,644)</u>
7. Net Recognition Change Amount for Aid Adjustment Calculation	\$240,658	\$275,038	\$205,547	\$212,034	\$224,879	\$267,006	\$295,966
8. Aid Adjustment Calculation:							
a. Prior Year Recognition Change (out)	--	240,658	275,038	205,547	212,034	224,897	267,006
b. Current Year Recognition Change (in)	<u>240,658</u>	<u>275,038</u>	<u>205,547</u>	<u>212,034</u>	<u>224,897</u>	<u>267,006</u>	<u>295,966</u>
9. Adjustment to State Aids (8a-8b)	\$(240,658)	\$(34,380)	\$69,491	\$(6,487)	\$(12,863)	\$(42,109)	\$(28,960)
10. Total Adjustment to State Aids (9 + 10 ^c)	\$(240,658)	\$(34,380)	\$69,491	\$(6,487)	\$(12,863)	\$(42,109)	\$(28,960)

- ^a These adjustments occur when a district's gross revenue recognition change amount is greater than its state aids and property tax credits (which are for the fiscal year payable in that fiscal year) plus any referendum levy recognition change. In this case, the district's levy recognition change amount is limited to the lesser amount.
- ^b The increase in districts for which these adjustments are made is due to Education District and Secondary Vocational Cooperative levies being subject to the levy recognition change provisions for the first time.
- ^c The referendum levy recognition amount is normally not included for the aid adjustment calculation. This additional adjustment to state aids is provided in law as a one-time adjustment attributable to the increase in the revenue recognition percent that occurred in F.Y. 1992, F.Y. 1993, and F.Y. 1994. Refer to Laws 1991, Chap. 265, Art. 1, Sec. 31; Laws 1992, Chap. 449, Art. 1, Sec. 22; and Laws 1994, Chap. 647, Art. 1, Sec. 3. The F.Y. 1996 payback under M.S. 121.904, Subd. 4c (d) was calculated as a proportionate payback to the 31% referendum shift percentage.
- ^d Beginning in 1993, this adjustment is for districts whose total adjustment to state aids and credits is calculated at the statutory revenue recognition percentage is greater than state aid limits as defined in M.S. 124.155. In this case, the early revenue recognition is limited to the early revenue recognition of the prior year plus the aids limit as defined in M.S. 124.155.
- ^e Beginning in 1993, the Legislature identified several additional levy categories that are included in the early revenue recognition, but do not have a corresponding aid reduction. Prior to 1993, the only levy in this category was a desegregation levy.
- ^f The large reduction to 1990-91 aids and credits was due to a provision enacted in 1990 which changes the manner in which Homestead and Agricultural Credit Aid (HACA) was allocated to the various district levies, with more HACA allocated to the referendum and debt service levies and no HACA allocated to the General Education Levy and other major equalized levies.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0102: PROPERTY TAX RECOGNITION POLICY

	Governor's Rec.		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	0	0		
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	0	0	0	0
4. Adjustments				
a. Excess Funds Transferred In / (Out)			0	0
5. Current Law Aid	0	0	0	0
6. Excess / (Shortfall) After Adjustments	0	0	0	0
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	0	0	0	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			0	0
a.				
Recommended Aid Entitlement			0	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			0	0
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	0	20,000 (a)	0	0
Transfers per M.S. 124.14, subd. 7		0		
Total State General Funds	0	20,000	0	0

(a) Increase the amount appropriated from \$180,000 to \$200,000 in order to reduce the property tax recognition percentage.

1998-99 Biennial Budget

PROGRAM: 01 General Education
AGENCY: Children, Families & Learning Aids

 0103 PERMANENT SCHOOL FUND RESTRUCTURING

CITATION:
MDCFL ADMIN: Finance and Management Assistance
FEDERAL: None

Table 1	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- General Education				
Aid Increase	\$9,435	\$8,614	\$6,862	\$5,928
Revenues: (\$000s)				
Endowment School	\$ (9,435)	\$ (8,614)	\$ (6,862)	\$ (5,928)
Fund				
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statutes(s) affected:				

PURPOSE AND DESCRIPTION: 0103.d1
 03-01-97 12:26 pm jms
 To restructure the asset allocation of the Permanent School Fund in order to enhance the long-term growth in fund principal and maximize future returns.

PROGRAM STATUS:

The Permanent School Fund is a non-expendable trust established by the Constitution to be a long-term source of revenue for public education [Article XI, Sec 7]. Net proceeds (after DNR administrative costs) from land sales, mining royalties, timber sales, lake shore and other leases are credited to the fund. Twice annually, the net yield on all assets is certified by the Executive Director to the Commissioner of Finance as spendable income for transfer to the Endowment School expendable trust (a pass-through) from which it is added to and offsets the regular state General Fund revenue formula aid disbursements to school districts. The Permanent School Fund is currently allocated 100% to bonds.

The corpus of the fund is not growing. Future spendable income in current dollar terms is expected to decline. A sizable exposure to stocks is required to increase long-run returns. The Constitution, however, still defines spendable income strictly as dividend and interest income. Stock dividends are lower. Hence, while equities will grow the principal of the fund more quickly, reallocating from bonds to stocks results in a short-term reduction in the spendable income stream.

Asset Allocation Effect

The average bond yield for the current portfolio is 6.7%. The current average dividend for common stocks is 2.2%. Given the Constitutional definition of spendable income, it therefore follows that any reallocation from the present 100% bond allocation to common stocks must result in a short-term

reduction to distributable returns. The estimated cost of moving to a 50% stock allocation in F.Y. 1998 is \$18 million for the biennium.

The current portfolio will yield not much more than \$28 million each year over the next 30 years, and the assets of the fund will remain close to the current \$419 million..

Moving to a 50% equity position, however, is projected to yield \$40 million in annual spendable income by 2016, and \$65 million by the year 2027; the cumulative difference for the same period is a gain of \$276 million. In addition, the corpus of the fund under this proposal would grow to over \$1 billion by the year 2018, and \$1.5 billion in 2027.

While the short-term costs of this proposal are significant, long-term benefits for education spending are greater. Restructuring the Permanent School Fund is an essential step to achieving the long-term objectives of the fund.

Table 2 Statistics

<u>Biennium</u>	(\$'s in millions)		
	<u>Spendable Income</u> <u>100% Bonds</u>	<u>Spendable Income</u> <u>50 % Stocks</u>	<u>Difference</u>
92-93	69	n.a.	n.a. (actual)
94-95	64	n.a.	n.a. (actual)
96-97	58	n.a.	n.a. (est.)
98-99	56	38	(18)
00-01	56	41	(15)
02-03	56	45	(11)
04-05	56	49	(7)
06-07	56	54	(2)
08-09	56	59	+3
10-11	56	64	+8
Total, 1998			
through 2027	\$843	\$1,119	+ \$276

GOVERNOR'S RECOMMENDATION:

The Governor recommends restructuring the asset allocation of the Permanent School Fund in order to enhance the long-term growth in fund principal and maximize future returns. The net cost to the General Fund of moving to a 50% equity allocation in the 1998-99 biennium is \$18.049 million.

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

0104 TRANSPORTATION PROGRAM
(Continuation)

PROGRAM STATUS:

All Minnesota school districts provide for transportation of students. A district's transportation funding is a combination of state aid and local levy. A district's total transportation aid equals its total formula funding minus the basic, contracted and nonregular transportation levy limits. Seven districts were off-the-formula in F.Y. 1995. The same number of districts are estimated to be off-the-formula in F.Y. 1996.

TABLE 2-1
PUPILS TRANSPORTED TO AND FROM SCHOOL

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
Regular	571,160	585,141	598,438	609,056	617,109
Desegregation	52,804	52,526	53,962	55,344	56,491
Disabled	26,246	27,782	29,200	30,500	31,700
Excess Transported	133,442	136,029	141,300	146,000	150,100
Total Pupils Transported	783,652	801,478	822,900	840,900	855,400
Total Gross Enrollment (Public and Nonpublic)	896,017	912,570	926,238	935,854	941,293
Percentage of Pupils Transported	87.46%	87.83%	88.84%	89.85%	90.87%

TABLE 2-2
TRANSPORTATION EXPENDITURE SUMMARY
BY CATEGORY

	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
I. Regular and Excess Transportation (includes excess walker cost)	\$163,694.7	\$169,523.1	\$178,832.4	\$187,792.1	\$196,324.6
II. Nonregular and Other					
A. Desegregation	\$19,582.1	\$21,789.3	\$23,224.7	\$24,639.8	\$26,023.3
B. Disabled	\$50,826.2	\$54,547.3	\$59,254.9	\$63,992.4	\$68,766.4
C. Noon Kindergarted	\$9,461.9	\$9,747.2	\$10,286.6	\$10,809.4	\$11,307.5
D. Late Activity	\$4,009.9	\$4,198.2	\$4,429.9	\$4,654.6	\$4,868.7
E. Other Nonregular	\$9,326.0	\$9,262.7	\$9,575.8	\$9,858.9	\$10,104.7
Total Nonregular and Other	\$93,206.1	\$99,544.7	\$106,771.9	\$113,955.1	\$121,070.6
III. Bus Depreciation	\$16,805.6	\$17,557.3	\$18,530.0	\$19,378.4	\$20,333.1
IV. Total Expenditures	\$273,706.4	\$286,625.1	\$304,134.3	\$321,125.6	\$337,728.3

TABLE 2-3
FORMULA FUNDING OF AUTHORIZED TRANSPORTATION

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
I. Regular Transportation Funding				Transferred to General Fund	
A. Formula Allowance	463	477			521
B. Inflation Factor	1.03425	1.00000	--	--	1.00000
C. Average Funding Per Pupil Transported	\$266.61	\$264.76	--	--	\$277.61
D. Number of Pupils Transported	650,127	665,479	--	--	705,300
E. Regular Funding (000s)	\$157,402.1	\$159,678.1	--	--	\$177,132.4
F. Regular Desegregation Funding	\$9,719.3	\$9,931.1	--	--	\$10,803.6
G. Regular Disabled Funding	\$6,212.0	\$6,584.4	--	--	\$7,863.2
H. Total Regular Transportation Funding	\$173,333.4	\$176,193.7	--	--	\$195,799.2
II. Nonregular Transportation Funding					
A. Gross Nonregular Funding	\$87,167.3	\$92,462.3	--	--	\$114,070.9
B. Less Regular Desegregation/ Disabled Funding	\$15,931.3	\$16,515.5	--	--	\$18,666.8
C. Net Nonregular Funding	\$71,236.0	\$75,946.8	--	--	\$95,404.1
III. Excess Transportation Funding	\$26,064.5	\$26,393.7		Transferred to General Fund	\$31,826.7
IV. Late Activity Levy	\$2,999.1	\$3,128.6	--	--	\$3,648.2
V. Total Gross Transportation Funding	\$273,633.0	\$281,662.8	--	--	\$326,678.2
VI. Levy Subtractions					
A. Basic Transportation Levy	\$68,119.2	\$67,943.0	--	--	\$68,000.0
B. Contract Transportation	\$8,690.2	\$8,366.8	--	--	\$8,666.8
C. Nonregular Transportation	\$2,841.4	\$30,587.8	--	--	\$42,921.3
D. Excess Transportation	\$26,064.5	\$26,393.7	--	--	\$31,826.7
E. Late Activity	\$2,999.1	\$3,128.6	--	--	\$3,648.2
F. Levy Reduction for					
G. Total Levy Reduction	\$133,087.9	\$136,419.9	--	--	\$154,531.4
VII. State Aid Entitlement					
A. Gross State Aid Entitlement	\$140,545.1	\$146,454.6	--	--	\$172,169.7
B. Gross Aid as Percent of Funding	51.9%	52.4%	--	--	53.3%
C. Proration per ADM	0.00	0.00	--	--	0.00
D. Prorated State Aid Entitlement	\$140,545.1	\$146,454.6	--	--	\$172,169.7
VIII. Reconciliation of Expenditures and Funding					
A. Total Prorated Transportation Funding	\$270,633.9	\$278,534.2	--	--	\$323,030.0
B. Total Authorized Expenditures	\$273,674.5	\$286,625.1	--	--	\$337,728.3
C. Prorated Funding as Percent of Expenditures	99.9%	97.2%	--	--	95.6%

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
 AGENCY: Children, Families & Learning Aids
 0104 TRANSPORTATION PROGRAM
 (Continuation)

TABLE 2-4

(\$ in 000s)	F.Y. 1996	F.Y. 1997	Current Law	
			F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	\$146,678.0	\$0.0	\$0.0	\$177,156.0
B. ENTITLEMENT CHANGES PER LAW				
■ REVENUE INCREASE (DECREASE):				
Decrease in Regular Funding	(\$1,866.6)			(\$5,484.4)
■ LEVY DECREASE (INCREASE):				
Reduction in Nonregular and excess levies	\$1,643.2			
Increase in Nonregular Levy				(\$498.1)
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$146,454.6	\$0.0	\$0.0	\$172,169.7

BUDGET ISSUES:

A. CHALLENGES:

- The complexity of the current education funding system limits public understanding and involvement.
- Minnesota districts face different challenges. Priorities in districts vary based on their needs.
- Federally mandated licensing and drug testing requirements, state mandated school bus driver training requirements, low wages, and low unemployment all have contributed to the shortage of school bus drivers. The long-range outlook does not see this shortage disappearing.
- School districts are encountering increasing difficulty in providing transportation for pupils with disabilities because of federal laws mandating related services, including transportation.

B. STRATEGIES:

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

GOVERNOR'S RECOMMENDATION:

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

1. Continue the roll-in of transportation revenue into the general education program for F.Y. 1999 and later years (see program 0101).
2. Beginning in F.Y. 1999, roll the special programs transportation revenue into the special education program and the special education excess cost program (see programs 0201 and 0204).
3. Beginning in F.Y. 1999, roll the integration transportation revenue into the integration revenue program.
4. Beginning in F.Y. 1999, continue the nonpublic pupil transportation revenue as a separate categorical aid (see program 0105).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0104: TRANSPORTATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	146,455	in gen. ed.	in gen. ed.	172,170
2. Statutory Excess / (Shortfall)	223			4,986
3. Appropriated Entitlement	146,678			177,156
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(223)			
5. Current Law Aid	146,455			177,156
6. Excess / (Shortfall) After Adjustments	0			
7a. Current Law Levy, including Late Activity Levy	135,492			154,429
7b. Bus Purchase, Leased Facility & Post-Sec. Levies (See Prog. 0106)	6,211			18,898
8. Current Law Funding: Aid & Levy	288,158	n/a	n/a	350,483
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)				177,156
a. Eliminate Excess				(4,986)
b. Eliminate Separate Transportation Funding				(172,170)
Recommended Aid Entitlement			n/a	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Lines 7a & 7b)				173,327
a. Eliminate Separate Transportation Funding				(173,327)
b. One-Time Bus Purchase Levy for 6/96 Deficit				900
Recommended Levy			n/a	900
TOTAL RECOMMENDED FUNDING: AID & LEVY			n/a	900

APPROPRIATIONS BASIS: (a)

Prior Year	21,038	22,001		0
Current Year	124,677	0		0
Current Year Adj. to 90%, per M.S. 124.904				
Subtotal before Transfers	145,715	22,001		0
Transfers per M.S. 124.14, subd. 7	(223)			
Total State General Funds	145,492	22,001	n/a	0

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

0105 TARGETED NEEDS TRANSPORTATION

CITATION: M.S. 124.225, Subd. 13
MDCFL ADMIN: 1501 Finance & Management Assistance
FEDERAL: None

PURPOSE:

To ensure all Minnesota children have access to education programs and opportunities, and they are transported safely and economically.

DESCRIPTION:

Targeted needs transportation revenue equals the sum of special programs transportation revenue, integration transportation revenue and nonpublic transportation revenue. This program began in F.Y. 1997.

Special Programs Transportation Revenue equals the sum of:

- (1) the districts actual cost in the second preceding year for transportation services for children with disabilities (includes to and from school, board and lodging, to and from board and lodging, during-day and summer) times the ratio of the district's ADM for the current school year to the district's ADM for the second preceding school year, plus
- (2) 80% of the difference between the district's actual cost for special programs transportation and the amount computed in paragraph 1.

Integration Transportation Revenue equals \$158 per WADM for Minneapolis, \$73 per WADM for St. Paul and \$4 per WADM for Duluth. These allowances were established to reflect the estimated nonregular funding that these districts would have received for desegregation transportation for F. Y. 1997 under current law.

Nonpublic Pupil Transportation Revenue equals the sum of:

- (1) for regular and excess transportation, an amount equal to the product of:
 - the district's actual cost per public and nonpublic pupil transported in the regular and excess categories for the second preceding year, times
 - the number of nonpublic pupils receiving regular or excess transportation in the current year, times
 - the ratio of the formula allowance for the current year to the formula allowance for the second preceding year, plus
- (2) for nonregular (e. g., shared time, support services) and late activities transportation, and amount equal to the product of
 - the district's actual cost in the second preceding year, times

- the ratio of the formula allowance for the current school year to the formula allowance for the second preceding year.

Targeted Needs Transportation Aid and Levy. For F. Y. 1997 and later years, the targeted needs transportation levy equals:

- 28% of the sum of the district's special programs and integration transportation revenue, times
- the lesser of 1 of the ratio of the districts' ANTC per WADM to \$3,540.

The targeted needs transportation aid equals the difference between the targeted needs transportation revenue and levy. If a district does not levy the maximum amount, the targeted needs transportation aid is reduced proportionately.

PROGRAM STATUS:

(\$ in 000s)	Current Law			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
I. Targeted Needs Transportation Revenue				
A. Special Programs	--	\$63,392.8	\$68,105.7	--
B. Integration	--	\$11,794.6	\$12,129.1	--
C. Nonpublic				
To and From	--	\$16,158.6	\$15,969.2	--
Shared Time	--	\$811.1	\$840.8	--
Subtotal Nonpublic	--	\$16,969.7	\$16,810.0	--
D. Subtotal, Targeted Needs Transp. Revenue	--	\$92,157.1	\$97,044.8	--
II. Targeted Needs Transportation Funding				
A. Initial Targeted Needs Aid	--	\$71,104.7	\$74,579.0	--
B. Targeted Needs Levy Revenue	--	\$21,052.5	\$22,465.7	--
Levy	--	\$18,457.5	\$20,327.0	--
Equalization Aid	--	\$2,595.0	\$2,138.8	--
C. Total Targeted Needs Transp. Aid	--	\$73,699.7	\$76,717.8	--

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

0105 TARGETED NEEDS TRANSPORTATION
 (Continuation)

(\$ in 000s)	Current Law			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 on Fiscal Page)	\$0.0	\$71,482.0	\$71,482.0	\$0.0
B. ENTITLEMENT CHANGES PER LAW				
■ REVENUE INCREASE (DECREASE)				
Increase in Revenue for Special Programs Transportation		\$3,112.5	\$7,825.1	
Increase in Integration Revenue		\$171.4	\$505.9	
Changes in Nonpublic Transportation Revenue		(\$208.6)	\$(368.4)	
■ LEVY DECREASE (INCREASE):				
Growth in Levy Revenue		(\$857.3)	(\$2,726.8)	
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$0.0	\$73,700.0	\$76,717.8	\$0.0

BUDGET ISSUES:

A. CHALLENGES:

- School districts are encountering increasing difficulty in providing transportation for pupils with disabilities because of federal law mandating services, including transportation.
- The proliferation of program choices has contributed to the complexity and cost of pupil transportation.
- Changes in the number of nonpublic pupils requiring transportation adds to the complexity of providing services.

B. STRATEGIES:

- In order for districts to provide the same level of service, they may have to cooperate on low incidence transportation.

GOVERNOR'S RECOMMENDATION:

Nonpublic Pupil Transportation

The Governor recommends that nonpublic pupil transportation revenue be continued as a separate categorical program, beginning in F.Y. 1999.

The Governor recommends an aid entitlement of \$-0- for F.Y. 1998 and \$18,480 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$-0- in F.Y. 1998, and \$16,632 in F.Y. 1999 (\$-0- for F.Y. 1998 and \$16,632 for F.Y. 1999).

Targeted Needs Transportation

The Governor recommends an aid entitlement of \$76,718 for F.Y. 1998 and \$-0- for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$76,195 in F.Y. 1998 (\$7,148 for F.Y. 1997 and \$69,047 for F.Y. 1998), and \$7,671 in F.Y. 1999 (\$7,671 for F.Y. 1998 and \$-0- for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0105: TARGETED NEEDS/NONPUBLIC PUPIL TRANSPORTATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	0	73,700	76,718	0
2. Statutory Excess / (Shortfall)		(2,218)	(5,236)	
3. Appropriated Entitlement	0	71,482	71,482	0
4. Adjustments				
a. Excess Funds Transferred In / (Out)		204		
5. Current Law Aid	0	71,686	71,482	
6. Excess / (Shortfall) After Adjustments		(2,014)		
7. Current Law Levy		18,458	20,327	
8. Current Law Funding: Aid & Levy	0	90,144	91,809	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			71,482	0
a. Eliminate Aid Proration			5,236	0
b. Reinstate Nonpublic Pupil Transportation Aid in F.Y. 1999			0	18,480
Recommended Aid Entitlement			76,718	18,480
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			20,327	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			97,045	18,480

APPROPRIATIONS BASIS: (a)

Prior Year		0	7,148	7,671
Current Year		60,760	69,047	16,632
Current Year Adj. to 90%, per M.S. 124.904		3,574		
Subtotal before Transfers	0	64,334	76,195	24,303
Transfers per M.S. 124.14, subd. 7		204		
Total State General Funds	0	64,538	76,195	24,303

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

This page intentionally left blank.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0108: INTERDISTRICT DESEGREGATION TRANSPORTATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	100	630	630	630
2. Statutory Excess / (Shortfall)	200	0		
3. Appropriated Entitlement	<u>300</u>	<u>630</u>	<u>630</u>	<u>630</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Cancellation	(200)	0		
5. Current Law Aid	<u>100</u>	<u>630</u>	<u>630</u>	<u>630</u>
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>100</u>	<u>630</u>	<u>630</u>	<u>630</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			630	630
a. Increase Funding			<u>170</u>	<u>340</u>
Recommended Aid Entitlement			800	970
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			800	970
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	100	630	800	970
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	<u>100</u>	<u>630</u>	<u>800</u>	<u>970</u>

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids
 0109 TRANSPORTATION SAFETY
CITATION: M.S. 124.225, subds. 7f and 8m
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To maintain and improve school bus safety.

DESCRIPTION:

Since the 1994-95 school year, school districts have been given \$1.50 per fund balance pupil unit to provide student transportation safety programs. These funds are placed in a reserved revenue account. They can be expended only: 1) to provide paid adult bus monitors, including training and salary costs; 2) to provide a volunteer bus monitor program, including training costs and the cost of a program coordinator; 3) to purchase or lease external public address systems or video recording cameras for use on buses; or 4) to purchase or implement other activities or equipment that have been reviewed by the state school bus safety advisory committee and approved by the commissioner of public safety. As of January, 1995, the safety advisory committee and the Commissioner of Public Safety have approved the following additional activities or equipment: 1) expenditures directly related to school bus safety training for students; 2) expenditures directly related to the cost of reporting incidents of student misconduct; 3) expenditures directly related to the annual cost of training and evaluating school bus drivers; and 4) the purchase of crossing gates/arms. Minimum aid is equal to \$500 per district.

PROGRAM STATUS:

Instruction in school bus safety and demonstration of competencies is required for all students in kindergarten through grade 10 who are transported by school bus. Since districts do not know, at the beginning of the school year, whether any particular student will ride a school bus for a field trip or activity trip sometime during the school year, most districts are training and testing all K - 10 students enrolled in the district. The Department of Children, Families & Learning is currently collecting data on district participation, number of students completing training, and student competency.

Safety Aid	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Formula Aid	\$2,457.2*	\$1,401.8	\$1,425.9	\$1,444.6	\$1,456.0
Prorated Aid	\$2,457.2	\$1,267.0	\$1,294.0	\$1,306.0	\$1,306.0

* Aid for 1994-95 was equal to 1% of total regular and non-regular funding with a minimum aid of \$1,000 per district.

(\$ in 000s)

	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	\$1,267.0	\$1,294.0	\$1,306.0	\$1,306.0
B. ENTITLEMENT CHANGES PER LAW Number of Pupils Participating	135.0	132.0	110.0	91.0
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$1,402.0	\$1,426.0	\$1,445.0	\$1,456.0

BUDGET ISSUES:

A. CHALLENGES:

- The number of approved types of expenditures is expected to increase as the state school bus safety advisory committee reviews requests from members, school districts and school bus contractors.
- Beginning with the 1994-95 school year, school districts were required to adopt additional school bus safety regulations in their district. These regulations mandate school bus driver training, pupil safety training, policy development, school bus discipline policies, etc.
- The National School Bus Standards Conference is scheduled to adopt new national standards in 1995. Because Minnesota has adopted the national standards as the basis for their school bus construction standards, these new standards will impact the design, cost, etc. of buses purchased for use in Minnesota.

B. STRATEGIES:

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

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modification in the student transportation safety program:

Beginning in F.Y. 1999, increase the transportation safety allowance from \$1.50 to \$1.56 to adjust for the change in pupil unit weights (see program 0101).

The Governor recommends an aid entitlement of \$1,445 for F.Y. 1998 and \$1,460 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$1,430 in F.Y. 1998 (\$129 for F.Y. 1997 and \$1,301 for F.Y. 1998), and \$1,458 in F.Y. 1999 (\$144 for F.Y. 1998 and \$1,314 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0109: TRANSPORTATION SAFETY

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	1,402	1,426	1,445	1,397
2. Statutory Excess / (Shortfall)	(135)	(132)	(139)	(91)
3. Appropriated Entitlement	1,267	1,294	1,306	1,306
4. Adjustments				
a. Excess Funds Transferred In / (Out)	135	12		
5. Current Law Aid	1,402	1,306	1,306	1,306
6. Excess / (Shortfall) After Adjustments	0	(120)		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	1,402	1,306	1,306	1,306
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			1,306	1,306
a. Eliminate Aid Proration			139	150
b. Adjust Pupil Weights and Formula in F.Y. 1999			0	4
Recommended Aid Entitlement			1,445	1,460
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,445	1,460

APPROPRIATIONS BASIS: (a)

Prior Year	368	190	129	144
Current Year	1,077	1,100	1,301	1,314
Current Year Adj. to 90%, per M.S. 124.904		65		
Subtotal before Transfers	1,445	1,355	1,430	1,458
Transfers per M.S. 124.14, subd. 7	135	12		
Total State General Funds	1,580	1,367	1,430	1,458

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

0110 CAPITAL EXPENDITURE - HEALTH AND SAFETY

CITATION: M.S. 124.83
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To ensure an education environment that is free of recognized hazards. This program helps districts take proactive and remedial action to address to health, safety, and environmental hazards in school facilities. The intent is to provide revenue that is designated specifically for use toward compliance with federal and state laws and regulations and to prevent or reduce health and safety hazards in districts.

DESCRIPTION:

To receive health and safety revenue, a district must submit an application to the Department of Children, Families & Learning for approval by June 1, thirteen months preceding the school year to which the health and safety revenue is attributed. The district program must include one or more of the following plans:

- Hazardous Substance - provisions for the removal or encapsulation of asbestos, and asbestos related repairs, fuel storage repairs, cleanup, or storage tank removal;
- Fire Safety - removal or repair of a current fire hazard;
- Environmental Health and Safety Management; or
- Physical Hazard Control.

Health and safety revenue may not be used for the construction of new facilities or the purchase of portable classrooms. The revenue may not be used for a building or property, or part of a building or property, for post-secondary instruction or for a purpose unrelated to elementary and secondary education.

The amount of health and safety revenue in any given year is equal to the difference between a) the approved cost of the district's total health and safety program approved since F.Y. 1985 through the current year, and b) the accumulated receipt of health and safety state aid and local levy plus other federal, state, or local receipts due the district from F.Y. 1985 through the prior fiscal year.

For F.Y. 1997, the capital expenditure health and safety aid, levy, and revenue is computed as follows:

Revenue = amount approved by the Department of Children, Families & Learning (revenue will not exceed actual approved costs)

Levy = the lesser of one or $\frac{1994 \text{ ANTC}/1996-97 \text{ WADM}}{\$4,707.50}$ x health and safety revenue

Aid = health and safety revenue - health and safety levy

If health and safety aid is prorated due to insufficient appropriations, a district may levy an additional amount equal to the amount not paid due to proration.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Total Revenue					
Amount	\$40,985.8	\$30,459.0	\$44,524.7	\$58,115.8	\$76,000.0
Districts	312	289	300	300	300
Levy					
Amount	\$25,159.2	\$20,803.8	\$32,928.8	\$45,728.8	\$63,844.0
Districts	312	289	300	300	300
State Aid					
Proration Rate	1.0000	1.0000	0.8097	0.8745	0.7488
Amount	\$15,736.6	\$9,655.2	\$11,595.9	\$12,387.0	\$12,156.0
Districts	276	265	265	265	265
Management Assistance and Fire Marshall	\$460.0	\$460.0	\$460.0	\$460.0	\$460.0

BUDGET ISSUES:

A. CHALLENGES:

- There is increasing public awareness and concern related to health and safety issues. We anticipate new air quality requirements as well as continuing attention to current state and federal requirements. It is anticipated that financial demands on school districts will continue.

B. STRATEGIES:

- The carryover of costs from both under levies and poor school district cost projections, as well as new health and safety projects, will result in higher demand for health and safety revenue.

GOVERNOR'S RECOMMENDATION:

Capital Expenditure - Health & Safety

The Governor recommends an aid entitlement of \$14,387 for F.Y. 1998 and \$14,156 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$14,081 in F.Y. 1998 (\$1,132 for F.Y. 1997 and \$12,949 for F.Y. 1998), and \$14,179 in F.Y. 1999 (\$1,438 for F.Y. 1998 and \$12,741 for F.Y. 1999).

The Governor recommends the following modification in the health and safety program:

Beginning in F.Y. 1999, increase the equalizing factor used in computing health and safety aid from \$4,707.50 to \$4,883, to adjust for the change in pupil unit weights (see program 0101).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0110: CAPITAL EXPENDITURE - HEALTH & SAFETY

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	9,655	14,322	15,418	17,052
2. Statutory Excess / (Shortfall)	4,602	(3,002)	(3,031)	(4,896)
3. Appropriated Entitlement	14,257	11,320	12,387	12,156
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(4,602)	276		
b. Cancellation	0			
5. Current Law Aid	9,655	11,596	12,387	12,156
6. Excess / (Shortfall) After Adjustments	0	(2,726)		
7. Current Law Levy	20,804	32,929	45,729	63,844
8. Current Law Funding: Aid & Levy	30,459	44,525	58,116	76,000
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			12,387	12,156
a. Reduce Aid Proration			2,000	2,000
Recommended Aid Entitlement			14,387	14,156
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			45,729	63,844
a. Reduce Aid Proration			(2,000)	(2,000)
Recommended Levy			43,729	61,844
TOTAL RECOMMENDED FUNDING: AID & LEVY			58,116	76,000

APPROPRIATIONS BASIS: (a)

Prior Year	2,606	2,138	1,132	1,438
Current Year	12,119	9,622	12,949	12,741
Current Year Adj. to 90%, per M.S. 124.904		566		
Subtotal before Transfers	14,725	12,326	14,081	14,179
Transfers per M.S. 124.14, subd. 7	(4,602)	276		
Total State General Funds	10,123	12,602	14,081	14,179

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 01 General Education Program
AGENCY: Children, Families & Learning Aids

 0111 DESEGREGATION CAPITAL IMPROVEMENT GRANTS
 (Information Only)

CITATION: M.S. 124C.55 - 124C.58; Laws 1989, Chap. 300, Art. 2, Sec. 6-10;
 Laws 1992, Chap. 558, Sec. 7, Subd. 9

MDCFLL ADMIN: 1301 Learner Improvement

FEDERAL: None

PURPOSE:

To provide facilities and equipment for implementing and operating a desegregation plan approved by the Commissioner of Children, Families & Learning.

A goal of the State Board of Education and the Minnesota Department of Children, Families & Learning is to revise and strengthen policies and rules that promote effective desegregation/integration programs throughout the state. The Commissioner may award grants to eligible school districts for constructing, enlarging or modifying school buildings. It must be determined that the costs are directly related to reducing or eliminating racial imbalance and are part of a desegregation plan.

Magnet schools, specialty schools, and school pairing are methods used to achieve desegregation/integration in schools. Many of the existing school facilities need substantial remodeling and/or improvements to provide quality education. The financial burden of achieving school desegregation/integration must not be solely a local responsibility. State bond funds are used for this program.

DESCRIPTION:

School districts required to have a comprehensive desegregation plan approved by the Commissioner are eligible to apply for up to 50% of the costs of remodeling or improving a facility related to its desegregation plan. Districts unable to meet the 50% match with local funds, including local bond issues as necessary, are not eligible to receive a grant. Currently, Duluth, Minneapolis, and St. Paul are eligible. School districts applying must also comply with the review and comment provisions of M.S. 121.15.

PROGRAM STATUS:

				Current Law	
(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Duluth	-0-	-0-	-0-	-0-	-0-
Minneapolis	\$1,840	-0-	-0-	-0-	-0-
St. Paul	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL	\$1,840	-0-	-0-	-0-	-0-

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0112 COOPERATIVE SECONDARY FACILITIES GRANTS
 (Information Only)
CITATION: M.S. 124.491 - 124.495
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide incentives for 2 or more smaller, rural school districts to cooperatively improve acquire, or build new or existing secondary school facilities. The 1994 legislature expanded this program to include remodeling grants to combined or consolidated districts that have continuing facility needs. Funds are provided through state bonding authority. The specific objectives of the Cooperative Secondary Facilities Grant Act (CSFGA) are to:

- promote the development of secondary schools in Greater Minnesota that will provide more equitable and improved programs and services;
- create cooperative school district organizations in Greater Minnesota that will remain more viable in the long term;
- improve/replace rural secondary school facilities which are outmoded for educational, health and safety, and operational purposes; and
- accomplish all of the above in a cost-efficient manner.

DESCRIPTION:

School districts, through their cooperative joint efforts, have created state-of-the-art high schools with vastly improved conditions for more effective teaching and learning. Greater student numbers and expanded staffs afford greater opportunities to explore more areas of interest in junior and senior high curricula, and better prepare students for post-secondary education and the world of work.

The application is for an incentive grant in an amount not to exceed the lesser of \$6 million or 75% of the approved construction costs of a cooperative secondary education facility. Grant applications are reviewed on a competitive basis by the Department of Children, Families & Learning (CFL) staff. All requirements of the law, State Board of Education Rules, and the grant application must be met to qualify for grant award consideration. Criteria and requirements for grant award consideration include the following:

- Two or more school districts together must have a minimum average enrollment of at least 66 students per secondary grade. No applicant district may have more than 1,200 students in Grades K-12;
- The districts must form a joint powers board to govern the proposed cooperative secondary facility;
- An educational plan must be prepared, including the following:
 - a. a statement of the inadequacies of the present secondary facilities;
 - b. time lines for selecting one superintendent for the joint powers district;
 - c. input from professional staff and community members;
 - d. a combined seniority list of secondary teachers;
 - e. optional provisions for early retirement and severance pay for teachers and administrators;
 - f. a detailed description of the improved learning opportunities and expanded course offerings

to be made available to students, and procedures to assess learning outcomes and student performance;

- g. a plan to provide for co-location of social services within the new facility
- A positive review and comment under M.S. 121.15 must be received for the proposed project;
- The grant application must be received by CFL by September 1 of an odd-numbered year for grant award consideration by November 1;
- Within 180 days of receiving notification of a grant award, the districts must have a referendum on the question of borrowing additional funds for the portion of the proposed secondary facility cost not covered by the grant. A majority of those residents of the joint powers district voting in the affirmative is needed for approval; and
- Within four years after the grant award is made, the districts must hold a combination referendum.
- The 1994 legislature added the secondary facilities remodeling grant program. A total of \$778,000 was appropriated from state bonding revenue to provide grants for up to \$200,000 to school districts that had combined or consolidated and had continuing needs for facility improvement. Four districts have been awarded grants by the Commissioner.

PROGRAM STATUS:

School Project (\$ in 000s)	Number of Districts	Project Cost	Award Amount
1. Lac Qui Parle Valley	4	\$11,900.0	\$8,000.0
2. Tri-District Coop	3	\$16,500.0	\$6,000.0
3. Blue Earth Area	4	\$8,900.0	\$5,881.0
4. Grant County	4	\$10,877.7	\$6,000.0
5. Atwater, Cosmos and Grove City (ACGC)	3	\$13,375.0	\$6,000.0
6. Dilworth-Glyndon-Felton	2	\$10,000.0	\$2,000.0
7. Secondary Facility Grants	4		\$778.0

Note: The Sibley East group of three districts also applied for and was awarded a grant of \$8 million, but the local referendum failed and the grant award was canceled.

BUDGET ISSUES:

A. CHALLENGES:

- The state fire marshal visitations are helping school districts identify serious health and safety hazards in school facilities. These inspections help motivate districts to consider options for upgrading or replacing outmoded school facilities.
- For many older buildings, the cost of remodeling or renovation is almost as much as replacement.
- Continuing school district reorganization requires facility modifications.
- Grant programs such as these which do not take account of the property wealth of a district are less preferable models for financing capital projects than programs like debt service equalization.

B. STRATEGIES:

- Costs of upgrading and replacing existing secondary facilities may be prohibitive and districts are considering an affordable alternative to selectively upgrade and/or replace an existing single building that can be used for several districts cooperatively.
- Encourage greater use of equalized programs such as debt service for capital projects.

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0113 MISCELLANEOUS CAPITAL EXPENDITURE LEVIES

CITATION: M.S. 124.91 Subd. 1,2,3,4,5,6; 124.82; 124.84; 122.533
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide funds to school districts for various capital expenditure purposes.

DESCRIPTION:

1. Building and Land Lease (M.S. 124.91, Subd. 1). Districts may levy to rent or lease a building or land for instructional purposes, school storage or furniture repair if the district determines that the total operating capital revenue authorized under section M.S. 124A.22, subd. 10 is insufficient for this purpose. The levy authority and amount must be approved by the commissioner. The proceeds of this levy must not be used for custodial or other maintenance services.
2. Building Construction Down Payment (M.S. 124.82). A school district may levy the tax rate approved by a majority of the electors voting on the question of providing funds for a down payment for an approved building construction project. All proceeds from the levy must be transferred to the down payment account in the building construction fund.
3. Cooperative Building Repair (M.S. 124.91, Subd. 4). A school district that has a cooperative agreement according to M.S. 122.535 or 122.541 may levy for the repair costs, as approved by CFL, of a building located in another district that is a party to the agreement.
4. Disabled Access Levy (M.S. 124.84). The 1990 Federal Americans with Disabilities Act (ADA) facilitates the removal of architectural barriers for persons with disabilities in public schools and enables school districts to make modifications in school buildings based on inspection by the staff of the State Fire Marshal. A school district may levy up to \$300,000 to provide disabled accessibility for all facilities. Some newly consolidated districts have maximum levy authority of \$450,000 or \$600,000. The levy amount must be approved by the commissioner. The approved amount may be levied over eight or fewer years.
5. Transition Levy (M.S. 122.533). A school district may levy for the capital expenditure transition costs due to consolidation or dissolutionment.
6. Alternative Facilities Bonding and Levy (M.S. 124.239). Large school districts with over 1,850,000 square feet of space, an average age of building space of 20 years or older, and a ten-year facility plan approved by the Commissioner, may issue bonds or have capital expenditure levy authority to provide funds for projects specified in the ten-year facility plan. The ten-year facility plan contains the projects and project costs under the following areas:
 - health and safety,
 - disabled access, and

- deferred capital expenditures and maintenance (necessary to prevent further erosion of facilities). The school district must update the plan annually. Once every two years the school district must submit a facility maintenance plan. The proceeds from their capital expenditure levy shall be transferred to the building construction fund.

7. Technology Levy (Laws 1996, Ch. 412, Art. 12, Sec. 12). Special District 1, Minneapolis, has been selected as the district to pilot a Technology Incentives Program. The levy is for one-quarter of the lease purchase amount each year for 4 years. The funds are for computers for ninth graders and other technology costs. By January 1, the district shall submit a report to the commissioner.
8. Special Levy. In 1995, 5 districts had special legislation for an additional capital related levy. The districts are Sleepy Eye, Kasson-Mantorville, Delavan, Elmore and Blue Earth.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. Miscellaneous Capital Components					
1. <u>Building Lease</u>					
Amount	\$10,036.6	\$12,118.0	\$16,724.3	\$20,000.4	\$24,000.4
Districts	118	123	123	130	130
2. <u>Building Construction Down Payment</u>					
Amount	\$1,097.7	\$785.8	\$830.7	\$1,089.1	\$1,089.1
Districts	6	4	4	3	3
3. <u>Cooperative Building Repair</u>					
Amount	\$12.0	\$0.0	\$0.0	\$0.0	\$0.0
Districts	1	0	0	0	0
4. <u>Disabled Access</u>					
Amount	\$14,160.2	\$7,506.7	\$5,918.5	\$6,052.5	\$4,539.4
Districts	179	114	89	84	80
5. <u>Transition Levy</u>					
Amount	\$0.0	\$108.8	\$0.0	\$0.0	\$0.0
Districts	0	2	0	0	0
6. <u>Alternative Facilities Levy</u>				[See Debt Service Equalization Program 0114]	
Amount	\$5,400.0	\$5,900.0	\$6,500.0		
Districts	2	2	2		
7. <u>Technology</u>					
Levy	\$0.0	\$0.0	\$0.0	\$681.8	\$681.8
Districts	0	0	0	1	1
8. <u>Special Levy</u>					
Levy	\$0.0	\$0.0	\$0.0	\$298.2	\$27.2
Districts	0	0	0	5	2

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0114 DEBT SERVICE EQUALIZATION
(Continuation)

amount of the debt excess certified. The debt excess reduces the revenue eligible for debt service equalization aid. Districts with outstanding capital or debt service loans are required to remit the debt excess amount to the Commissioner as payment on their capital and/or debt service loans.

12. Debt Service Loan (M.S. 124.42). School districts with a very large debt service levy relative to their tax base may qualify for a debt service loan. The amount of the loan reduces the debt service levy of the district. Districts receiving a debt service loan are required to levy an amount at least equal to the maximum effort debt service levy until the loan is retired.
13. Gross Equalization Revenue. This is equal to the sum of the following levy components for District Types 1, 2 and 3 (Independent, Common and Special); greater of:
Eligible Required Debt Service Levy or Maximum Effort Debt Service Levy, plus Alternative Facilities Gross Deferred Maintenance Levy, plus Energy Conservation Levy, plus Eligible Lease Purchase Levy, minus Net Debt Excess for eligible components, minus Debt Service Loan.
14. Full Equalization Revenue. This is equal to Gross Equalization Revenue less 10% of ANTC, but in no case for any district less than zero. The portion of the eligible debt service levy components less than 10% of ANTC is not eligible for aid.
15. Debt Service Equalization Aid (M.S. 124.95). The following portions of a district's required debt service levy qualify for debt service equalization:
 - a. debt service for repayment of principal and interest on bonds issued before 7-2-92;
 - b. debt service for bonds or state loans refinanced after 7-2-92, if the bond schedule has been approved by the commissioner and, if necessary, adjusted to reflect a 20-year maturity schedule; and
 - c. debt service for bonds issued after 7-2-92 for construction projects that have received a positive review and comment according to section 121.15, if the commissioner has determined that the district has met the criteria under section 124.431, subdivision 2, and if the bond schedule has been approved by the commissioner and, if necessary, adjusted to reflect a 20-year maturity schedule. The criterion in section 124.431, subdivision 2, paragraph (a), clause (2), shall be considered to have been met if the district in the fiscal year in which the bonds are authorized at an election conducted under chapter 475:
 - (i) serves an average of at least 66 pupils per grade in the grades to be served by the facility; or
 - (ii) is eligible for sparsity revenue.

Districts identified in Laws 1990, chapter 562, article 11, section 8, do not need to meet the criteria of section 124.431, subdivision 2 to qualify.

The debt service levy is a mandatory levy. The unadjusted equalized debt service levy is equal to the district's debt service equalization revenue times the lesser of one or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the actual pupil units in the district for the second year prior to the year the levy is certified; to \$4,707.50.

A district's debt service equalization aid is the difference between the debt service equalization revenue and the equalized debt service levy. A district's debt service equalization aid may be prorated. If prorated, the equalized debt service levy is increased for the aid proration.

Districts eligible for debt service equalization must notify the Department of their F.Y. 1997 debt service levy for bonds sold before 7-2-95. The Department will use these data to compute the final F.Y. 1997 debt service aid for each district prior to certification of 1995 payable 1996 levy limits.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Required Debt Service Levy					
Amount	\$263,743.9	\$285,395.4	\$315,767.8	\$353,391.7	\$400,000.0
Number of Districts	254	248	244	254	255
2. Maximum Effort Debt Service Levy					
Amount	\$9,271.0	\$8,745.2	\$8,827.9	\$9,888.6	\$10,500.0
Number of Districts	24	21	21	23	23
Additional Amount	\$412.6	\$1,175.0	\$1,283.2	\$1,303.6	\$1,350.0
Number of Districts	13	16	15	18	19
3. Required Debt Service Levy for Cooperative Secondary Facilities*					
Amount	\$971.1	\$1,745.4	\$692.7	\$289.1	\$0.0
Number of Districts	3	4	2	1	0
4. Required Debt Service Levy for Equipment**					
Amount	\$257.1	\$650.6	\$911.9	\$1,980.6	\$3,000.0
Number of Districts	4	10	13	25	35
5. Required Debt Service Levy for Facilities**					
Amount		Funded with transfer		\$1,359.0	\$2,000.0
Number of Districts		from Facilities Account		20	25
6. Alternative Facilities Required Debt Service Levy*					
Amount	\$14,236.7	\$15,515.8	\$16,456.2	\$17,415.5	\$18,379.4
Number of Districts	4	4	4	4	4
7. Alternative Facilities Gross Maint Levy***					
Amount		Included under capital		\$9,717.1	\$10,000.0
Number of Districts		related components		3	3
8. Energy Conservation					
Amount	\$4,404.9	\$3,946.6	\$3,233.6	\$3,431.8	\$3,431.8
Number of Districts	156	142	124	123	123

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0114 DEBT SERVICE EQUALIZATION
(Continuation)

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
9. Lease Purchase Eligible					
Amount	\$7,317.2	\$12,122.1	\$16,572.0	\$18,815.6	\$20,000.0
Number of Districts	6	6	6	5	5
10. Lease Purchase Ineligible					
Amount	\$56.0	\$56.5	\$19.5	\$1,600.4	\$1,600.0
Number of Districts	1	1	1	3	3
11. Debt Excess					
Certified Debt Excess					
Amount	\$7,405.4	\$10,770.9	\$16,522.5	\$17,001.2	\$17,000.0
Net Excess Reducing Debt					
Service Levy	\$6,366.1	\$10,005.8	\$13,501.0	\$15,624.2	\$15,800.0
Number of Districts	88	85	99	104	105
12. Debt Service Loan					
Amount	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Number of Districts	0	0	0	0	0
13. Gross Equalization Revenue					
(Before 10% ANTC					
Reduction)	\$237,700.6	\$267,073.8	\$299,543.0	\$352,988.3	\$400,000.0
14. Full Equalization Revenue	\$65,839.5	\$70,135.0	\$80,156.0	\$90,566.9	\$100,000.0
15 Debt Service Equalization Aid					
Gross Aid Entitlement	\$27,527.2	\$30,053.1	\$33,165.5	\$35,737.4	\$38,000.0
Number of Districts	132	139	132	144	150
Initial Proration Factor	1.0000	1.0000	0.9799	0.9530	0.9031
Adjusted Proration Factor	--	--	0.9990	0.9540	--
Net Debt Service Aid for					
Alt. Fac (Maint.)	\$0.0	\$0.0	\$0.0	\$1,197.9	\$1,806.1
Number of Districts	0	0	0	2	3
Net Debt Service Aid for					
Energy Conservation	N/C	N/C	N/C	\$643.2	\$614.1
Number of Districts				55	60
Net Debt Service Aid for Lease					
Purchase	N/C	N/C	N/C	\$0.0	\$198.7
Number of Districts				0	1
Other Net Debt Service Aid	\$27,527.2	\$30,053.1	\$33,135.1	\$32,249.9	\$31,697.1
Number of Districts	132	139	132	140	144

* Included under Required Debt Service Levy.

** Excluded from Required Debt Service Levy.

*** Included in computing Debt Service Aid.

N/C Not Computed - Included in Other Net Debt Service Aid

BUDGET ISSUES:

A CHALLENGES:

- Debt service levies have grown steadily in recent years, and will continue to grow as some school districts require additional space to house growing enrollments, while other districts replace or upgrade aging facilities.

B. STRATEGIES:

- This program provides greater financial equity among districts than the various capital grant and loan programs and is therefore a preferable model.
- The state should continue to fully fund the debt service equalization formula to ensure that the commitments made to taxpayers at the time of the bond elections are carried out.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$35,738 for F.Y. 1998 and \$37,900 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$35,480 in F.Y. 1998 (\$3,313 for F.Y. 1997 and \$32,167 for F.Y. 1998), and \$37,684 in F.Y. 1999 (\$3,573 for F.Y. 1998 and \$34,111 for F.Y. 1999).

The Governor recommends the following modifications in the debt service equalization and maximum effort school loan programs:

1. Beginning in F.Y. 2001, increase the equalizing factor used in computing debt service equalization aid from \$4,707.50 to \$4,883, to adjust for the change in pupil unit weights (see program 0101).
2. Beginning with taxes payable in 1998, reduce the general education levy by the amount of any excess in the debt redemption fund used to retire capital facilities bonds or capital equipment certificates or notes issued after 2-1-97 for districts with no outstanding maximum effort loans. Prohibit districts with outstanding maximum effort loans from using any excess in the debt redemption fund to retire capital facilities bonds or capital equipment certificates or notes issued after 2-1-97.
3. Set the standing appropriations for debt service equalization aid at \$35,478 for F.Y. 1998, \$37,683 for F.Y. 1999 and \$39,100 for F.Y. 2000 and later years.
4. Beginning with payments for 1997, modify the maximum effort school loan program by: (a) creating a consistent methodology for payments and application of payments on debt service loans and capital loans, (b) clarifying that the commissioner may reduce state aids to recover unpaid amounts that are due, and (c) changing the date for the department to notify county auditors of the amount of the maximum effort levy from September 1 to September 30.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0114: DEBT SERVICE EQUALIZATION (Including Royaltion and Alternative Facilities Equalization)

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	30,053	33,165	35,738	38,000
2. Statutory Excess / (Shortfall)	1	(33)	(1,647)	(3,684)
3. Appropriated Entitlement	30,054	33,132	34,091	34,316
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(1)	3		
5. Current Law Aid	30,053	33,135	34,091	34,316
6. Excess / (Shortfall) After Adjustments	0	(30)		
7. Current Law Levy	237,021	266,403	317,778	365,684
8. Current Law Funding: Aid & Levy	267,074	299,538	351,869	400,000
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			34,091	34,316
a. Eliminate Aid Proration			1,647	3,684
b. Eliminate Equipment and Facility Bonding Loophole			0	(100)
Recommended Aid Entitlement			35,738	37,900
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			317,778	365,684
a. Eliminate Aid Proration			0	(5,302)
b. Eliminate Equipment and Facility Bonding Loophole			0	(900)
Recommended Levy			317,778	359,482
TOTAL RECOMMENDED FUNDING: AID & LEVY			353,516	397,382

APPROPRIATIONS BASIS: (a)

Prior Year	n/a	n/a	3,313	3,573
Current Year	30,054	28,162	32,167	34,111
Current Year Adj. to 90%, per M.S. 124.904		1,657		
Subtotal before Transfers	30,054	29,819	35,480	37,684
Transfers per M.S. 124.14, subd. 7	(1)	3		
Total State General Funds	30,053	29,822	35,480	37,684

a) Prior to F.Y. 1997, this program was paid on a 100% basis. Beginning in F.Y. 1997, appropriations for this program are paid on an entitlement basis, including 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0115 PARENTAL CHOICE TAX CREDIT

CITATION: M.S.
MDCFL ADMIN:
FEDERAL: None

PURPOSE:

This tax credit and tax deduction program is designed to:

- Expand educational choices and opportunities for every Minnesota parent with children in school.
- Improve student achievement by helping parents to obtain specialized educational services or to place their children in an alternative learning environment that works best for them.
- Increase parental involvement in their children's education.
- Help students meet Minnesota's graduation standards by making technology at home more affordable for all Minnesota families.
- Increase employment opportunities for teachers (e.g. through tutoring programs.)
- Encourage school districts to develop innovative programs that meet the educational needs of children (e.g. by offering specialized summer school or alternative learning programs.)

DESCRIPTION:

This education tax cut plan will make more choices and options available to all Minnesota families with school age children. All Minnesota children, whether they choose to attend a public school, a non-public school or are educated at home, are potential beneficiaries. By empowering parents and helping to place children in a learning environment best for them, the plan will also improve education outcomes.

The plan gives tax credits to low income families and gives tax deductions to all other families with children in school for a wide list of education expenses. Families with an income below \$39,000 will qualify for a tax credit of \$1,000 per child with a maximum of \$2,000 per family for fees paid for tutoring, summer school, alternative learning or nonpublic school tuition.

Families with an income above \$39,000 will qualify for an expanded tax deduction for education expenses. The plan triples the current deduction from \$650 to \$1,950 per child for grades K - 6 and from \$1,000 to \$3,000 per child for grades 7 - 12. The deduction, established in 1975, has not been increased since 1985, and has failed to keep pace with inflation. All filers with school age children, will qualify, not just itemizers. The deduction, which now covers non-public school tuition and a variety of public education costs, will be expanded to include computer hardware and software purchases, tutoring and alternative learning costs, and other enrichment programs. Families who choose to educate their children at home will qualify for a deemed tax credit of \$1,000 per family.

According to Revenue Department estimates, at least two-thirds of the program's benefits will accrue to public school parents.

The plan will also increase opportunities for teachers and school districts. For example, teachers can earn extra money made available by the tax credit for tutoring. School districts can earn extra money

made available by the tax credit for alternative learning programs.

The plan is modeled on the current deduction, which has already been upheld in the courts as constitutional.

Since the plan allows taxpayers to keep their own money through deductions and credits, it also dramatically reduces any chance of regulation of nonpublic schools.

The plan also builds on Minnesota's legacy as a pioneer in expanding education choice. Minnesota led the way with public school choice, college classes for high school students and charter schools. This plan simply expands that choice concept another step.

BUDGET ISSUES:

A. CHALLENGES:

- Some have expressed concern over providing tax benefits to parents of non-public school children.
- Some have expressed concern that providing tax benefits to parents of non-public schools will lead to state regulation of non-public schools.

B. STRATEGIES:

- The state already provides tax benefits to public and non-public school parents through the current education expenses deduction. This plan simply expands current law. Furthermore, the plan focuses on improving student achievement, regardless of where a child attends school.
- The state is constitutionally prohibited from directly funding and regulating non-public schools. In addition, the current deduction has not been used to attempt regulation of non-public schools.

GOVERNOR'S RECOMMENDATION:

The Governor recommends implementation of this tax credit and tax deduction proposal. State General Fund revenues are estimated to be reduced by \$73 million in F.Y. 1998 and \$77 million in F.Y. 1999 due to this proposal.

This page intentionally left blank.

This page intentionally left blank.

This page intentionally left blank.

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0116 WIDE AREA TRANSPORTATION (WATS)

CITATION:
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

The Purpose of the Wide Area Transportation (WATS) project is to provide transportation services for students who require transportation beyond their normal public school attendance because of their participation in low incident programs. These programs can include, but are not limited to, special education programs, charter schools, nonpublic schools and enrollment options programs. Common characteristics of these programs include relatively small numbers of students drawn from a relatively large geographical area.

DESCRIPTION:

The WATS project is using computerized routing and scheduling to provide safe, efficient and cost effective transportation to students participating in such low incident programs. The WATS staff is meeting with school/program administrators and staff, as well as with parent groups, to explain the objectives of the WATS system and how it can be of benefit to its users. Students participating in these low incident programs will benefit from having a transportation system tailored for their needs.

The program will be evaluated by surveying the participants, or their parents, to determine if they are satisfied that the service provided has lived up to their expectations. Cost effectiveness will be evaluated by comparing the actual costs of the program with the school districts' estimated costs of providing the services.

BUDGET ISSUES:

A. CHALLENGES:

- Many students have been discouraged or prohibited from participation in some other programs because of difficult transportation problems.
- The challenge of the WATS staff is to "sell" the benefits of the WATS system to as many potential users as possible.
- Patents are understandably reluctant to continue participation when actual costs turn out to be significantly higher than original projections.

B. STRATEGIES:

- The WATS staff meets with potential users in order to get early commitments for participation.
- Early commitments on participation are necessary to develop accurate cost estimates.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$100 for F.Y. 1998 and \$50 for F.Y. 1999.

The Governor recommends continuing the WATS project, and expanding the service to other geographical areas and other groups served by the Department of Children, Families & Learning.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0116: WIDE AREA TRANSPORTATION (WATS) PROGRAM

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	250	0	0	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	250	0	0	0
4. Adjustments				
a. Excess Funds Transferred In / (Out)	0	0		
5. Current Law Aid	250	0	0	0
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	250	0	0	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			0	0
a. Continue Program			100	50
Recommended Aid Entitlement			100	50
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			100	50
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	250	0	100	50
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	250	0	100	50

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0117 CHOICE PROGRAMS (INFORMATION ONLY)

CITATION: M.S. 120.062; 120.064; 121.585; 123.3514; 123.3515; 124.19, subd. 7 124C.45 and 126.22

MDCFL ADMIN: 1302 Learner Options (Targeted Populations)
FEDERAL: None

PURPOSE:

Enrollment Options Programs allow learners to choose the school or education program in their district or a district in which they do not reside. Responsibility is placed on learners and their families to be active in determining the goals they have for education, to acknowledge the needs and interests, and to assess the school's ability to provide an excellent educational experience.

Specific objectives are to:

- improve student success in learning,
- increase learning opportunities,
- and increase access to different and innovative teaching methods.

DESCRIPTION:

1. Open Enrollment: M.S. 120.062

The Open Enrollment program allows K - 12 students the opportunity to apply to attend a school outside the district in which they live.

The School District Enrollment Options gives families (or youth no longer living at home) the opportunity to select the best educational experience for their sons and daughters. All pupils eligible to attend public school may apply to any public school or program outside the district in which they live. Participation in this program is reported by student participation, not by district participation. All counts include enrollment into charter schools.

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number Students Enrolled into Non-Resident Districts under M.S. 120.062 & 120.06	18,618	19,374	21,316	23,448	25,793

2. Charter Schools M.S. 120.064

Charter schools receive state funds from general education revenue based on pupil enrollment. Charter schools are designed to meet one or more of the following purposes: improve individual learning, increase learning opportunities, use different and innovative teaching methods, measure learning results using different and innovative forms of measurement, establish new forms of accountability for schools, or create new professional opportunities for teachers, including the opportunity for learning program at the school site.

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Charter Schools	14	17	19	24	30

3. Learning Year Programs: M.S. 121.585

A Learning Year Program provides instruction throughout the year. A Learning Year Program may begin after the close of the regular school year in June. The program may be for students in one or more grade levels from kindergarten through grade 12. A continual learning plan must be developed for each student. Students may participate in the program if they reside in a district with a designated area learning center site, a district that is in the same education district as the site, or in a district that participates in the area learning center site. Aid and revenue computations are based on the total number of hours of education programs for pupils in average daily membership for each fiscal year.

4. Post-secondary Enrollment Options: M.S. 123.3514

Post-secondary Enrollment Options provides 11th and 12th grade students, who qualify for the post-secondary institution of their choice, the opportunity to take college courses for high school credit.

The Post-secondary Enrollment Options allows public high school juniors and seniors to take courses, full or part-time, at a liberal arts, community or technical college, a university, non-profit degree granting trade school or an accredited opportunities industrialization center in Minnesota for high school credit. The program provides students with a greater variety of class offerings and the opportunity to pursue more challenging course work. The tuition, fees and required textbooks are at no cost to students.

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Percent of Districts with Students Participating	75%	80%	85%	90%	95%
PSEO Students	6,597	64,921	7,700	8,470	9,317

5. Alternative Programs: M.S. 124.19, Subd. 7

Alternative Programs are designed for those who have fallen behind in their course work, for those who desire a program which better fits their individual needs, and for those who have dropped out and want to return to complete their high school education. Programs are available for ages five through adult. Classes are taught using alternative methods and flexible scheduling. These programs may operate year around, and during the day and evening to accommodate the needs of learners.

PUBLIC ALTERNATIVE PROGRAMS

	PROGRAMS	SITES
F.Y. 1995	49	65
F.Y. 1996	54 (10 new, 5 to ALC)	70
F.Y. 1997	60 (8 new, 2 to ALC)	76

CONTRACTED ALTERNATIVE PROGRAMS

	PROGRAMS	SITES
F.Y. 1995	20	20
F.Y. 1996	21	21
F.Y. 1997	21	21

1998-99 Biennial Budget

PROGRAM: 01 General Education Programs
AGENCY: Children, Families & Learning Aids

0117 CHOICE PROGRAMS (INFORMATION ONLY)
(Continuation)

6. Area Learning Centers: M.S. 124C.45

Area Learning Centers are designed for those who have fallen behind in their course work, for those who desire a program which better fits their individual needs, and for those who have dropped out and want to return to complete their high school education. Area Learning Centers are open all year, during the day and evening to accommodate the needs of learners. A wide variety of courses, leading to graduation, are taught using alternative methods of instruction. Additional services are provided to assure each learner's success. Programs must be provided for secondary learners and adults and may be provided for elementary learners. Priority is given to learners ages 16 through 21. The programs and services of a center must focus on academic and learning skills, trade and occupational skills, work-based learning opportunities, work experience, youth service to the community, and transition services.

A school district may establish an area learning center by itself or in cooperation with other districts, other agencies, foundations, partnerships, etc. Except for a district located in a city of the first class, it must serve the geographic region of at least two districts. Secondary learners to be served are those who are chemically dependent, not likely to graduate from high school, in need of assistance in vocational and basic skills, can benefit from employment experiences and in need of assistance in transition from school to employment. Adults to be served are dislocated homemakers and workers and others who need basic educational and social services.

	CENTERS	SITES
F.Y. 1995	46	390
F.Y. 1996	53	418
F.Y. 1997	56	453

7. Graduation Incentives: M.S. 126.22

Educational Options is designed to encourage students who are not succeeding in the current educational system or who have dropped out of school before completing their high school education to their high school education. Students from age five through twenty, or 21 students with disabilities have a variety of educational programs available from which they may choose: any public elementary or secondary program, public alternative program, area learning center, contracted alternative program, charter school post-secondary enrollment options, and adult basic education.

Funding: Charter Schools and Enrollment Options

Revenue transfers between school districts and charter schools under various programs, as indicated by the table below. A "yes" indicates that this particular revenue is transferred from the district of residence (where the student lives) to the district or school providing educational services.

	<u>Charter Schools</u>	<u>Enrollment Options</u>
Basic General Education	yes(a)	yes
Transition	yes, state average of the training & experience portion	yes*
Compensatory	yes, calculated on charter school population	yes*
Supplemental	yes, state average	yes*
Referendum	no	no
Transportation	yes, if providing transportation(a)	yes*
Special Education	yes, plus bill back excess	yes, plus bill back excess
LEP	yes	yes
Assurance of Mastery	yes	yes
Operating Capital (facilities)	no in 96, yes in 97 (b)	yes
Operating Capital (equip)	yes	yes
District Cooperation	no	no

*The revenue of the district of residence is reduced by the amount of this revenue per pupil unit in that district and the revenue of the district providing the education program is increased by the amount of this revenue per pupil in that district.

(a)If the charter school provides transportation, it receives the full basic general education revenue, the transportation sparsity revenue and the transportation portion of the transition revenue. If the charter school does not provide transportation, the district in which the charter school is located (which must provide transportation within its boundaries), receives \$170 of the basic revenue, transportation sparsity and transportation portion of the transition revenue.

(b)Charter schools may use operating capital revenue for any purpose, not just operating capital purposes.

Revenue transfers for area learning center programs are similar to those for open enrollment.

Private alternative programs enrolling students under the high school graduation incentives program receive at least 88 percent of the basic formula allowance in FY 96 and at least 90 percent of the basic allowance in FY 97.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
 AGENCY: Children, Families & Learning Aids
 0201 SPECIAL EDUCATION - REGULAR
 (Continuation)

A school district's special education aid equals the district's special education revenue times the aid percentage factor for that year.

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

- From December 1, 1988 to December 1, 1995, the number of individuals with disabilities identified as having a disability and in need of special education services has remained at approximately 10% of the school-aged population.
- Less than 1% of individuals with disabilities receive the majority of their education program in separate schools.
- More than 80% of students with disabilities receive the majority of their education programs within the regular classroom with their non-disabled peers.
- Greater numbers of individuals with disabilities are learning employment skills and are working in mainstream businesses, are attending post-secondary education programs and are living independently as adults.
- There is an increase in cooperation and collaboration among local, county and state agencies in addressing the mental health needs of individuals with disabilities and their families and in the provision of early childhood special education programs and in transition planning and services from school to work.
- There is an increase in requests from local school districts to the State Board of Education for experimental programs and waivers from Board Rules resulting in more creative programming.

PROGRAM STATUS:

TABLE 2-1

(\$ in 000s)	F.Y. 1995	F.Y. 1996*	F.Y. 1997	F.Y. 1998	F.Y. 1999
FTE Staff	17,590.2	18,601.1	20,138.3	21,708.3	23,307.2
Salary Expenditures	\$461,040.0	\$487,535.0	\$527,825.0	\$568,975.0	\$610,881.0
Contracted Staff Expenditures	17,593.0	18,604.0	20,141.0	21,712.0	23,311.0
Contracted Student Expenditures	3,185.0	3,368.0	3,647.0	3,931.0	4,221.0
Supplies & Equipment Expenditures	8,233.2	8,705.9	9,425.5	10,159.5	10,907.8
Total Expend Regular + Summer	\$490,051.2	\$518,212.9	\$561,038.5	\$604,777.5	\$649,320.8
Base Year Revenue	--	\$320,197.1	\$326,668.6	\$346,281.8	\$373,887.4
New District Revenue	--	0.0	0.0	0.0	0.0
ADM	--	823,223.9	835,770.3	844,664.3	849,599.0
Base Year ADM	--	808,027.6	808,027.6	823,223.9	835,770.3
Base Year Tuition Costs	--	0.0	0.0	0.0	0.0
Tuition Costs	--	0.0	0.0	0.0	0.0
Tuition Revenue	--	0.0	0.0	0.0	0.0
Base Year Court Order Expense	--	0.0	0.0	0.0	0.0
Court Order Expense	--	0.0	0.0	0.0	0.0
Court Order Revenue	--	0.0	0.0	0.0	0.0

(\$ in 000s)(continued)	F.Y. 1995	F.Y. 1996*	F.Y. 1997	F.Y. 1998	F.Y. 1999
State Total Adjusted Base Revenue	--	326,618.6	338,716.2	356,293.5	381,565.8
State Total Revenue	--	327,846.0	347,810.0	351,511.3	353,565.0
State Total Revenue New Districts	--	0.0	0.0	0.0	0.0
Revenue	--	327,846.0	347,810.0	351,511.3	353,565.0
Aid Percentage Factor	--	60%	70%	80%	90%
Gross Aid	\$212,958.2	\$196,727.7	\$243,484.3	\$281,217.7	\$318,213.2
Levy Revenue Including Allocations from Charter Schools and Academies	109,482.0	131,118.3	104,325.7	70,293.6	35,351.8
Proration Factor	1.0000	1.0000	0.9995	0.9984	0.9964
Prorated Aid	\$212,958.2	\$196,727.7	243,366.0	280,764.0	316,804.0

Summer School Revenue	6,616.9	7,152.0	3,728.5	**	**
Total Revenue	\$329,057.1	\$334,998.0	\$351,420.2	\$351,057.6	\$352,155.8

0.0 Represents data that was not available at the time of the February Forecast

* New Special Education Formula

** Special education summer school base revenue rolled into special education base revenue beginning in F.Y. 1997, making special education program a fiscal year program.

(\$ in 000s)	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	196,708.0	243,467.0	280,764.0	317,076.0
B. ENTITLEMENT CHANGES PER LAW				
■ REVENUE INCREASE (DECREASE):				
Change in ADM			437.0	1,120.0
Pine Point Receives All Revenue in Form of Aid	20.0	17.0	17.0	17.0
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	196,728.0	243,484.0	281,218.0	318,213.0

BUDGET ISSUES:

A. CHALLENGES:

- Special education services continue to evolve at the local school district level. Districts are discovering, with the emphasis on inclusive programs, that all students can benefit from individuals with disabilities included and educated within the mainstream classroom. Districts continue to learn how special education services and programs can be delivered most effectively within the inclusive school. The numbers of students with disabilities continue to grow and are expected to grow, particularly in ages birth through five years of age and in the area of emotional and behavior disorders for all ages.
- The range and scope of disabilities experienced by individuals are greater than in the past. Medical science has made dramatic advances. Children who previously did not survive the birth process or infancy are now surviving well into their school years and beyond. Many such children are medically fragile and require expensive special education services. Students who are born with fetal alcohol syndrome or who were born drug addicted are demonstrating significant needs for specially designed instruction. New disabilities such as Attention Deficit Disorder (ADD) are being identified and many students with these disabilities require special education. These changes and others are forcing schools to address learning problems never before faced.

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids
 0201 SPECIAL EDUCATION - REGULAR
 (Continuation)

- Because of successful special education programs, there is an increasing proportion of students with disabilities who graduate and fewer number of students who drop out. Increased regular class participation, reduced special education enrollments and improved post-secondary outcomes (i.e., employment and post-secondary education participation) are occurring.
- The need to assure an inclusive education system that considers the needs of students with disabilities in all major educational reform efforts in Minnesota.
- The number of students with emotional/behavioral disabilities is increasing. These students are exhibiting many needs that schools have not had to address in the past. The population in the school reflect similar problems observed in the general population at large.

B. STRATEGIES:

- 85% of students with disabilities will receive their special instruction and services in Federal Settings I & II (more than 60% of their time spent in the regular classroom) during F.Y. 1998-99.
- More than 1,500 para-professional staff will receive training to learn and promote learning with the classroom teachers to better meet the instructional needs of individuals with disabilities in inclusive programs.
- Regular education and special education teachers will receive training in developing and building collaborative classrooms to more effectively meet the academic, social and cultural needs of students with disabilities.
- Address training needs of regular and special education staff through the development and implementation of a statewide comprehensive system of personnel development which includes preservice and in-service opportunities. This will improve skills for working in regular and special education settings with individuals with disabilities with more complex needs. Specific training will include:
 - Multilingual issues in special education, due process rights and procedures;
 - Special education requirements for school board members;
 - Training bus drivers on requirements for transporting students with disabilities;
 - Assure that teachers of students who are deaf have American Sign Language skills;
 - Work with new directors of special education on administrative issues and procedures;
 - Work with teams of regular and special educators in collaborating to meet the needs of students with disabilities and particularly those with emotional behavioral disorders; and
 - Assist charter schools in meeting special education service requirements.
- Assure that all learning environments for students with disabilities afford these learners and their families efficient access to programs and services from state agencies and their local counterparts.
- Increase collaboration with other agencies to reduce and/or eliminate the duplication of services and to assure the agency best equipped to provide the needed service and support the child and the family is involved.
- The MDCFL has identified instructional systems which districts could utilize which provide greater flexibility. Some districts have not taken advantage of this opportunity. The MDE will actively encourage all districts not availing themselves of such options to do so.

- Prevention of problems is a cost effective approach. Districts will be encouraged to consider alternate models which provide flexibility in terms of how special education services can be delivered.
- Because some students have needs which require significantly higher expenditures the fiscal safety net for excess cost aid should be increased.
- The state must continue to provide aid to address the needs of learners with disabilities in a manner which is fair and equitable. Certain districts have higher special education costs because families with children having complex special education needs frequently move to these districts to gain access to those programs and services. Aid formulas need to be adjusted to improve equity in funding.
- The state recognizes that the special education needs of children must be addressed effectively and efficiently. The state also recognizes that it must provide revenue to assure appropriate services. In a time when available revenue is increasing at a slower rate than in previous years, mechanisms need to be put into place which also control the growth of spending for programs. Such a strategy does not mean that services to students are negatively impacted. It does mean that ways must be found for districts to address students' needs differently.

GOVERNOR'S RECOMMENDATION:

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

1. Beginning in F.Y. 1999, roll the special programs transportation revenue into the special education-regular program.
2. Increase the state total special-education-regular revenue from the F.Y. 1997 level of \$347,810 to \$358,542 for F.Y. 1998 and to \$436,828 for F.Y. 1999.
3. Beginning in F.Y. 1998, adjust the special education base revenue for school districts operating a special education program during the base year for less than the full school year to reflect the expenditures that would have occurred had the program been operated for the full school year.
4. Beginning in F.Y. 1997, replace the special education tuition revenue and special education court placement revenue with an adjustment in the special education - excess cost formula (see program 0204) to aid districts with rapidly growing costs between the base year and the current year.

The Governor recommends an aid entitlement of \$286,843 for F.Y. 1998 and \$393,150 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$282,505 in F.Y. 1998 (\$24,346 for F.Y. 1997 and \$258,159 for F.Y. 1998), and \$382,519 in F.Y. 1999 (\$28,684 for F.Y. 1998 and \$353,835 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0201: SPECIAL EDUCATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	196,728	243,484	281,218	318,213
2. Statutory Excess / (Shortfall)	(20)	(17)	(454)	(1,137)
3. Appropriated Entitlement	196,708	243,467	280,764	317,076
4. Adjustments				
a. Excess Funds Transferred In / (Out)	20	12	0	(272)
b. Transfer Out to Special Pupil		(113)		
5. Current Law Aid	196,728	243,366	280,764	316,804
6. Excess / (Shortfall) After Adjustments	0	(118)		
7. Current Law Levy	131,118	104,326	70,294	35,352
8. Current Law Funding: Aid & Levy	327,846	347,692	351,058	352,156
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			280,764	316,804
a. Eliminate Current Law Transfer			0	272
b. Eliminate Aid Proration			454	1,137
c. Add Special Transportation to Special Education Formula			0	62,081
d. Add 2% Growth Factor			5,625	12,856
Recommended Aid Entitlement			286,843	393,150
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			70,294	35,352
a. Other Policy Changes			1,405	1,428
b. Add Special Transportation to Special Education Formula			0	6,747
Recommended Levy			71,699	43,527
TOTAL RECOMMENDED FUNDING: AID & LEVY (Governor's Rec. for Revenue Target)			358,542	436,677

APPROPRIATIONS BASIS: (a)

Prior Year	28,230	29,506	24,346	28,684
Current Year	167,202	206,834	258,159	353,835
Current Year Adj. to 90%, per M.S. 124.904		12,174		
Subtotal before Transfers	195,432	248,514	282,505	382,519
Transfers per M.S. 124.14, subd. 7	20	12		
Total State General Funds	195,452	248,526	282,505	382,519

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 03 Special Education - Special Pupil
AGENCY: Children, Families & Learning Aids

 0202 SPECIAL EDUCATION - SPECIAL PUPIL

CITATION: M.S. 124.32, Subd. 6
MDCFL ADMIN: 1303 Special Education
FEDERAL: None

PURPOSE:

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

The specific program objectives are the same as stated for Special Education-Regular (Program 0201). Special education programs and services are designed to prepare individuals with disabilities whose educational needs range from self care skills, to independent living skills, to preparation for sheltered employment or employment in the community, to the full array of postsecondary education programs available.

DESCRIPTION:

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

PROGRAM STATUS:

	Current Law			
(\$ in 000s)	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Pupils Served (WADM)	67.24	70.2	74.1	78.0
District Expenditures	\$735.4	\$790.9	\$859.9	\$932.3
Less State Aid Deductions	\$224.8	\$239.2	\$274.2	\$288.7
Special Pupil Aid	\$510.6	\$551.7	\$585.7	\$643.6
(\$ in 000s)	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	\$470.0	\$479.0	\$479.0	\$479.0
B. ENTITLEMENT CHANGES PER LAW				
District Program Expend	(\$15.6)	\$17.9	\$86.9	\$160.3
Change in State Aid Deduction	\$56.2	\$54.8	\$19.8	\$5.3
Appropriation Shortfall (Excess)			\$106.7	\$165.6
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$510.6	\$551.7	\$585.7	\$644.6

BUDGET ISSUES:

A. CHALLENGES:

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

B. STRATEGIES:

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

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$586 for F.Y. 1998 and \$644 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0202: SPECIAL PUPIL

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	510	552	586	644
2. Statutory Excess / (Shortfall)	(40)	(73)	(107)	(165)
3. Appropriated Entitlement	470	479	479	479
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Transfer Between Years	40	(40)	107	(107)
c. Transfer In from Special Education (Program 0201)	0	113	0	272
5. Current Law Aid	510	552	586	644
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	510	552	586	644
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			586	644
a. Eliminate Aid Proration			107	181
b. Eliminate Current Law Transfers			(107)	(181)
Recommended Aid Entitlement			586	644
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			586	644
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	510	552	586	644
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	510	552	586	644

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0203 SPECIAL EDUCATION - HOME-BASED TRAVEL

CITATION: M.S. 124.32, Subd. 2b
MDCFL ADMIN: 1303 Special Education
FEDERAL: 0319 Individuals with Disabilities (EHA, P.L. 101-476)
 0320 Preschool Incentive (Sec. 619)
 0421 Infants and Toddlers (Part H)

PURPOSE:

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

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

DESCRIPTION:

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

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Districts	382	365	358	358	358
Unduplicated Child Count (age 0-5)	13,325	13,403	13,587	13,772	13,965
Full-time Equivalent Staff Providing Services (state & federal)	1,311	1,320	1,329	1,338	1,347
District Expenditures	\$198.6	\$204.7	\$210.8	\$217.1	\$223.7
Aid Earned at 50%	\$99.3	\$102.3	\$105.4	\$108.6	\$111.8

BUDGET ISSUES:

A. CHALLENGES:

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

B. STRATEGIES:

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

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$109 for F.Y. 1998 and \$112 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$107 in F.Y. 1998 (\$8 for F.Y. 1997 and \$99 for F.Y. 1998), and \$111 in F.Y. 1999 (\$10 for F.Y. 1998 and \$101 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0203: TRAVEL FOR HOME-BASED SERVICES

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	102	105	109	112
2. Statutory Excess / (Shortfall)	(25)	(24)	(28)	(31)
3. Appropriated Entitlement	<u>77</u>	<u>81</u>	<u>81</u>	<u>81</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)	<u>25</u>	<u>2</u>		
5. Current Law Aid	102	83	81	81
6. Excess / (Shortfall) After Adjustments	0	(22)		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>102</u>	<u>83</u>	<u>81</u>	<u>81</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			81	81
a. Eliminate Aid Proration			<u>28</u>	<u>31</u>
Recommended Aid Entitlement			109	112
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			109	112

APPROPRIATIONS BASIS: (a)

Prior Year	6	11	8	10
Current Year	66	69	99	101
Current Year Adj. to 90%, per M.S. 124.904		4		
Subtotal before Transfers	<u>72</u>	<u>84</u>	<u>107</u>	<u>111</u>
Transfers per M.S. 124.14, subd. 7	<u>25</u>	<u>2</u>	<u>107</u>	<u>111</u>
Total State General Funds	97	86	107	111

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
 AGENCY: Children, Families & Learning Aids
 0204 SPECIAL EDUCATION - EXCESS COST
 CITATION: M.S. 124.323
 MDCFL ADMIN: 1203 Special Education
 FEDERAL: None

PURPOSE: 0204.d1

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

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

DESCRIPTION:

The Excess Cost aid replaces the residential aid as more and more students with disabilities are attending public school settings. Excess Cost aid assists school districts to bear the cost of students who have multiple needs for special education and related services. These funds are available to pay for the excess special education costs for students with disabilities who are in and out of the district. A district's excess cost revenue equals 70% of the difference between the district's unreimbursed special education cost unit and 5.7% of the district's general revenue (6.0% in F.Y. 1995 and F.Y. 1996). The excess cost aid equals the excess cost revenue times 60% for F.Y. 1996, 70% for F.Y. 1997, 80% for F.Y. 1998 and 90% for F.Y. 1999

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
FTE Staff	17,590.2	18,601.1	20,138.3	21,708.3	23,307.2
Salary Expenditures	\$461,040.0	\$487,535.0	\$527,825.0	\$568,975.0	\$610,881.0
Contracted Staff					
Expenditures	17,593.0	18,604.0	20,141.0	21,712.0	23,311.0
Contracted Student					
Expenditures	3,185.0	3,368.0	3,647.0	3,931.0	4,221.0
Supplies and Equipment					
Expenditures	8,233.2	8,705.9	9,425.5	10,159.5	10,907.8
Total Expenditures Regular + Summer	\$490,051.2	\$518,212.9	\$561,038.5	\$604,777.5	\$649,320.8
General Revenue	\$3,382,215.6	\$3,545,386.2	\$3,815,463.3	\$3,890,904.1	\$3,711,234.3
Sped & Billing Exp - Billing Rev	493,627.4	519,736.5	562,687.9	606,555.6	651,229.8
Special Ed Revenue (inc. summer)	328,782.8	334,998.1	351,538.5	351,511.3	353,565.0

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Gross Excess Cost	164,844.6	184,738.5	211,149.5	255,044.2	297,664.9
General Revenue Deduct	156,353.1	169,669.1	185,789.6	207,317.0	210,077.2
Net Excess Cost	8,491.5	15,069.4	25,359.8	47,727.3	87,587.7
Excess Cost Revenue	--	10,548.6	17,751.9	33,409.1	61,311.4
Aid Percentage Factor	--	60%	70%	80%	90%
Gross Excess Cost Aid	\$5,944.0	\$6,329.1	\$12,426.3	\$26,727.3	\$55,180.2
Proration Factor	1.0000	1.0000	1.0000	0.5644	0.3076
Prorated Excess Cost Aid	\$5,944.0	\$6,329.1	\$12,426.3	\$15,086.0	\$16,972.0
Excess Cost Levy Revenue	--	\$4,219.4	\$5,325.6	\$6,681.8	\$6,131.1

(\$ in 000s)	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	\$6,513.0	\$13,200.0	\$15,086.0	\$16,972.0
B. ENTITLEMENT CHANGES PER LAW				
■ REVENUE INCREASE (DECREASE):				
Change in Special Education Cost	851.0	2,360.4	33,067.7	64,339.7
Change in Special Education Revenue	21.0	0.0	19.0	(1,419.0)
Change in General Ed Deduction	(1,178.5)	(3,465.8)	(18,535.0)	(20,467.1)
■ LEVY DECREASE (INCREASE):				
Change in Special Education Cost	(340.4)	(708.1)	(6,613.5)	(6,434.0)
Change in Special Education Revenue	(8.0)	1.0	(4.0)	142.0
Change in General Ed Deduction	471.4	1,039.4	3,707.0	2,046.7
■ APPROPRIATION SHORTFALL (EXCESS)				
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	6,329	12,426	26,727	55,180

BUDGET ISSUES:

A. CHALLENGES:

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

B. STRATEGIES:

- Continue to encourage local districts to provide appropriate special education services in the district to children with severe and profound needs by providing aid for the excess costs for students with disabilities.
- Continue to provide aids to maintain the students with special education needs as close to his/her home school as possible and to participate with peers and family in the community.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0204 SPECIAL EDUCATION - EXCESS COST
(Continuation)

- Increase excess cost funding to ensure that limitations on regular special education revenue and the transition to base year funding do not severely impact general fund budgets in school districts with rapidly growing special education costs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modifications in the special education - excess cost program:

1. Beginning in F.Y. 1999, include special programs transportation revenue and expenditures in the computation of special education-excess cost revenue.
2. Beginning in F.Y. 1997, replace the special education tuition revenue and special education court placement revenue with an adjustment in the special education - excess cost formula to aid districts with rapidly growing costs between the base year and the current year. Under the new excess cost formula, a district's excess cost revenue will equal the greater of: (a) the revenue under the current excess cost formula, or (b) 70 percent of the increase in the district's excess cost between the base year and the current year which exceeds 1.6 percent of the district's general revenue for the current year.

The Governor recommends an aid entitlement of \$29,781 for F.Y. 1998 and \$49,640 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$28,045 in F.Y. 1998 (\$1,242 for F.Y. 1997 and \$26,803 for F.Y. 1998), and \$47,654 in F.Y. 1999 (\$2,978 for F.Y. 1998 and \$44,676 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0204: SPECIAL EDUCATION - EXCESS COST

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	6,329	12,426	26,727	55,180
2. Statutory Excess / (Shortfall)	184	774	(11,641)	(38,208)
3. Appropriated Entitlement	6,513	13,200	15,086	16,972
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(184)	(696)		
b. Portion of Final 10% Not Requested		(78)		
5. Current Law Aid	6,329	12,426	15,086	16,972
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	4,220	5,326	6,682	6,131
8. Current Law Funding: Aid & Levy	10,549	17,752	21,768	23,103
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			15,086	16,972
a. Eliminate Aid Proration			11,641	38,208
c. Other Policy Changes			3,054	(5,540)
Recommended Aid Entitlement			29,781	49,640
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			6,682	6,131
a. Levy Change Associated with Aid Recommendations			763	(615)
Recommended Levy			7,445	5,516
TOTAL RECOMMENDED FUNDING: AID & LEVY			37,226	55,156

APPROPRIATIONS BASIS:(a)

Prior Year	760	976	1,242 (b)	2,978
Current Year	5,537	11,220	26,803	44,676
Current Year Adj. to 90%, per M.S. 124.904		660		
Subtotal before Transfers	6,297	12,856	28,045	47,654
Transfers per M.S. 124.14, subd. 7	(184)	(696)		
Total State General Funds	6,113	12,160	28,045	47,654

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) The \$1,320 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of estimated statutory formula aid.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0205 SPECIAL EDUCATION EQUALIZATION AID
 0206 SPECIAL EDUCATION LEVY SUMMARY

CITATION: M.S. 124.321
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

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

DESCRIPTION:

Special Education Equalization Revenue

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

1. The sum of the district's Special Education - Regular, Limited English Proficiency, Secondary Vocational Disabled and Special Education Excess Cost revenues; times
2. The statutory levy percentage (40% for F.Y. 1996, 30% for F.Y. 1997, 20% for F.Y. 1998 and 10% for F.Y. 1999.)

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

Special Education Levy

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

Special Education Levy Equalization Aid

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

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

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Levy Authorized by Fiscal Year					
Special Education - Regular	\$109,482.0	\$131,118.3	\$104,325.7	\$70,293.6	\$35,351.8
Special Education - Summer	\$1,828.1	\$2,860.0	\$1,118.6	\$0.0	\$0.0
Limited English Proficiency	\$4,140.5	\$4,880.8	\$3,989.7	\$2,925.8	\$1,609.2
Secondary Vocational - Handicapped	\$3,370.2	\$3,408.0	\$2,649.0	\$1,784.8	\$897.6
Excess Cost	\$0.0	\$4,219.4	\$5,325.6	\$6,681.8	\$6,131.1
Subtotal Levy Equalization Revenue	\$118,820.9	\$146,487.4	\$117,408.6	\$81,686.0	\$43,989.7
Less Equalization Aid	<u>(\$19,363.8)</u>	<u>(\$25,547.1)</u>	<u>(\$17,832.0)</u>	<u>(\$10,058.8)</u>	<u>(\$4,573.8)</u>
Total Levy Authority	\$99,457.1	\$120,940.3	\$99,576.6	\$71,627.2	\$39,415.9

	Payable 1994	Payable 1995	Payable 1996	Payable 1997	Payable 1998
Certified Levy by Calendar Year					
Initial Levy Year	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Initial Levy Amount	\$84,584.9	\$133,954.2	\$92,528.8	\$67,668.5	\$40,649.2
Levy Adjustment Year	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996
Levy Adjustment Amount	\$8,117.3	(\$368.6)	\$5,657.5	\$4,630.2	\$4,310.9
Levy Adjustment Year	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Levy Adjustment Amount	<u>\$7,515.5</u>	<u>\$8,969.1</u>	<u>(\$18,083.4)</u>	<u>\$3,615.1</u>	<u>\$3,549.3</u>
Total Levy Certified	\$100,217.7	\$142,554.7	\$80,102.9	\$75,913.8	\$48,509.4

(\$ in 000s)	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT				
(Line 3 Fiscal Page	\$25,813.0	\$17,832.0	\$11,969.0	\$5,974.0
B. ENTITLEMENT CHANGES PER LAW				
■ LEVY DECREASE (INCREASE):				
Change in Total Levy Revenue	\$41.0	\$182.4	(\$1,910.2)	(\$1,400.2)
Change in Aid Share Due to Change in Tax Capacity and Pupil Cents	\$45.6	\$282.5	\$0.0	\$0.0
■ APPROPR SHORT FALL (EXCESS)			(\$1,910.2)	(\$1,400.2)
C. STATUTORY FORMULA AID				
(Line 1 Fiscal Page	\$256,547.1	\$17,992.0	\$19,507.00,	\$4,573.8
			058.8	

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$10,457 for F.Y. 1998 and \$5,261 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$11,195 in F.Y. 1998 (\$1,783 for F.Y. 1997 and \$9,412 for F.Y. 1998), and \$5,780 in F.Y. 1999 (\$1,045 for F.Y. 1998 and \$4,735 for F.Y. 1999).

The Governor recommends the following modifications in the special education - levy equalization program for F.Y. 1999:

1. Increase the equalizing factor used in computing special education levy equalization aid from \$3,540 to \$3,672, to adjust for the change in pupil unit weights (see program 0101).
2. Discontinue the limited English proficiency levy and the associated levy equalization aid. This levy is rolled into the basic skills revenue and replaced with state aid (see program 0101).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0205: SPECIAL EDUCATION EQUALIZATION AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	25,645	18,009	9,507	3,957
2. Statutory Excess / (Shortfall)	168	(177)	2,462	2,017
3. Appropriated Entitlement	25,813	17,832	11,969	5,974
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(168)	44		
5. Current Law Aid	25,645	17,876	11,969	5,974
6. Excess / (Shortfall) After Adjustments	0	(133)		
7. Current Law Levy	(25,645)	(17,876)	(11,969)	(5,974)
8. Current Law Funding: Aid & Levy	0	0	0	0

GOVERNOR'S RECOMMENDATION: AID

Current Law Aid (from Line 5)

a. Eliminate Excess

b. Eliminate General Education Funding Caps

c. Other Policy Changes

Recommended Aid Entitlement

11,969	5,974
(2,462)	(2,017)
486	494
231	649
10,224	5,100

GOVERNOR'S RECOMMENDATION: LEVY

Current Law Levy (from Line 7)

a. Adjust for Change in Aid

Recommended Levy

(11,969)	(5,974)
1,745	874
(10,224)	(5,100)

TOTAL RECOMMENDED FUNDING: AID & LEVY

0	0
---	---

APPROPRIATIONS BASIS:(a)

Prior Year

Current Year

Current Year Adj. to 90%, per M.S. 124.904

Subtotal before Transfers

Transfers per M.S. 124.14, subd. 7

Total State General Funds

2,584	3,872	1,783	1,022
21,941	15,158	9,202	4,590
	891		
24,525	19,921	10,985	5,612
(168)	44		
24,357	19,965	10,985	5,612

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

This page intentionally left blank.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0207: SECONDARY VOCATIONAL; STUDENTS WITH DISABILITIES

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	5,112	6,181	7,139	8,079
2. Statutory Excess / (Shortfall)			(103)	(211)
3. Appropriated Entitlement	5,112	6,181	7,036	7,868
4. Adjustments				
a. Excess Funds Transferred In / (Out)	15			
b. Payment of Prior Year Claims	(15)			
5. Current Law Aid	5,112	6,181	7,036	7,868
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	3,408	2,649	1,785	898
8. Current Law Funding: Aid & Levy	8,520	8,830	8,821	8,766
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			7,036	7,868
a. Eliminate Aid Proration			103	211
Recommended Aid Entitlement			7,139	8,079
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			1,785	898
TOTAL RECOMMENDED FUNDING: AID & LEVY			8,924	8,977

APPROPRIATIONS BASIS:(a)

Prior Year	590	766	618	713
Current Year	4,346	5,254	6,426	7,272
Current Year Adj. to 90%, per M.S. 124.904		309		
Subtotal before Transfers	4,936	6,329	7,044	7,985
Transfers per M.S. 124.14, subd. 7	15			
Total State General Funds	4,951	6,329	7,044	7,985

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0208 TARGETED NEEDS:
 LIMITED ENGLISH PROFICIENCY

CITATION: M.S. 124.273; 126.261 - 269; 275.125, Subd. 8
MDCFL ADMIN: 1302 Learner Options (Targeted Populations)
FEDERAL: None

PURPOSE:

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

DESCRIPTION:

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

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

Approximately 153 school districts have LEP students. There are over 70 languages spoken by Minnesota's LEP population. The six most common languages are: Hmong, Spanish, Vietnamese, Lao, Cambodian, Russian/Ukrainian.

Starting with the 1995-96 school year, limited English proficiency program revenue is generated by school districts on a base year revenue concept. Limited English proficiency program revenue generated by school districts in 1995-96 is based on expenditures incurred in 1994-95. Beginning in 1996-97, it is based on expenditures incurred in the second prior year.

The limited English proficiency program base revenue equals the sum of the following amounts computed using base year data:

Instructor salary: 68% of the salary of one full-time equivalent teacher (FTE) for each 40 pupils of limited English proficiency enrolled or 68% of the salary of ½ an FTE teacher in a district with 20 or fewer pupils enrolled

Supplies and Equipment: 47% of the costs of necessary supplies and equipment not to exceed an average of \$47 per student receiving instruction

The limited English proficiency program adjusted base revenue equals the base revenue times the ratio of the greater of 20 or the number of pupils of limited English proficiency enrolled in the district during the base year to the greater of 20 or the number of pupils of limited English proficiency enrolled in the district during the current year.

A school district's limited English proficiency program revenue equals the state total limited English proficiency revenue, minus new district revenue, times the ratio of the district's adjusted limited English proficiency program base revenue to the state total adjusted limited English proficiency base revenue.

The state total limited English proficiency revenue for fiscal years 1997-98 and beyond equals (1) the state total limited English proficiency revenue for the preceding fiscal year times (2) the program growth factor times (3) the ratio of the state total number of pupils with limited English proficiency for the current fiscal year to the state total number of pupils with limited English proficiency for the preceding fiscal year.

If the limited English proficiency base revenue for a district equals zero, the district's limited English proficiency revenue equals the amounts computed above using current year data.

A school district's limited English proficiency aid equals the district's limited English proficiency revenue times the aid percentage factor for that year.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
FTE Staff	545.5	551.1	600.7	660.8	726.8
Salary Expenditures	\$17,614.0	\$17,795.7	\$19,395.6	\$21,335.2	\$23,468.7
Supplies and Equipment Expenditures	889.6	898.8	979.6	1,077.5	1,185.3
Total Expenditures	\$18,503.6	\$18,694.5	\$20,375.2	\$22,412.7	\$24,654.0
Base Year Revenue	--	\$11,588.6	\$11,588.6	\$13,806.7	\$15,463.5
New District Revenue	--	0.0	0.0	0.0	0.0
The Greater of Base Year Enrollment or 20	--	20,888.3	20,888.3	25,399.1	27,821.7
Base Year Enrollment	--	20,095.0	20,095.0	24,703.0	27,173.9
The Greater of LEP Enrollment or 20	--	25,399.1	27,821.7	30,494.5	33,440.5
LEP Enrollment	--	24,703.0	27,173.9	29,891.2	32,880.4
State Total Adjustment Base Revenue	--	14,177.2	15,563.6	16,479.0	18,637.7
State Total Revenue	--	12,202.0	13,299.0	14,628.9	16,091.8
State Total Revenue New DST	--	0.0	0.0	0.0	0.0
Aid Percentage Factor	--	60%	70%	80%	90%
Gross Aid	7,448.1	7,321.3	9,309.3	11,703.1	14,482.6
Levy Revenue	4,140.5	4,880.9	3,989.7	2,925.8	1,609.2
Levy Revenue/Charter Schools	0.0	0.0	0.0	0.0	0.0
Total Levy Revenue	4,140.5	4,880.9	3,989.7	2,925.8	1,609.2
Proration Factor	1.00	1.00	1.00	0.91	0.83
Prorated Aid	\$7,448.1	\$7,321.3	\$9,309.3	\$10,639.0	\$11,969.0

BUDGET ISSUES:

A. CHALLENGES:

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

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0208 LIMITED ENGLISH PROFICIENCY
(Continuation)

B. STRATEGIES:

- Provide information concerning the unique needs of LEP students
- Develop tests and testing procedure that include LEP students and are fair to them
- Increase opportunities for teachers and future teachers to develop expertise in the education of LEP students
- Collect and use data on the education of LEP students (including achievement data)
- Increase funding for districts with high concentrations of LEP students
- Provide districts with greater flexibility in providing services to meet the educational needs of at-risk learners.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modifications in the targeted needs - limited English proficiency program:

1. Beginning in F.Y. 1998, compute limited English proficiency (LEP) concentration revenue equal to \$100 times the LEP pupil units. LEP pupil units for each LEP pupil enrolled in a district during the current year will equal the lesser of one or the ratio of the LEP concentration percentage in the pupil's district of residence to 11.5.
2. Increase the state total LEP revenue, excluding LEP concentration revenue, from the F.Y. 1997 level of \$13,299 to \$14,629 for F.Y. 1998 and to \$16,092 for F.Y. 1999.
3. Beginning in F.Y. 1998, adjust the LEP base revenue for school districts operating a program during the base year for less than the full school year to reflect the expenditures that would have occurred had the program been operated for the full school year.
4. Beginning in F.Y. 1999, combine LEP revenue, compensatory revenue and assurance of mastery revenue to form a new basic skills block grant in the general education program (see Program 0101).

The Governor recommends an aid entitlement of \$13,552 for F.Y. 1998 and \$-0- for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$13,127 in F.Y. 1998 (\$930 for F.Y. 1997 and \$12,197 for F.Y. 1998), and \$1,355 in F.Y. 1999 (\$1,355 for F.Y. 1998 and \$-0- for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0208: TARGETED NEEDS: LIMITED ENGLISH PROFICIENCY

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	7,321	9,309	11,703	14,483
2. Statutory Excess / (Shortfall)			(1,064)	(2,514)
3. Appropriated Entitlement	7,321	9,309	10,639	11,969
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	7,321	9,309	10,639	11,969
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	4,881	3,990	2,926	1,609
8. Current Law Funding: Aid & Levy	12,202	13,299	13,565	13,578
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			10,639	11,969
a. Eliminate Proration			1,064	2,514
b. Concentration Aid Initiative			1,849	2,320
c. Fold LEP Revenue into General Education Basic Skills in F.Y. 1999			0	(16,803)
Recommended Aid Entitlement			13,552	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			2,926	1,609
a. Concentration Aid Initiative			462	258
b. Fold LEP Revenue into General Education Basic Skills in F.Y. 1999			0	(1,867)
Recommended Levy			3,388	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			16,940	0

APPROPRIATIONS BASIS:(a)

Prior Year	945	1,098	930	1,355
Current Year	6,223	7,913	12,197	0
Current Year Adj. to 90%, per M.S. 124.904		466		
Subtotal before Transfers	7,168	9,477	13,127	1,355
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	7,168	9,477	13,127	1,355

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids
 0209 TARGETED NEEDS:
 ASSURANCE OF MASTERY
CITATION: M.S. 124.311
MDCFL ADMIN: 1302 Learner Options
FEDERAL: None

PURPOSE:

This program provides supplemental help to K-8 students to ensure success in the general educational program. Parents are involved in the planning of their student's educational program to increase the potential for success. Performance is based on district-established standards and instruction must vary to accommodate differing student needs. The objectives of this program under M.S. 124.311 are:

- to assure that students at risk of failure are identified and provided the additional help needed to succeed in the regular curriculum. It is expected that this approach will reduce referrals for special education instruction and services;
- to focus the effort in one or more grade levels, Kindergarten through Grade 8, to assure early intervention and prevention of later failure and drop-out;
- to promote the development of instructional strategies consistent with the state's content and performance standards. Effective instructional delivery systems will assure that all students are taught in the most efficient way;
- to assure that districts not only identify and serve students at risk of failure, but also to monitor program effectiveness and report program results to the community and state; and
- to assure district commitment to the program by requiring a local district contribution equal to the state matching amount in order to receive state funds. The local revenues must be expended in the same way as the state matching funds.

DESCRIPTION:

In 1989, M.S. 124.311 was enacted to provide funding on an optional basis to districts for their Assurance of Mastery (AOM) program in Grades K-8. In 1996, the Legislature amended M.S. 124.311. The state funding is based on the number of a district's K-8 fund balance pupil units times \$22.50. If a district expends \$22.50 times their K-8 fund balance pupil units to employ staff to provide direct instructional services to eligible K-8 pupils, the state then will match the district effort. If the district expenditures are less than that amount, the state will match the lesser amount.

Total Assurance of Mastery funding is the sum of \$22.50 state funding and \$22.50 local funding for a total of \$45.00 per fund balance pupil unit.

The Department asks school districts to design programs that help students learn how to learn, and to assist students in acquiring the necessary conceptual framework to facilitate future learning. The curriculum may be modified by time, methods, and/or materials.

CFL efforts focus on providing of technical assistance to districts in identifying and designing services for these students. The technical assistance needs of districts include training in teaming with

other adults in a classroom, recognizing learning style differences, and planning alternative instructional strategies.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
School Districts Participating	357	339	339	339	339
Students (WADMs)*	602,558	600,182	606,460	605,308	601,742
Gross Aid	\$12,397.5	\$13,504.1	\$13,645.4	\$13,619.4	\$13,539.2

BUDGET ISSUES:

A. CHALLENGES:

- In F.Y. 1995 school districts whose enrollment represents about 93% of the eligible K-8 WADMs are participating in this program. By and large, those not participating are small districts with a small amount of eligibility for matching money and small class sizes. Because of these factors, learners in these districts do not gain access to this program.

B. STRATEGIES:

- To maximize efficiency and effectiveness, decisions on the use of resources should be made as close to the learner as possible.
- Accountability for ADM was previously reported through the "Annual Report on Curriculum and Student Achievement." In the future, program effectiveness will be reported through the system accountability process currently being developed by the department

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$13,770 for F.Y. 1998 and \$-0- for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$13,757 in F.Y. 1998 (\$1,364 for F.Y. 1997 and \$12,393 for F.Y. 1998), and \$1,377 in F.Y. 1999 (\$1,377 for F.Y. 1998 and \$-0- for F.Y. 1999).

The Governor recommends the following modification in the assurance of mastery program, beginning in F.Y. 1999:

1. Combine assurance of mastery revenue, LEP revenue and compensatory revenue to form a new basic skills block grant in the general education program (see program 0101).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0209: TARGETED NEEDS: ASSURANCE OF MASTERY

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	13,504	13,645	13,770	13,845
2. Statutory Excess / (Shortfall)	90	133	9	(66)
3. Appropriated Entitlement	13,594	13,778	13,779	13,779
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(50)(b)	(120)		
b. Portion of Final 10% Not Requested	0	(13)		
c. Payment of Prior Year Claims	(40)	0		
5. Current Law Aid	13,504	13,645	13,779	13,779
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	13,504	13,645	13,779	13,779
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			13,779	13,779
a. Eliminate Excess			(9)	0
c. Fold AOM Aid into General Education Basic Skills in F.Y. 1999			0	(13,779)
Recommended Aid Entitlement			13,770	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			13,770	0

APPROPRIATIONS BASIS:(a)

Prior Year	1,979	2,039	1,364 (c)	1,377
Current Year	11,555	11,712	12,393	0
Current Year Adj. to 90%, per M.S. 124.904		689		
Subtotal before Transfers	13,534	14,440	13,757	1,377
Transfers per M.S. 124.14, subd. 7	(67)(b)	(120)		
Total State General Funds	13,467	14,320	13,757	1,377

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) Includes \$17 for the prior year final and \$50 in the current year account

c) The \$1,377 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

REVISED 2/28/97
PAGE A-209

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0210 TARGETED NEEDS - INTEGRATION AID

CITATION: M.S. 124.321, Subd. 5
MDCFL ADMIN: 1301 Learner Improvement
FEDERAL: None

PURPOSE:

To provide funding to school districts for costs associated with implementing an approved desegregation plan.

DESCRIPTION:

Under State Board of Education Rule 3535, a desegregation plan is required when the learners of color student composition in a building exceeds by the minority racial composition of the district's student population by more than 15%. Based on current rule, the desegregation plan must specify the manner and methods by which the district will limit the percentages of majority and learners of color in those buildings. The Duluth, Minneapolis and St. Paul school districts currently operate under authority of Rule 3535, and have approved desegregation plans in place. Eligible districts must maintain an approved comprehensive desegregation/integration plan.

The amount awarded to each district is specified by law. Districts must report expenditures to the Legislature. The revenue from this grant is supplemented by the Rule Compliance Levy (Program Budget 0212), and Integration Programs (Program Budget 0211). Beginning in F.Y. 1996, the Targeted Needs - Integration Revenue program was formed by combining the Integration Grant program and the Rule Compliance Levy (see program 0212).

PROGRAM STATUS:

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law F.Y. 1998	F.Y. 1999
(\$ in 000s)					
1. Districts with Desegregation Plans*	3	3	3	3	3
2. Students Enrolled: (ADM)					
Duluth	13,837	13,872	13,751	13,683	13,656
Minneapolis	44,525	46,236	47,068	48,020	48,680
St. Paul	40,751	42,719	43,604	44,830	45,775
3. Percent Minority Students Enrolled					
Duluth	8.5%	9.5%	10.0%	10.0%	10.0%
Minneapolis	61.0%	63.4%	65.5%	65.5%	65.5%
St. Paul	51.9%	52.9%	57.4%	57.4%	57.4%
(\$ in 000s)					
Grant Amount					
Duluth	\$1,385.0	\$1,385.0	\$1,385.0	\$1,385.0	\$1,385.0
Minneapolis	\$9,368.3	\$9,368.0	\$9,368.0	\$9,368.0	\$9,368.0
St. Paul	<u>\$8,090.5</u>	<u>\$8,091.0</u>	<u>\$8,091.0</u>	<u>\$8,091.0</u>	<u>\$8,091.0</u>
TOTAL	\$18,843.8	\$18,844.0	\$18,844.0	\$18,844.0	\$18,844.0

* Additional districts may be required to file desegregation plans pending change in the Department of Children, Families & Learning rules.

BUDGET ISSUES:

A. CHALLENGES:

- The needs of districts required by the current State Board of Education to have desegregation/integration plans are continuing to grow because of the impact of high concentrations of poverty. Improved methods of interagency collaboration are needed so that together schools, local government agencies, community groups along with learners and their families develop results-based community learning plans to address the learning needs of students.

B. STRATEGIES:

- In an effort to better utilize all of the revenue available, including that of other agencies, districts should involve all agencies which deal with children and develop a results-based collaborative approach. Improved methods of interagency collaboration are needed so that together schools, local government agencies, community groups along with learners and their families develop results-based community learning plans to address the learning needs of students.
- The districts receiving these integrating/desegregation grants will also be partners with other suburban districts regarding projects funded through the Magnet Schools and Integration Block Grant.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% appropriation of \$18,844 for F.Y. 1998. Beginning in F.Y. 1999, change program funding to 90%-10% basis. The Governor recommends an aid entitlement of \$29,026 for F.Y. 1999. Based on this entitlement, the Governor recommends an appropriation of \$26,124 for F.Y. 1999 (\$0 for F.Y. 1998 and \$26,124 for F.Y. 1999).

The Governor recommends the following modifications in the targeted needs-integration revenue program, beginning in F.Y. 1999:

1. Combine targeted needs-integration revenue and integration transportation revenue to form a new integration revenue program.
2. Compute integration revenue equal to the product of the integration revenue allowance times the actual pupil units. Set the integration allowance as follows:
 - (a) \$543 for SSD #1, Minneapolis,
 - (b) \$440 for ISD 625, St. Paul,
 - (c) \$199 for ISD 709, Duluth, and
 - (d) the lesser of \$96 or the actual integration cost per pupil unit for other school districts required to implement an integration plan.
3. Compute integration aid equal to 54 percent of integration revenue, and the integration levy equal to 46 percent of integration revenue.
4. Require integration revenue to follow students enrolled in another school district under an alternative attendance program.

See program narrative 0212 for the rule compliance levy.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0210: TARGETED NEEDS: INTEGRATION AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	18,844	18,844	18,844	18,844
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	18,844	18,844	18,844	18,844
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	18,844	18,844	18,844	18,844
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy (Rule Compliance Levy - see Program 0212) (a)	20,624	20,702	21,915	22,479
8. Current Law Funding: Aid & Levy	39,468	39,546	40,759	41,323
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			18,844	18,844
a. Discontinue Grant Funds			0	(18,844)
b. Replace with Integration Revenue, including Transportation			0	29,026
Recommended Aid Entitlement			18,844	29,026
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			21,915	22,479
a. Discontinue Rule Compliance Levy			0	(22,479)
b. Replace with Integration Revenue, including Transportation				24,726
Recommended Levy			21,915	24,726
TOTAL RECOMMENDED FUNDING: AID & LEVY			40,759	53,752

APPROPRIATIONS BASIS:

Direct Appropriated Funds	18,844	18,844	18,844	26,124
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	18,844	18,844	18,844	26,124

a) The rule compliance levy is recognized as school district revenue in the fiscal year in which the levy is certified.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0211 INTEGRATION PROGRAMS

CITATION: M.S. Laws 1995, Ch. 3, Art. 8, Sec. 25, Subd. 9
MDCFL ADMIN: 1301 Learner Improvement
FEDERAL: None

PURPOSE:

This program integrates funding for four integration programs:

Alternative Preparation Licensing, Minority Fellowship Grants: To recruit minorities into teaching by providing fellowship grants to qualified minorities seeking alternative preparation for teacher licensure under M.S. 125.188 and site grants for program development and management.

Teachers of Color Program: To increase the numbers of teachers of color in school districts with growing student-of-color populations.

Minority Teacher Incentives: To share fiscal responsibility with eligible school districts to employ additional teachers and aides or educational assistants of color. Program are to:

More teachers of color will provide opportunities among staff to increase cultural awareness and provide diversity within staff and student populations. Representation of communities of color in staffing and curriculum will increase self esteem among students of color and promote respect among all students for all persons, regardless of race. Inclusion will help reduce the dropout rate for students of color.

Cultural Exchange Program: To develop and create opportunities for children and staff of different ethnic, racial, and other cultural backgrounds to experience educational and social exchange.

DESCRIPTION:

Grants are awarded on a competitive basis for programs where the greatest need for funding is demonstrated. Each of the four programs has its own process. The Department of Children, Families & Learning uses committees of internal and external personnel to review grant applications and to recommend grant recipients to the Desegregation/Integration Advisory Board, which allocates funds from the block appropriation annually among the four programs.

Alternative Preparation Licensing, Minority Fellowship Grants (Personnel Licensing): The Alternative Preparation Licensing Program provides an alternative means of preparing people who might not otherwise seek the preparation needed to be licensed teachers in Minnesota. The candidates augment the current teaching staff with individuals whose backgrounds are especially relevant to the needs of a diverse student population. This program gives experienced individuals an alternative route to acquiring the skills needed to be successful teachers. One of the objectives of the Alternative Preparation Licensing Program is to recruit people of color into teaching. 50% of the fellowship grant is paid each year for two years. Participants who receive fellowship grants must agree to remain as teachers in the school district for two years if they satisfactorily complete the alternative preparation program and if their contracts as probationary teachers are renewed.

Alternative preparation to teacher licensure programs are approved by the Minnesota Board of Teaching. Each approved program must be a collaborative effort between a school district, group of schools and a post-secondary institution that has a teacher preparation program. The program provides each candidate with a resident mentorship team responsible for the instructional phase before the candidate assumes responsibility for a classroom, formal instruction and peer coaching during the school year, assessment, supervision and evaluation of a candidate and the shard design and delivery of instruction.

Minority Teacher Incentives (M.S. 124.278): This program provides funding to districts that have a students of color enrollment of more than 10% or to districts that have an approved comprehensive desegregation plan. In districts were eligible to receive incentive grants. This is a two-year grant program. Districts receive one-half of a teacher's salary, not to exceed \$20,000 per year, if they employ a teacher or teachers of color who has/have not taught in a Minnesota school district during the preceding year. Districts retaining the teacher a second year are guaranteed a second grant. Reimbursements are made for each year of the biennium and according to current law, reimbursements cannot be prorated.

Eligible districts are notified of the grant application procedures and schedule. As far as possible, eligible districts submitting valid applications are provided at least one grant. Further grants are prorated in relation to the number of applications received from a district, the size of the student body, and the percentage of students of color within the student body.

Teachers of Color Program (M.S. 125.623): This program provides funding to school districts that in turn recruit persons of color who are interested in pursuing a teaching degree. The funding is used to support these persons of color as they attend college to obtain their teaching certification. In return, the newly trained teacher is committed to teaching in the supporting district for at least two years. If no job is available in that district, the new teacher may work out his/her commitment in another Minnesota school. All school districts with a growing population of color are eligible to apply for a grant. All districts are notified of the grant application procedure.

Cultural Exchange Program: Student and staff exchanges under this section may only take place between a district with a desegregation plan approved by the Department of Children, Families & Learning and a district without a desegregation plan. Participating school districts shall offer summer programs for credit with these goals:

- developing curriculum reflective of particular ethnic, racial and other cultural aspects of various demographic groups in the state;
- developing immersion programs that are coordinated with the above programs;
- creating opportunities for students from across the state to enroll in summer programs in school districts other than the one of residence, or in other schools within their district of residence;
- creating opportunities for staff exchanges on a cultural basis.

The grants may be used for staff time including salary and benefit expenses and costs for substitute staff, travel expenses, curriculum materials and any other expense needed to meet the goals of the program. Grant proceeds also may be used for transportation, board, and lodging expenses for students.

In the only year that funding was allocated to this program, three projects were funded:

- The Minneapolis (SSD 001) - Bloomington (ISD 217) Walkabout Program;
- The Minneapolis (SSD 001) - Hopkins (ISD 270) Arts and Community Building Blocks Program; and
- The St. Paul (ISD 625) - Stillwater (ISD 834) College for Kids Program.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0211 INTEGRATION PROGRAMS
(Continuation)

PROGRAM STATUS:

STATUTE	PROGRAM	F.Y. 1995	F.Y. 1996	F.Y. 1997
M.S. 125.188	Alternative Preparation Licensing, Minority Fellowship Grants (Personnel Licensing)	\$150.0	\$225.0	\$150.0
M.S. 125.188	Alternative Preparation Licensing Minority Fellowship Programs (Personnel Licensing)	included above	\$50.0	\$125.0
M.S. 125.623	Teachers of Color (MEEP II)	\$500.0	\$650.0	\$650.0
M.S. 124.278	Minority Teacher Incentives (Desegregation and Educational Diversity)	\$311.6	\$75.0	\$75.0
M.S. 126.43	Cultural Exchange (unassigned/unallocated)	\$142.0	\$0.0	\$0.0
	TOTALS	\$1,103.6	\$1,000.0	\$1,000.0

*Funding for 1998 and 1999 has not been allocated.

BUDGET ISSUES:

A. CHALLENGES:

- As the demographics of the state continue to change, bringing increasing diversity to urban, suburban, exurban/rural communities and, especially, school districts throughout the state, the needs for programs such as the four included in this desegregation/integration block continue to grow. The demand for staff reflective of the diverse student populations and the increased interest in education careers among people of color keep the three programs that offer staffing and licensing support at capacity. This has led the Desegregation/Integration Advisory Board to place all funding in those programs over the past biennium. Further, the Cultural Exchange Grant Program presents its own difficulties due to the requirement that activities occur in the summer.
- The Minority Teacher Incentives Program faces challenges in continuing support of candidates across biennia and/or in using the full allocation when prorating is not allowed. Also, despite its name, not only teachers, but other educational program staff (aids and educational assistants) are eligible for funding.
- With the exception of the Minority Fellowships Program, administrative responsibilities for these programs have been assigned to new people in the department every year.

B. STRATEGIES:

- The Desegregation/Integration Advisory Board uses the flexibility of the block allocation to fund

- programs where the greatest needs exist and where the opportunities for success are greatest. For example, when the Board allocated a reduced level of funding to the Minority Teacher Incentives Program, it specified that the grants would go first to schools in Greater Minnesota.
- With guidance provided by the Desegregation/Integration Advisory Board, the success and impact of these programs can be correlated with the Magnet School Planning Grants program, which the board also oversees. Communication with eligible districts is enhanced and awareness of the programs increases. The need for a comprehensive approach for the recruitment of candidates should include activities at local, state and national levels.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% appropriation of \$1,000 for F.Y. 1998 and \$1,000 for F.Y. 1999.

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

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
 AGENCY: Children, Families & Learning Aids
 0212 RULE COMPLIANCE LEVY
 CITATION: M.S. 124.912, Subd. 2 and 3
 MDCFL ADMIN: 1301 Learner Improvement
 FEDERAL: None

PURPOSE:

To provide additional funding for costs associated with implementing an approved desegregation plan (Program 0210), in accordance with State Board of Education Rule 3535.

To assist in the integration of all learners, the special tax levies authorized in M.S. 124.912, Subd. 2 and 3 provide financial support to the Duluth, Minneapolis, and St. Paul school districts. Proceeds of these levies are used for the purpose of:

- assuming a portion of operating costs for magnet/specialty schools or other methods used to achieve school district desegregation;
- staff development costs for preparing teachers to work with population diversity in an integrated setting;
- development and utilization of culturally specific strategies to meet the unique needs of specific cultural groups of students; and
- supplemental support services for unique students' needs in integrated schools.

DESCRIPTION:

Under State Board of Education Rule 3535, a desegregation plan is required when the minority student population in a school building exceeds by 15% the district average for those grade levels. The Duluth, Minneapolis and St. Paul school districts currently operate under authority of Rule 3535, and have approved desegregation plans in place.

Districts operating under Rule 3535 are permitted to levy for rule compliance. The revenue from this levy supplements the state aid received by eligible districts through the Integration Aid program (Program 0210). Beginning in F.Y. 1996, the two programs were combined to form the targeted needs-integration revenue program. The tax rates and per pupil unit amounts permitted have varied over time. Unlike most levies, the entire amount levied is recognized as revenue in the fiscal year in which the levy is certified. This levy is not considered in computing the aid reduction for the tax levy revenue recognition change under M.S. 124.155.

RULE COMPLIANCE LEVY TAX RATES AND AMOUNTS

Levy Year	Revenue Recognition Year	Eligible School Districts	Maximum Tax Rates/Formula
1987 Pay 1988	1987-88	Mpls., St. Paul, Duluth	1 mill
1988 Pay 1989	1988-89	St. Paul Mpls., Duluth	2 mills ⁽¹⁾ 1 mill ⁽²⁾
1989 Pay 1990	1989-90	St. Paul Mpls., Duluth	1.6% AGTC 0.8% AGTC
1990 Pay 1991	1990-91	St. Paul Mpls., Duluth	3.0% ANTC 2.0% ANTC
1991 Pay 1992	1991-92	St. Paul Mpls., Duluth	3.0% ANTC 2.0% ANTC
1992 Pay 1993 ⁽³⁾	1992-93	Mpls. St. Paul Duluth	\$160/WADM \$163/WADM 2.05% ANTC
1993 Pay 1994	1993-94	Mpls. St. Paul Duluth	\$ 197/WADM \$ 197/WADM 2.0% ANTC + \$ 660,000
1994 Pay 1995	1994-95	Mpls. St. Paul Duluth	\$ 197/WADM \$ 197/WADM 2.0% ANTC + \$ 660,000
1995 Pay 1996	1995-96	Mpls. St. Paul Duluth	\$ 197/WADM \$ 197/WADM 2.0% ANTC + \$ 660,000
1996 Pay 1997	1996-97	Mpls. St. Paul Duluth	\$ 197/WADM \$ 197/WADM 2.0% ANTC + \$ 660,000

⁽¹⁾ converted to 1.6% of adjusted gross tax capacity

⁽²⁾ converted to 0.8% of adjusted gross tax capacity

⁽³⁾ 1992 Pay 1993 change in formula

ANTC is adjusted net tax capacity. AGTC is adjusted gross tax capacity.

PROGRAM STATUS:

Current Law

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Duluth	\$1,404.3	\$1,460.9	\$1,537.0	\$1,583.4	\$1,632.3
Minneapolis	\$9,909.5	\$10,226.3	\$10,464.1	\$10,688.7	\$10,716.6
St. Paul	<u>\$9,310.3</u>	<u>\$9,014.3</u>	<u>\$9,913.7</u>	<u>\$10,207.0</u>	<u>\$10,236.0</u>
TOTAL	\$20,624.1	\$20,701.5	\$21,914.8	\$22,479.1	\$22,584.9

REVISED 2/28/97

PAGE A-217

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0212 RULE COMPLIANCE LEVY
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Urban school districts continue to experience enrollment increases in the percentage of learners of color. The Minnesota State Board of Education and the Department of Children, Families & Learning are in the process of strengthening policies and rules that promote effective, integrated education throughout the state.

B. STRATEGIES:

- The purpose for which the proceeds of these levies are used will be reviewed by the Department to determine that the levies support effective desegregation/integration plans which positively impact all learners, aid in closing the learning gap and improve the acceptance and understanding of the varied and rich cultures of our society.

GOVERNOR'S RECOMMENDATION:

See Program 0210 for recommendations related to integration programs.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0218: INDIAN TEACHER PREPARATION GRANTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	190	190	190	190
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	190	190	190	190
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	190	190	190	190
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	190	190	190	190
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			190	190
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			190	190
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	190	190	190	190
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	190	190	190	190

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

 0219 TRIBAL CONTRACT SCHOOLS

CITATION: M.S. 124.86
MDCFL ADMIN: 1304 Indian Education
FEDERAL: Bureau of Indian Affairs Funding (Not a Federal flow-through program)

PURPOSE:

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

DESCRIPTION:

Each year each American Indian-controlled tribal contract or grant school authorized by the United States Code title 25, section 450f, that is located on a reservation within the state is eligible to receive tribal contract or grant school aid provided that:

- a) the school must plan, conduct, and administer an education program that complies with the requirements of either chapter 124 and chapters 120, 121, 122, 123, 124A, 124C, 125, 126, 129, and 268A or Code of Federal Regulations title, 25, sections 31.0 to 45.80. and
- b) the school must comply with all other state statutes governing independent school districts or their equivalent in the Code of Federal Regulations, title 25.

The amount of aid is derived by:

- multiplying the formula allowance under section 124A.22, subd. 2, times the difference between
 - the actual pupil units as defined in section 124A.02, subd. 15, in average daily membership, excluding section 124.17, subd. 2f, and
 - the number of pupils for the current school year, weighted according to section 124.17, subd. 1, receiving benefits under section 123.933 or 123.935 or for which the school is receiving reimbursement under section 126.23;
- subtracting from the result in clause (1) the amount of money allotted to the school by the federal government through Indian School Equalization Program of the Bureau of Indian Affairs, according to Code of Federal Regulations, title 25, part 39, subparts A to E, for the basic program as defined by section 39.11, paragraph (b), for the base rate as applied to kindergarten through grade 12, excluding small school adjustments and additional weighting, but not money allotted through subparts F to L for contingency funds, school board training, student training, interim maintenance and minor repair, interim administration cost, prekindergarten, and operation and maintenance, and the amount of money that is received according to section 126.23;
- dividing the result in clause (2) by the actual pupil units in average daily membership, excluding section 124.17, subdivision 2f; and
- multiplying the actual pupil units, including section 124.17, subdivision 2f, in average daily membership by the lesser of \$1,500 of the sum of result in clause (3) plus \$300.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Schools	4	4	4	4	4
Number of Pupil Units	1,035	1,091	1,146	1,187	1,264
Eligible for Aid					

(\$ in 000s)	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	\$257.0	\$968.0	\$968.0	\$968.0
B. ENTITLEMENT CHANGES PER LAW:				
Change in WADM	(\$7.5)	(\$8.1)	\$5.2	\$24.3
Change in Federal Funding	(\$249.5)	(\$49.3)	\$177.9	\$160.7
Appropri Shortfall (Excess)			(\$177.9)	(\$160.7)
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$0.0	\$910.6	\$1,151.1	\$1,153.0

BUDGET ISSUES:

A. **CHALLENGES:**

- Develop equitable funding resources for the program and to account for the effect of mid-year student transfers from public schools.

B. **STRATEGIES:**

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

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modification in the tribal contract aid program:

1. Beginning in F.Y. 1998, provide AFDC funding for tribal contract schools; and
2. Beginning in F.Y.1999, compute tribal contract aid using the formula allowance less \$176 to adjust for the change in pupil unit weights and the general education formula.

The Governor recommends an aid entitlement of \$2,388 for F.Y. 1998 and \$2,721 for F.Y. 1999. Based on these entitlements, the Governor recommends an appropriation of \$2,243 in F.Y. 1998 (\$91 for F.Y. 1997 and \$2,152 for F.Y. 1998), and \$2,687 in F.Y. 1999 (\$238 for F.Y. 1998 and \$2,451 for F.Y. 1999).

0219.d1
 03-01-97 12:22 pm jms

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0219: TRIBAL CONTRACT SCHOOLS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	0	911	1,151	1,153
2. Statutory Excess / (Shortfall)	257	57	(183)	(185)
3. Appropriated Entitlement	<u>257</u>	<u>968</u>	<u>968</u>	<u>968</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(257)	(52)		
b. Portion of Final 10% Not Requested		(5)		
5. Current Law Aid	<u>0</u>	<u>911</u>	<u>968</u>	<u>968</u>
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>0</u>	<u>911</u>	<u>968</u>	<u>968</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			968	968
a. Eliminate Excess			183	185
b. Formula Adjustment - AFDC			1,237	1,568
Recommended Aid Entitlement			<u>2,388</u>	<u>2,721</u>
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			2,388	2,721

APPROPRIATIONS BASIS: (a)

Prior Year	19	38	91 (b)	238
Current Year	219	823	2,152	2,451
Current Year Adj. to 90%, per M.S. 124.904		49		
Subtotal before Transfers	<u>238</u>	<u>910</u>	<u>2,243</u>	<u>2,689</u>
Transfers per M.S. 124.14, subd. 7	(238)	(90)		
Total State General Funds	<u>0</u>	<u>820</u>	<u>2,243</u>	<u>2,689</u>

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) The \$96 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0220 TRIBAL CONTRACT SCHOOLS-ECFE

CITATION: M.S. 124.86, Subd. 4
MDCFL ADMIN: 1304 Indian Education
FEDERAL: None

PURPOSE:

The purpose of the regular Early Childhood Family Education (ECFE) program and the function for this grant program is to enhance the ability of parents to provide for their children's optimal learning and development through education and support during the early childhood years, from birth to kindergarten enrollment. The mission of the Tribal Contract Schools—ECFE program is to encourage community-based parent-child participation and maximize the use of available resources to provide cost-effective prevention/risk reduction services for all young children and their families through the cooperation and collaboration of agencies, services, and other community resources available to the tribal schools.

DESCRIPTION:

The Tribal School Early Childhood Family Education programs were established by the legislature in 1991. The schools eligible for the grants are Bug-o-nay-ge-shig, Leech Lake; Circle of Life, White Earth; Fond du Lac Ojibway, Cloquet; and Nay Ah Shing, Mille Lacs. Programs established at the four schools use culturally appropriate materials and strategies to deliver the basic Early Childhood Family Education program with an added emphasis on preserving their culture. An example is storytelling by Tribal elders to convey American Indian history to young children and their parents. Such programs require the direct presence and substantial involvement of the children's parents and may include any or all of the following:

- programs to educate parents about the physical, mental, and emotional development of children;
- programs to enhance the skills of parents in providing for their children's learning and development;
- learning experiences for children and parents;
- activities designed to detect children's physical, mental, emotional, or behavioral problems that may cause learning problems;
- activities and materials designed to encourage self-esteem, skills and behaviors that prevent sexual and other interpersonal violence;
- educational materials which may be borrowed for home use;
- home visits or center based activities;
- information on related community resources; or
- other programs or activities to improve the health, development and learning readiness of children.

The school must make affirmative efforts to encourage participation by fathers. Admission may not be limited to those enrolled in or eligible for enrollment in a federally recognized Tribe.

The revenue equals 1.5 times the statewide average expenditure per participant under ECFE, M.S. 124.2711, times the number of children and parents participating full time in the program.

PROGRAM STATUS:

	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Participants					
Fond du Lac	55	60	60	65	65
Circle of Life	120	140	145	150	155
Bug-o-nay-ge-shig	160	180	185	190	195
Mille Lacs	100	105	105	110	110
Funding	\$68.0	\$68.0	\$68.0	\$68.0	\$68.0

BUDGET ISSUES:

A. CHALLENGES:

- Ongoing efforts will be needed to maintain the momentum of program development and to facilitate increased sharing of effective strategies and resources by tribal schools and other Early Childhood Family Education programs servicing American Indian families.
- Communication and connections of tribal school programs with other ECFE programs throughout the state need to be enhanced for the benefit of American Indian families who move to and from the reservation served by the tribal school so their participation will continue.

B. STRATEGIES:

- Tribal schools will work with the Manager of Indian Education on report data.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$68 for F.Y. 1998 and \$68 for F.Y. 1999.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0220: EARLY CHILDHOOD PROGRAMS AT TRIBAL SCHOOLS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	68	68	68	68
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	68	68	68	68
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	68	68	68	68
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	68	68	68	68
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			68	68
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			68	68
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	68	68	68	68
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	68	68	68	68

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

 0221 BASIC SKILLS SUMMER SCHOOL

CITATION: M.S. 124.17, Subd. 5
MDCFL ADMIN: 1301 Learner Improvement
FEDERAL: None

PURPOSE:

To provide funding for remedial summer school programs for secondary students who have not passed an assessment of basic graduation standards in reading, writing, or mathematics.

DESCRIPTION:

When a pupil who has not passed an assessment of basic graduation standards in reading, writing, or mathematics is enrolled in a mastery of basic skills summer school program that is not a part of the regular school term and the student has a total enrollment time of more than 1,020 hours in a school year, the pupil may be counted as more than one pupil in average daily membership for purposes of this subdivision only. The amount in excess of one pupil must be determined by the ratio of the number of hours of instruction provided to that pupil in excess of 1,020 hours. For each pupil, only the amount of summer school enrollment time attributable to basic skills instruction may be used to calculate the additional hours in the school year. Basic skills instruction is defined in Minnesota's rules on graduation standards and includes reading, writing and mathematics. Hours that occur after the close of the instructional year in June shall be attributable to the following fiscal year. A pupil for whom payment is made under this subdivision may be counted by a district only for the computation of basic revenue, according to section 124A.22, subd. 2, minus \$300. In F.Y. 1997, basic revenue minus \$300, is \$3,205.

PROGRAM STATUS:

	Current Law	
	F.Y. 1998	F.Y. 1999
Estimated Number of Students	18,383	20,102
Secondary Weighting	1.30	1.30
Basic Formula	\$3,205	\$3,205
Number of Summer School Hours	60	60
Hours in School Year	1,020	1,020
Total Funding (\$ in 000s)	\$4,505.4	\$4,926.9

Note: F.Y. 1998 will be the first year for this program.

(\$ in 000s)	F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 on Fiscal Page)	\$891.0	\$1,255.0
B. ENTITLEMENT CHANGES PER LAW Number of Pupils Participating	3,614	3,672
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$4,505.0	\$4,927.0

Note: The original appropriation was based on data available and estimates from program staff in February, 1996. Actual test results and district planning projections account for the variance between the appropriation and the statutory formula aid required.

BUDGET ISSUES:

A. CHALLENGES:

- Failing a test once is not indicative of a need for summer school. A more reasonable and cost-effective procedure would be to provide this program for students who, by the end of 9th grade, have still not passed.
- Since the first summer school session under this program will occur after mid-June 1997, at this time, many districts are still in the planning stages of developing the basic skills summer program. Since this is a voluntary program, school districts are not sure how many students will be participating and what the length of the program will be. This makes forecasting difficult.

B. STRATEGIES:

- The department will continue to provide assistance to districts in the planning of the basic skills summer program.
- Student participation will be monitored through the MARSS student accounting system.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$4,505 for F.Y. 1998 and \$4,927 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$4,055 in F.Y. 1998 (\$0 for F.Y. 1997 and \$4,055 for F.Y. 1998), and \$4,885 in F.Y. 1999 (\$450 for F.Y. 1998 and \$4,435 for F.Y. 1999).

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

The Governor recommends the following modification in the basic skills summer program, beginning in F.Y. 1999:

1. To adjust for the change in pupil unit weights and the general education formula, compute basic skills summer program aid using the formula allowance less \$176.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0221: BASIC SKILLS SUMMER SCHOOL

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid			4,505	4,927
2. Statutory Excess / (Shortfall)			(3,614)	(3,672)
3. Appropriated Entitlement	0	0	891	1,255
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	0	0	891	1,255
6. Excess / (Shortfall) After Adjustments				
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	0	0	891	1,255
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			891	1,255
a. Eliminate Shortfall			3,614	3,672
Recommended Aid Entitlement			4,505	4,927
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			4,505	4,927

APPROPRIATIONS BASIS: (a)

Prior Year			0	450
Current Year			4,055	4,435
Current Year Adj. to 90%, per M.S. 124.904				
Subtotal before Transfers	0	0	4,055	4,885
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	0	0	4,055	4,885

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0222 AMERICAN SIGN LANGUAGE - TEACHER EDUCATION
HEARING IMPAIRED

CITATION: M.S. Laws 1993, chap. 224, Art. 3, Sec. 32, Sec. 2, Clause L; Laws 1993, Chap. 224, Art. 3, Sec. 38, Subd. 22; Laws 1994, Chap. 647, Art. 3, Sec. 21, Subd. 22

MDCFL ADMIN: 1303 Special Education
FEDERAL: None

PURPOSE:

To assist school districts in greater Minnesota in educating teachers in American Sign Language, American Sign Language Linguistics, and deaf culture.

DESCRIPTION:

In 1992 the licensure requirements for teachers of the deaf/hard of hearing were significantly changed by Minnesota Statute, section 125.189. To encourage and assist teachers of the deaf/hard of hearing to increase their American Sign Language (ASL) proficiency levels and acquire the higher number of continuing education credits required for licensure renewal, the legislature appropriated a total of \$60,000 from the general fund to the Department of Education to assist school districts in educating these teachers in American Sign Language, American Sign Language Linguistics, and deaf culture.

The legislature allocated funds to provide training in the areas of American Sign Language (ASL), ASL linguistics, and Deaf Culture for Minnesota teachers for the Deaf/Hard of Hearing. Collaboratively, during nine planning meetings the Facilitators for the Regional Low Incidence Projects, the Director of the Resource Center of the Deaf/Hard of Hearing, and representatives of the DHS-Deaf Services Division Regional Resource Centers of the Deaf/Hard of Hearing designed a coordinated program of activities, workshops, etc., across the state based on needs identified by teachers of the Deaf and Hard of Hearing.

There are about 332 teachers of the Deaf and Hard of Hearing employed by Minnesota schools. The grant offers these teachers the following training opportunities during the school year: 1) ASL/SCPI workshops in each region of the state, 2) Saturday activities to help teachers practice their ASL skills with the aid of instructors and members of the Deaf community, 3) a Summer Family Camp, and 4) a statewide Youth Leadership Day which provides teachers opportunities to practice and improve their ASL skills and sessions about Deaf Culture.

Continuing Education Units (CEUs) for licensure renewal are made available to the teachers who participate by the host agencies of the various sessions and activities.

BUDGET ISSUES:

A. CHALLENGES:

- Students who are deaf or significantly hard of hearing are a low incidence group. Traditionally, these students (who usually require some type of sign language or cued/oral transliteration) have

attended the Academy for the Deaf in Faribault or their families migrate to larger cities where classes for deaf/hard of hearing students are feasible. As more families with deaf/hard of hearing children choose to live in greater Minnesota the need for teachers proficient in ASL, cued speech, deaf culture, etc., increases also. The acquisition and maintenance of a high ASL proficiency level is challenging even when coursework, inservice and ASL consumers are readily available. As with the learning of any language, quality instruction and continuous opportunity to practice need to be available anywhere a teacher of the deaf/hard of hearing is employed. These funds enable a variety of agency staff and consumers to plan and conduct instruction, practice opportunities, and deaf culture experiences for more of these teachers living and working in greater Minnesota.

B. STRATEGIES:

- The program administrators will continue to use one fiscal host to hold down administrative costs.
- The program administrators will continue to do needs assessments with targeted population(s) to get input on the creation of a statewide plan to address the needs of hearing impaired students.
- When possible, program funds will be used with other staff development funds to most fully utilize staff development resources.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$13 for F.Y. 1998 and \$12 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0223: MEXICAN ORIGIN EDUCATION GRANTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	50	25	50	25
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	50	25	50	25
4. Adjustments				
a. Balance Forward	(50)	50		
5. Current Law Aid	0	75	50	25
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	0	75	50	25
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			50	25
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			50	25
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	0	75	50	25
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	0	75	50	25

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0224 LAY ADVOCATES

CITATION: M.S. Laws 1995, First Special Session, Chap. 3, Art. 3, Sec. 19,
Subd. 12

MDCFL ADMIN: 1303 Special Education
FEDERAL: None

PURPOSE:

To provide advocates as called for in M. S. 120.17 providing reimbursement to individuals for their time and expenses for being advocates for children with disabilities who attend public schools.

PROGRAM STATUS:

This program provides up to \$150 reimbursement to a lay advocate for assisting parents and students in resolving disputes. The Department of Children, Families & Learning notified school districts and advocacy groups of the program and distributed application materials to school districts and advocacy groups. The program started slowly but is gaining momentum as parents and advocates become aware of it. If the parents perceive there is a dispute with the district, they are entitled to invite a lay advocate to the meeting and the advocate is eligible for financial support through this program.

BUDGET ISSUES:

A. CHALLENGES:

- There has been some confusion over who determines whether there is a dispute between a school district and the parents.

B. STRATEGIES:

- The application process has given the discretion to the parents as to when to invite a lay advocate for dispute resolution.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$10 for F.Y. 1998 and \$0 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0224: LAY ADVOCATES

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	10	0	10	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	<u>10</u>	<u>0</u>	<u>10</u>	<u>0</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Balance Forward	<u>(9)</u>	<u>9</u>		
5. Current Law Aid	<u>1</u>	<u>9</u>	<u>10</u>	<u>0</u>
6. Excess / (Shortfall) After Adjustments	<u>(9)</u>	<u>9</u>		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>1</u>	<u>9</u>	<u>10</u>	<u>0</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			10	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			10	0
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	1	9	10	0
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	<u>1</u>	<u>9</u>	<u>10</u>	<u>0</u>

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0225 OPTIONS PLUS PILOT PROGRAM

CITATION: M.S. Laws 1995, First Special Session, Chap. 3, Art. 3, Section 11
MDCFL ADMIN: 1303 Special Education
FEDERAL: None

PURPOSE:

A pilot program is established to support general education classroom teachers who teach children with specific learning disabilities. The goals of the pilot program are to:

- increase participation of these children in non-categorical programming designed to encourage their maximum potential and maintain their self-esteem;
- demonstrate results in measurable educational outcomes;
- provide alternatives to special education that focus on children's educational progress and results, respond to the individual child, are efficient and cost-effective, and ensure the rights of eligible children and their families to due process;
- increase general education's ability to educate in a manner that decreases the need for pull-out programs for students with specific learning disabilities; and
- implement alternative approaches to conflict resolution.

DESCRIPTION:

An Options Plus applicant must be a school district or districts that cooperate for a particular purpose. The application to the Department of Children, Families & Learning must describe:

- how the applicant will ensure that eligible children receive accommodations, modifications, and personalized instruction;
- the methods to be used to develop a learner plan for each child participating in the program and to evaluate individual progress, outcomes and cumulative results including parent satisfaction;
- the projected number of students participating in the program;
- the current and projected level of educator competency at each district site where an Options Plus program will be established;
- procedures for assessing and determining eligibility of students with specific learning disabilities in accordance with Minnesota Rules, parts 3525.1325 to 3525.1347;
- procedures for informing the parent and child, as appropriate, of all procedural safeguards and dispute resolution alternatives available under the Individuals with Disabilities Education Act (IDEA), United States Code, title 20, section 1400 et seq., American with Disabilities Act of 1990 (ADA), United States Code, title 42, section 12101 et seq., Rehabilitation Act of 1973, United States Code, title 29, section 794, and applicable state law;
- alternative dispute resolution methods to be implemented if agreed upon by the parent and are instituted in a timely manner not to exceed 30 days or in accordance with current laws; and
- any additional information required by the Commissioner.

Districts shall continue accounting procedures for documenting that federal special education funds are expended for child find, identification, and evaluation consistent with federal law. A district shall not include children participating in the Options Plus program in special education child counts or funding formulas.

Any child enrolled in an Options Plus pilot program may withdraw at any time upon written request of the parent or child and seek or reinstate eligibility for services under M. S. 120.17. If a child who withdraws was previously served through an individual education plan under M. S. 120.17, the parent shall retain the right to immediately reinstate the last agreed upon individual education plan.

A school district receiving an Options Plus pilot program grant shall report to the commissioner of Children, Families & Learning on the educational impact and cost-effectiveness of the Option Plus program by February 15, 1997. The commissioner will evaluate the effectiveness of the Options Plus program and will recommend to the education committees of the legislature by February 15, 1998, whether the program should be continued or expanded statewide and whether to include other disability areas.

PROGRAM STATUS:

Four school districts have received the Options Plus grants for F.Y. 1996 and F.Y. 1997, serving students in eleven building sites within those districts.

BUDGET ISSUES:

A. CHALLENGES:

- Loss of federal P.L. 101-476 funds for students no longer served on an IEP through special education.
- Perceived constraint on special education reimbursement for special education staff when consulting to regular education.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$150 for F.Y. 1998 and \$0 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0225: OPTIONS PLUS PILOT GRANTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	150	0	150	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	150	0	150	0
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Balance Forward	(3)	3		
5. Current Law Aid	147	3	150	0
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	147	3	150	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			150	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			150	0
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	147	3	150	0
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	147	3	150	0

1998-99 Biennial Budget

PROGRAM: 02 Special Programs
AGENCY: Children, Families & Learning Aids

0226 LOW INCOME CONCENTRATION GRANTS

CITATION: M.S. Laws 1994, Chap. 647, Art. 8, Sec. 43
MDCFL ADMIN: 1302 Learner Options (Targeted Populations)
FEDERAL: None

PURPOSE:

The purpose of the low-income concentration grant program is to provide additional resources to school buildings in which the concentration of children from low income families is high compared to the district-wide concentration. Eligible districts may receive up to \$50,000 per eligible building.

DESCRIPTION:

In order to qualify for a grant, the building must be located in a district that meets the following criteria:

- 10% or more of the district's pupils are eligible for free and reduced lunch as of October 1 of the previous fiscal year;
- 10% or more of the district's pupils are students of color;
- the district has at least 1,500 students in average daily membership; and
- the district's administrative office is located in the seven county metropolitan area, but not in a city of the first class.

The grant must be used according to M. S. 124A.28. The grant may only be used in buildings in the district where the percent of children in the building eligible for free and reduced lunch is at least 20% and the number of minority students is at least 20%.

In addition to the grant, ISD 279 - Osseo, was permitted to levy \$500,000 for taxes payable in 1996 and \$800,000 for taxes payable in 1997.

PROGRAM STATUS:

		(\$ in 000s)				
Dist #	Name	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
13	Columbia Heights	\$50.0	\$44.2	\$50.0	\$50.00	\$50.00
197	W. St. Paul Mendota Heights	66.1	88.5	100.0	100.0	100.0
271	Bloomington	100.0	88.5	150.0	150.0	150.0
279	Osseo	366.7	398.1	500.0	500.0	500.0
Dist #	Name	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
280	Richfield	133.2	176.9	200.0	200.0	200.0
281	Robbinsdale	133.3	176.9	150.0	150.0	150.0
286	Brooklyn Center	100.0	88.5	100.0	100.0	100.0
623	Roseville	<u>50.0</u>	<u>44.2</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>
	To Be Allocated		44.2			
	Total	\$999.3	\$1,150.0	\$1,300.0	\$1,300.0	\$1,300.0

F.Y. 1998 and F.Y. 1999 allocations may change due to changes in the law or changing demographics.

BUDGET ISSUES:

A. CHALLENGES:

- To assure that these funds are used collaboratively with other state and federal funds to target the needs of low achieving students in a comprehensive manner.

B. STRATEGIES:

- This program serves suburban metro students that meet certain criteria. These students are located in every district throughout the state. Other state and federal revenue exists that could provide similar services to this population of students.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$1,000 for F.Y. 1998 and \$-0- for F.Y. 1999.

The Governor recommends discontinuing this activity in F.Y. 1999.

COMMUNITY AND SCHOOL SERVICES (03)

State Aid Programs

	<u>Page</u>
0301 Adult Basic Education	A-270
0302 Adult Graduation Aid	A-274
0303 GED Tests	A-276
0304 Alcohol-Impaired Driver Education	A-278
0305 Chemical Abuse Prevention Grants	A-280
0306 Violence Prevention Grants	A-282
0307 Male Responsibility Grants	A-284
0308 After School Enrichment	A-286
0309 Early Intervention, Ages 6-12	A-288
0310 Abused Children Program	A-290
0311 Drug Policy and Violence Prevention	A-292
0312 Children's Trust Fund	A-295
0313 Minnesota Economic Opportunity Grant	A-298
0314 Transitional Housing Program	A-300
0315 Emergency Food Assistance Program	A-302
0316 Food Banks/Shelves	A-302
0317 Oil Program (Information Only)	A-305
0318 Liquid Propane (LP) Program (Information Only)	A-305
0319 State Weatherization (Information Only)	A-305
0320 State Energy Assistance Program (Information Only)	A-309
0321 State EAP (Reserve)	A-309
0322 Head Start	A-313

Federal Flow - Through Programs

0323 Comprehensive School Health	A-317
0324 Adult Education	A-319
0325 Drug Free Schools and Communities	A-321
0326 Byrne Memorial Law Enforcement Program	A-322
0327 Victims of Crime Act	A-323
0328 Head Start - Federal Collaboration Grant	A-324
0329 Community Services Block Grant	A-325
0330 Emergency Shelter Grant Program	A-326
0331 Rural Housing Assistance and Support Program	A-326
0332 Supplemental Assistance for Facilities for Homeless	A-326
0333 Emergency Food Assistance	A-326
0334 Community Food and Nutrition	A-326
0335 Energy Assistance Program (EAP)	A-327
0336 Department of Energy Weatherization	A-328
0337 EAP Weatherization	A-328
0338 Children Trust	A-329
0339 Community Action Agency for Low Income (Info Only)	A-330
0340 Minnesota Power (Info Only)	A-330

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids
 0301 ADULT BASIC EDUCATION
CITATION: M.S. 124.26
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL: 0326 Adult Education

PURPOSE:

To provide educational opportunities and support services for adults whose low educational levels are barriers to productive participation in their families and in our society.

According to the 1990 Census, 514,000 Minnesotans age 20 and over have not graduated from high school. In addition, many other adult Minnesotans are unable to read, write, compute, problem-solve or cope with changing conditions sufficiently well to meet the requirements of adult life. These individuals are disproportionately represented among the working poor, single parents, welfare recipients, the incarcerated, racial, ethnic and language minorities, displaced workers, the unemployed, and the homeless. These "functionally illiterate" adults often are the parents of "at risk" children and youth.

Adult Basic Education (ABE) funding helps undereducated adults deal more effectively with their own and their families' lives by establishing, improving and maintaining adult learning options that:

- Provide adult education and risk-reduction support services that enable adults to identify, plan for, and achieve their personal learning and living goals in a timely and efficient manner;
- Stimulate adults to explore appropriate career choices, master basic education levels so they can enroll in and benefit from job training and retraining programs, and to get and retain productive employment so they enjoy more fully the benefits and responsibilities of citizenship; and
- Assist adults, regardless of their age, national origin, prior educational level, family status or other unique needs, through appropriate learner-centered options, to continue their education to at least the secondary school completion level.

DESCRIPTION:

Adult education options include family literacy, work force education, literacy tutoring, English proficiency for speakers of other languages, citizenship training, work readiness, corrections education, adult education for homeless people, basic skills enhancement, General Educational Development (GED) equivalency preparation, and alternative high school diploma programs.

Adults are eligible to participate when they are at least 16 years old, are not enrolled in school, and function below the high school completion level in basic skills.

Aid and levy authority is available to public school districts alone or in groups of districts and other education providers and support service and resource agencies that submit an application for adult education program design approval and funding to MDCFL.

	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Total Enrollment	52,263	53,024	51,944	51,785	51,785
Percent of Total Eligible	12	12	12	11	11
Adult ESL	17,195	17,710	15,739	15,691	15,691
Adult Elementary	22,055	21,157	21,193	21,128	21,128
Adult Secondary	13,013	14,157	15,012	14,966	14,966

PARTICIPANT DEMOGRAPHICS

	33 yrs.	33 yrs.	33 yrs.	29 yrs.	29 yrs.
Average Age	33 yrs.	33 yrs.	33 yrs.	29 yrs.	29 yrs.
Unemployed	56%	48%	50%	51%	51%
Employed	37%	31%	29%	31%	31%
Welfare Recipients	46%	32%	39%	39%	39%
Disabled	13%	10%	16%	17%	17%
Refugee/Immigrant	24%	24%	25%	25%	25%
Racial/Ethnic Minority	52%	52%	52%	51%	51%
Corrections/ Institutionalized	16%	16%	17%	17%	17%

Between 1992 and 1996, the number of adult learners who attended for at least 12 hours has decreased somewhat, but those who enroll are in need of more in-depth programming and related services. The trend is for learners to continue in the program for longer periods of time until their academic goals are accomplished. During this same time period, 12,233 learners got off welfare, 36,198 got a job or a better job, 13,312 enrolled in higher education, and 39,283 earned a diploma or GED.

Since 1992, however, both state adult education aid and local levy authority have decreased. The result has been fewer classes, decreased enrollment, fewer hours available to each learner, and increased numbers of people on enrollment waiting lists. At the same time learners with multiple needs are coming to adult education and staying longer in the programs to achieve their goals.

A. Regular ABE Programs:

If the ABE program were fully funded, state aid would be equal to a project's full time equivalent student count multiplied by 65% of the general education formula allowance, with the limitation that state aid cannot exceed total cost minus federal aid. Full-time equivalent is defined as 408 hours for learners at the adult secondary instructional level, and 240 hours for learners at elementary and English-as-a-Second Language (ESL) levels. State aid is based on a hold harmless equal to a project's 1991-92 state aid plus 0.09% of the total adjusted net tax capacity of the project's member school districts.

Indicators of Adult Basic Education Program Quality have been developed to evaluate local ABE programs. A system of self-assessment and state review exists to ensure program compliance with the indicators. The indicators are grouped into eight categories:

1. Program Planning, Evaluation, and Continuous Improvement
2. Learner Education Gains
3. Other Learner-Specific Goals
4. Learner Recruitment, Development and Retention
5. Learner-Centered Assessment and Instruction
6. Community and Program Development
7. Staff Recruitment, Development and Retention
8. Program Management and Fiscal Planning

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0301 ADULT BASIC EDUCATION
(Continuation)

Program Approval Process:

Application review and approval criteria are:

1. how the needs of different levels of learning will be met;
2. for continuing programs, an evaluation of results;
3. anticipated number and education level of participants;
4. coordination with other resources and services;
5. participation in a consortium, if any, and money available from other sources;
6. management and program design;
7. volunteer training and use of volunteers;
8. staff development services;
9. program sites and schedules; and
10. program expenditures that qualify for aid.

Program applications are approved for five years when they demonstrate the capacity to:

1. offer comprehensive, appropriate and accessible learning and support service options;
2. provide participatory, experiential learning based on individual needs;
3. plan, coordinate and develop cooperative agreements for support services;
4. collaborate with business, industry, labor unions, and family and occupational education providers;
5. provide sensitive, well-trained adult education personnel who participate in in-service education;
6. participate in program reviews and evaluations; and
7. submit accurate and timely performance and fiscal reports.

B. Contracts with Private, Nonprofit Organizations:

State adult education aid also is available to private non-profit organizations to provide services that are not offered by or that are supplemental to a consortium's program. Applications for private non-profit program approval and aid must be approved according to the same criteria used for district-based programs. (Levy is not available to public or private non-profit agencies.)

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Number of Projects (Consortia)	53	53	53	53	53
Private Nonprofit Contracts	5	5	5	6	6
Districts and Agencies Involved	857	857	857	875	875
Learning Sites	595	580	570	570	570
Full-Time Sites	80	80	80	80	80

(continued)

Regular Programs:

Aid Based on Formula

	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law F.Y. 1998	F.Y. 1999
Restriction	\$13,900.5	\$14,125.4	\$19,073.4	\$20,272.3	\$22,800.9
Hold Harmless Entitlement	\$8,422.6	\$8,206.3	\$8,360.3	\$8,514.2	\$8,681.9
Entitlement Amount Above					
Hold Harmless	\$5,477.9	\$5,919.1	\$10,713.1	\$11,758.1	\$14,318.1
Prorated Hold Harmless					
Entitlement	\$8,174.9	\$8,174.9	\$8,174.9	\$8,174.9	\$8,174.9

Contracts with Private, Nonprofit

Organizations

Contract Amounts	\$199.1	\$199.1	\$199.1	\$199.1	\$199.1
Proration Factor	1.000	1.000	1.000	1.000	1.000

Total Aid

(Regular and Contract)	\$8,374.0	\$8,374.0	\$8,374.0	\$8,374.0	\$8,374.0
------------------------	-----------	-----------	-----------	-----------	-----------

Other Revenues

Federal Basic Grant	\$2,429.8	\$2,478.1	\$2,478.1	\$2,478.1	\$2,478.1
State Aid Plus Federal Grant	\$10,803.8	\$10,852.1	\$10,852.1	\$10,852.1	\$10,852.1
Certified Local Levy	\$3,348.7	\$3,398.3	\$3,702.1	\$4,140.7	\$4,438.2
Other Local Revenue	\$9,240.2	\$10,642.5	\$11,907.8	\$13,247.6	\$14,666.3
Total Local Revenue	\$12,588.9	\$14,040.8	\$15,609.9	\$17,388.3	\$19,104.5
TOTAL REVENUE	\$23,392.7	\$24,892.9	\$26,462.0	\$28,240.4	\$29,956.6
State + Federal Portion of					
Revenue (Cannot Exceed 100%)	46.2%	43.6%	41.0%	38.4%	36.2%

	Current Law			
(\$ in 000s)	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT				
(Line 3 Fiscal Page)	\$8,374.0	\$8,374.0	\$8,374.0	\$8,374.0
B. ENTITLEMENT CHANGES PER LAW				
Number of Pupils Participating	5,951	10,899	12,097	14,626
C. STATUTORY FORMULA AID				
(Line 1 Fiscal Page)	\$14,325.0	\$19,273.0	\$20,471.0	\$23,000.0

Learner Outcomes: Programs are changing in response to learner needs. Outcomes identified in ABE participants' personal education plans have changed. Basic skills and competencies people need in order to participate fully and effectively in society as workers, consumers, family members and citizens, now include: Reading; Writing; Listening and Speaking; Creative Thinking and Problem-Solving; Personal Effectiveness; Group Effectiveness; Societal Effectiveness, and Knowing How To Learn.

These basics reinforce each other to become tools that people can use to address the changing conditions at work and in their families and communities. To improve learning and ease the transition to life outside the classroom, learners need to experience using these skills to accomplish meaningful problem-solving tasks. Adult education programs are striving to respond.

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0301 ADULT BASIC EDUCATION
 (Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- The profile of learners coming to Adult Basic Education is changing in three specific ways. First, an increasing number of learners who seek ABE services are on welfare and have children. Consequently, the need to provide basic education instruction to the family as a whole in order to reduce the impact of intergenerational illiteracy is increasing. Providing necessary support services or referrals for child care, nutritional snacks, and transportation subsidies additionally stretches ABE budgets. Local ABE programs report hundreds of people on waiting lists to enroll in existing Family Literacy programs. The demand for services is eight times greater than current program capacity.
- The second dramatic change in the learners is the number of refugees and non-native speakers of English. Minnesota is currently home to more than 50,000 refugees, and an additional 2,500 refugees settle here each year. The immigrant and migrant population is also on the increase. At least 18,000 limited English proficient adults in Minnesota currently want and need ESL instruction, but are unable to find classroom openings. It takes an average of 1,300 hours of instruction to enable one non-native English speaker to become competent enough in English to be able to find, obtain, and retain adequate employment.
- Another shift is the number of those with disabilities who are seeking ABE classes and services. According to the 1990 Census, over 159,000 Minnesotans have a limiting disability. With the passage of the Americans with Disabilities Act, individuals with disabilities are empowered to seek services from all public (and private) agencies. Many adults are learning that their lack of success in school is due to "hidden" disabilities, such as learning disabilities. The challenge for Adult Basic Education programs is to serve the wide array of those seeking services, some of whom require nearly one-to-one services to succeed.

B. STRATEGIES:

- Increased collaborative efforts among local providers, local, regional and state governmental agencies and the private sector;
- A review of the "hold harmless" statute to more fairly distribute the available Adult Basic Education funds;
- Development of, and coordination with new investors in Adult Basic Education; and
- Continued exploration of means and methods to produce maximum results from limited resources.
- To deal more effectively with the changing needs of learners who are parents, increase collaboration with early childhood family education (ECFE) programs as well as public and private programs that can provide support services (day care, transportation, nutrition, etc.) in order to expand the Family Literacy program capacity statewide.
- To deal with the needs of ESL learners, identify exemplary collaborative models for Family Literacy and ESL programs, and develop dissemination strategies and training to enable local ABE programs to pursue similar, proven strategies for offering new or expanded programming in these areas.

- To better serve those with disabilities, enhance the training of Adult Basic Education instructors, and increase collaboration with other agencies who have skill and experience in assisting this population of learners.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$11,524 for F.Y. 1998 and \$11,524 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$11,209 in F.Y. 1998 (\$837 for F.Y. 1997 and \$10,372 for F.Y. 1998), and \$11,524 in F.Y. 1999 (\$1,152 for F.Y. 1998 and \$10,372 for F.Y. 1999).

The Governor recommends continuation of authority allowing up to \$199 each year to be used for contracts with private, non-profit organizations for approved programs.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0301: ADULT BASIC EDUCATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	14,325	19,273	20,471	23,000
2. Statutory Excess / (Shortfall)	(5,951)	(10,899)	(12,097)	(14,626)
3. Appropriated Entitlement	8,374	8,374	8,374	8,374
4. Adjustments				
a. Excess Funds Transferred In / (Out)	5,951	1,002		
5. Current Law Aid	14,325	9,376	8,374	8,374
6. Excess / (Shortfall) After Adjustments	0	(9,897)		
7. Current Law Levy	3,398	3,702	4,141	4,438
8. Current Law Funding: Aid & Levy	17,723	13,078	12,515	12,812
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			8,374	8,374
a. Increase Funding			3,150	3,150
Recommended Aid Entitlement			11,524	11,524
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			4,141	4,438
TOTAL RECOMMENDED FUNDING: AID & LEVY			15,665	15,962

APPROPRIATIONS BASIS:(a)

Prior Year	1,256	1,256	837	1,152
Current Year	7,118	7,118	10,372	10,372
Current Year Adj. to 90%, per M.S. 124.904		419		
Subtotal before Transfers	8,374	8,793	11,209	11,524
Transfers per M.S. 124.14, subd. 7	5,951	1,002		
Total State General Funds	14,325	9,795	11,209	11,524

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids
 0302 ADULT GRADUATION AID
CITATION: M.S. 120.06, Subd. 3; 124.17, Subd. 2e; 124.261; 126.22, Subd. 2d and 3
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL: None

PURPOSE:

Adult Graduation Aid is designed to attract and retain individuals in high school education programs, and to provide individuals with more options and opportunities to earn their high school diplomas.

DESCRIPTION:

This program is designed for learners age 21 and older who have less than 14 years of public or nonpublic education and who qualify under one of the following criteria:

- eligible for unemployment benefits or have exhausted unemployment benefits;
- eligible for and receiving income maintenance or support services; or
- eligible under the displaced homemaker program, state wage subsidy program, or any program under the Jobs and Training Act.

Eligible adult learners may enroll in Area Learning Centers, post-secondary courses if eligible through Post-secondary Enrollment Options, Public Alternative Programs, or any public high school (provided that the local school board has adopted a resolution approving enrollment of individuals age 21 and over). Free admission is currently limited to two school years or the equivalent, or until the adult learner completes the course work required for graduation.

The aid amount for each eligible pupil equals 65% of the General Education formula allowance times the Average Daily Membership (ADM) for the pupil. Adult Graduation Aid paid by the state is in addition to any other aid to the district. These pupils may not be counted by the district for any other purpose other than Adult Graduation Aid. The state Adult Graduation aid follows each enrolled adult to the school district and/or post-secondary institution attended.

PROGRAM STATUS:

Participation in the Adult Graduation Aid program has steadily increased since its implementation. The number of learners enrolled in the program has grown from 422.78 in F.Y. 1991 to an estimated 1,070 in F.Y. 1997.

The percentage of appropriation expended has also increased. Prior to F.Y. 1989, less than the full appropriation was expended. Beginning in F.Y. 1992 demand exceeded supply and the aid to districts was necessarily prorated. At current funding levels, that proration is estimated to be 79% in F.Y. 1996 and 75% in F.Y. 1997.

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Participants					
Average Daily Membership (ADM)	835	1,018	1,070	1,120	1,170
Formula Allowance per ADM (65% of General Education Allowance x 1.30)	\$2,661.8	\$2,708.2	\$2,708.2	\$2,708.2	\$2,708.2
Aid Entitlement before PSEO	\$2,224.6	\$2,756.6	\$2,897.8	\$3,033.2	\$3,168.6
Aid Entitlement after PSEO	\$2,302.1	\$2,835.1	\$2,977.3	\$3,113.7	\$3,250.1

* Average Daily Membership

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

BUDGET ISSUES:

A. CHALLENGES:

- As participation continues to increase, the prorating of state aids is expected to become more severe. Because of the proration, many providers are considering dropping this diploma program.

B. STRATEGIES:

- Continue to provide technical assistance to Adult Diploma providers to help them offer both efficient and effective educational programming. This assistance might include the utilization of other funding programs such as Adult Basic Education, Area Learning Centers, and public and private alternative educational providers in meeting fiscal and learner needs.
- Develop specific economic criteria for program continuation in case the other funding programs listed above are eliminated.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$2,245 for F.Y. 1998 and \$2,245 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$2,245 in F.Y. 1998 (\$224 for F.Y. 1997 and \$2,021 for F.Y. 1998), and \$2,245 in F.Y. 1999 (\$224 for F.Y. 1998 and \$2,021 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0302: ADULT GRADUATION AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	2,835	2,977	3,114	3,250
2. Statutory Excess / (Shortfall)	(590)	(732)	(869)	(1,005)
3. Appropriated Entitlement	2,245	2,245	2,245	2,245
4. Adjustments				
a. Excess Funds Transferred In / (Out)	591	67		
b. Payment of Prior Year Claims	(1)			
5. Current Law Aid	2,835	2,312	2,245	2,245
6. Excess / (Shortfall) After Adjustments	0	(665)		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	2,835	2,312	2,245	2,245
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			2,245	2,245
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			2,245	2,245

APPROPRIATIONS BASIS:(a)

Prior Year	336	336	224	224
Current Year	1,909	1,909	2,021	2,021
Current Year Adj. to 90%, per M.S. 124.904		112		
Subtotal before Transfers	2,245	2,357	2,245	2,245
Transfers per M.S. 124.14, subd. 7	591	67		
Total State General Funds	2,836	2,424	2,245	2,245

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 03 School Services
AGENCY: Children, Families & Learning Aids

0303 GED TEST REIMBURSEMENT

CITATION: M.S. Laws 1993, Chap. 224, Art. 4, Sec. 44, Subd. 10
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL: 0324 Adult Education

PURPOSE:

To provide increased access for eligible individuals to complete the Tests of General Educational Development (GED) by paying 60% of the fees for taking the full battery of GED. The average fee for a complete GED battery in 1996 is \$37.50.

Successful completion of the GED test battery results in the awarding of a State of Minnesota GED Diploma by the Department of Children, Families & Learning. A high school diploma or GED Diploma is required by many employers and 95% of Minnesota post-secondary educational institutions.

DESCRIPTION:

Effective July 1, 1992, the state began to pay 60% of the fee charged to an eligible individual for the full battery of the GED test, but not more than \$20 for an eligible individual.

To be eligible for the program, an individual must meet two criteria: be a Minnesota resident and have been so for at least 90 days and not be currently enrolled in a program leading to a high school diploma. Eligible individuals applying for retesting under the reimbursement program must also verify that 30 calendar days have passed since their last examination and that additional study has been undertaken.

At the end of each fiscal quarter, each of the 64 Minnesota testing centers submits to the Minnesota Department of Children, Families & Learning the number of eligible persons registering for the complete test batteries as well as the number taking partial tests. Based on that information, reimbursement is made to each Center in relation to a fee established locally prior to the start of the fiscal year. Total annual allocation for the program for F.Y. 1994 and F.Y. 1995 was \$180,000. For F.Y. 1996 and F.Y. 1997, it was \$125,000.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
GED Candidates	10,611	10,795	11,000	11,220	11,445
GED Graduates	6,270	6,329	6,445	6,575	6,707
Number of Sites	65	65	64	64	64
Number of Participants	5,040	5,670	5,750	6,250	6,250
Average GED Test Fee	\$35	\$37.50	\$40	\$42.50	\$45
Statutory Formula Aid	\$100.8	\$113.4	\$115.0	\$125.0	\$125.0

BUDGET ISSUES:**A. CHALLENGES:**

- Increased consumer demand for GED Test reimbursement.

B. STRATEGIES:

- Continue to use available resources to provide GED Test reimbursement.
- Explore other sources of revenue for GED Test reimbursement.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$125 for F.Y. 1998 and \$125 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0303: GED TESTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	113	125	125	125
2. Statutory Excess / (Shortfall)	12			
3. Appropriated Entitlement	125	125	125	125
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Balance Forward	(12)	12		
c. Cancellation	0	(22)		
5. Current Law Aid	113	115	125	125
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	113	115	125	125
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			125	125
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			125	125
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	113	115	125	125
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	113	115	125	125

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0304 ALCOHOL-IMPAIRED DRIVER EDUCATION

CITATION: M.S. 171.29, Subd. 2, Sec. 4
MDCFL ADMIN: 1301 Learner Improvement
FEDERAL: Substance Abuse and Mental Health Services Administration Block Grant

PURPOSE:

This program exists to address the problem of youth drinking alcohol and driving. Traffic collisions are the leading cause of death and injuries among Minnesota's young people today. The target audience is children in kindergarten through secondary grades.

DESCRIPTION:

The alcohol-impaired driver education program is divided into three areas:

- The Kids Teaching Kids (K-T-K) elementary program is designed to make safety belt use socially desirable and drinking and driving unacceptable. Elementary school children are at the best developmental stage for the acquisition of good habits and the formation of life-long values of health and safety.
- The Student Centered program is aimed at grades 7 through 12 and supports the implementation and delivery of alcohol-impaired driver prevention initiatives. The Minnesota Student Safety Program (MnSSP) serves as the umbrella organization for the coordination of student centered activities conducted by SADD, PRIDE, STOPS, Peer Helpers and many other groups.
- The Driving While Intoxicated (DWI) demonstration program utilizes electronic driver analysis equipment to show the impact of consuming alcohol on driver performance. These demonstrations provide a forum for youth age 16 to 19 to discuss the issues associated with drinking and driving and help to make drinking and driving socially unacceptable.

The F.Y. 1996 legislature changed the F.Y. 1997 appropriation language whereby \$188,000 that was designated for development of the Health and Safety graduation rule may be spent for the Alcohol Impaired Driver Education Program. The program is administered by the Department of Children, Families & Learning through a grant to the Minnesota Highway Safety Center at St. Cloud State University.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Total Funding Level*	\$314.0	\$314.0*	\$464.0*	\$314.0*	\$314.0*
K-T-K					
Funding Level	\$133.0	\$133.0	\$258.7	\$133.0	\$133.0
Programs Provided	125	111	200	111	111
Number of Students Served	36	31	63	31	31
MnSSP					
Funding Level	\$88.0	\$88.0	\$89.8	\$88.0	\$88.0
Programs Provided	0	0	0	0	0
Number of Students Served	35	38	40	41	41
DUI					
Funding Level	\$93.0	\$93.0	\$115.4	\$93.0	\$93.0
Programs Provided	0	0	0	0	0
Number of Students Served	12	10	17	20	20

- * An additional \$188.0 is appropriated in the agency budget from the special revenue fund for the graduation rule for use in development efforts in health-related standards and assessments.

The commissioner may transfer any portion of this appropriation from the special revenue fund not needed for the development of health-related standards and assessments to the Minnesota highway safety center at St. Cloud State University. If additional funds are made available for this program, the number of programs provided and the number of students served will increase.

BUDGET ISSUES:

A. CHALLENGES:

- As the number of children entering the highway traffic system, as passengers, bicyclists and drivers, increases so will the number of traffic related crashes and the resulting deaths and injuries.

B. STRATEGIES:

- For F.Y. 1997, the increase in funding will allow the updating of both the DUI simulator and the MnSSP materials during the F.Y. 1998-99 biennium. In addition, there will be a 6% increase in the number of students exposed to the program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation from the special revenue fund of \$314 for F.Y. 1998 and \$314 for F.Y. 1999.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0304: ALCOHOL-IMPAIRED DRIVER EDUCATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	314	464	314	314
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	<u>314</u>	<u>464</u>	<u>314</u>	<u>314</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	<u>314</u>	<u>464</u>	<u>314</u>	<u>314</u>
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>314</u>	<u>464</u>	<u>314</u>	<u>314</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			314	314
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			314	314
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	314	464	314	314
Transfers per M.S. 124.14, subd. 7				
Total State Special Revenue	<u>314</u>	<u>464</u>	<u>314</u>	<u>314</u>

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

 0305 CHEMICAL ABUSE PREVENTION GRANTS

CITATION: M.S. 121.8355; 171.29, Subd. 2, Paragraph (b), Clause (4)
MDCFL ADMIN: 1402 Prevention
FEDERAL: None

PURPOSE:

This program funds service collocation with funds received from a portion of the driver's licence reinstatement fee. This grant program complements the Family Service Collaboratives in improving access to services, expanding service delivery systems and building better collaboration among schools, counties, communities and other service providers.

DESCRIPTION:

The Chemical Abuse Prevention grants target children and youth who experience multiple risk factors that make learning especially challenging. The Minnesota Student Survey in 1995 revealed a high degree of environmental stressors (physical, sexual and chemical abuse) that challenge young people's ability to cope and learn. Community leaders, parents, schools, social service organizations and youth have creatively come together to respond to the unique needs within their communities. Each program works to foster community and agency collaboration, involvement of the target population in the planning, parental involvement and implementation and evaluation of the projects. The Department of Children, Families & Learning provides fiscal administration and contract management functions for these grantees.

Funding is available annually on a competitive basis to public or non-profit entities including schools, school districts, groups of school districts, regional entities, community health boards, community social service agencies, community correction agencies, parent groups, community action agencies and other community-based organizations. Applications for funding are reviewed by a broad-based team and recommendations for funding are made to the Commissioner of Children, Families & Learning.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Grants	6	1	2	2	2
Funding	\$249.4	\$61.5	\$238.0	\$200.0	\$200.0

Grants are made late in the fiscal year because of uncertainty about amount of revenue that will be collected from drivers' licences reinstatement. Revenue amounts received too late in the fiscal year to allow for the grant process are carried forward and used to fund grants in the next fiscal year.

BUDGET ISSUES:

A. CHALLENGES:

- The complexity of creating and funding integrated education, social service and health programs is an ongoing challenge.

B. STRATEGIES:

- Coordinate this funding source with the Family Service Collaboratives to provide ongoing integration of services at the local level.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation from the special revenue fund of \$200 for F.Y. 1998 and \$200 for F.Y. 1999.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0305: CHEMICAL ABUSE PREVENTION GRANTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	200	200	200	200
2. Statutory Excess / (Shortfall)	(26) a			
3. Appropriated Entitlement	174	200	200	200
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Balance Forward In		113	75	75
c. Balance Forward Out	(113)	(75)	(75)	(75)
5. Current Law Aid	61	238	200	200
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	61	238	200	200
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			200	200
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			200	200
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	61	238	200	200
Transfers per M.S. 124.14, subd. 7				
Total State Special Revenue	61	238	200	200

a) Actual receipts from drivers' licenses reinstatement fees were less than implied.

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids
 0306 VIOLENCE PREVENTION EDUCATION GRANTS

CITATION: M.S. 126.78
MDCFL ADMIN: 1402 Prevention
FEDERAL: None

PURPOSE:

To help students learn how to resolve conflicts within their schools, families and communities in nonviolent ways, and to develop and implement a violence prevention program for students in grades kindergarten through 12 that can be integrated into existing curriculum.

DESCRIPTION:

This grant program makes funds available to school districts, education districts, or groups of school districts to support curriculum development and teacher training in areas of violence prevention. Local school districts and groups of districts apply for non-competitive funding on a biennial basis. The application combines violence prevention funding with federal funds for Safe and Drug Free School and Communities. Annual progress reports are submitted. Onsite monitoring and technical assistance is provided to about one-third of the districts annually.

The expected outcome of the grants is that Minnesota schools will be free of violence, and offer nurturing, safe and disciplined environments conducive to learning and that promote the emotional and physical well-being of all children.

During the 1995-96 school year, districts provided a wide range of violence prevention activities such as comprehensive training for staff, students, and parents in: conflict resolution, peer mediation and crisis management. Other activities include: community surveys, networking with community agencies to provide youth and family services, curricular development, creation of education plays, all-school assemblies for education speakers and theatrical performances related to violence prevention, policy revision, and purchase of materials on violence prevention. Progress reports show that schools are experiencing increasing demands for attention to violence prevention and that the funding and technical assistance provided by these grants is therefore increasingly valuable to them.

PROGRAM STATUS:

Virtually all school districts received grants or were members of groups of districts that received grants in F.Y. 1997.

BUDGET ISSUES:

A. CHALLENGES:

- School districts are experiencing increases in violence in school settings.
- Calls from schools and communities requesting assistance have tripled in the past year.
- Calls seeking counsel and advice for handling violent incidents, including weapons violations have become very complex and require time-consuming strategies.

B. STRATEGIES:

- Encourage collaborative prevention strategies between schools and other prevention efforts in the community;
- Work collaboratively with all prevention-focused sections of the Department of Children, Families & Learning;
- Continue to provide comprehensive training and technical assistance to school districts;
- Continue to publish a newsletter on violence prevention topics;
- Continue to combine the application process for the federal Safe and Drug Free School Program with the application process for the state Violence Prevention Education Grant to reduce local and state paperwork in order to direct more staff time to technical assistance.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$1,500 for F.Y. 1998 and \$1,500 for F.Y. 1999.

The Governor recommends continuation of authority to use up to \$50 for program administration and continuation of authority for carryover of any unexpended balance in the first year to the second year of the biennium.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0308: AFTER SCHOOL ENRICHMENT

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	5,000	0	0	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	5,000	0	0	0
4. Adjustments				
a. Balance Forward	(4,997)	4,997		
5. Current Law Aid	3	4,997	0	0
6. Excess / (Shortfall) After Adjustments				
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	3	4,997	0	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			0	0
a. Continue Program			5,000	5,000
Recommended Aid Entitlement			5,000	5,000
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			5,000	5,000
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	3	4,997	5,000	5,000
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	3	4,997	5,000	5,000

1998-99 Biennial Budget

PROGRAM: 03 Community & School Services
AGENCY: Children, Families & Learning Aids

0309 EARLY INTERVENTION, AGES 6 - 12

CITATION: M.S.
MDCFL ADMIN: Prevention
FEDERAL: None

PURPOSE:

To provide programs focused on young people, ages 6 -12, for prevention and early intervention activities.

Violent crime among young people under age 12 is rising. While a number of programs are targeted at the 12 to 18-year-olds, the younger age group is becoming increasingly at risk. Currently, few resources are focused on prevention and early intervention services for children ages 6 - 12. Preventing children from falling behind in school and efforts to develop life skills, work with parents, reduce critical risk factors and increase resiliency have been proven effective for this age group. Research indicates this is a cost-effective time to intervene in matters such as juvenile justice, drug abuse, crime and violence prevention and other related issues.

DESCRIPTION:

The program provides grants for services for children, ages 6 - 12. The grants will be distributed through Family Services Collaboratives. (See program 0412 for more information.)

BUDGET ISSUES:

A. CHALLENGES:

- The major challenge will be to use these resources to increase the community's capacity to respond to the needs of children ages 6 - 12. Effective service delivery will rely on a high degree of collaboration and coordination of multiple systems and programs.

B. STRATEGIES:

Projects that incorporate the following strategies have proven effective:

- Programs that strengthen family functions by offering services to children and youth.
- Programs that develop life skills among youth ages 6 - 12.
- Programs that foster competencies and commitments in children that they will need to eventually live out adult roles in a competent and responsible manner.
- Programs that teach skills in appropriate social behavior, interpersonal problem solving and anger management.
- Programs that attempt to instill basic skills successfully the first time they are taught so a child will not fall behind.
- Workshops that teach parents how to reduce critical risk factors that are important during the late elementary and middle school years.

- Programs that provide home-school services to youth at risk of being removed from home.
- Programs that offer counseling and health services to support families and children.
- Programs that offer one-on-one remedial and prevention tutoring of elementary and middle school students.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$1,050 for F.Y. 1998 and \$1,050 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0309: EARLY INTERVENTION (AGES 6-12)

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	0	0	0	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. Excess / (Shortfall) After Adjustments				
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			0	0
a. New Initiative			<u>1,050</u>	<u>1,050</u>
Recommended Aid Entitlement			1,050	1,050
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,050	1,050
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	0	0	1,050	1,050
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	<u>0</u>	<u>0</u>	<u>1,050</u>	<u>1,050</u>

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0310 ABUSED CHILDREN PROGRAM

CITATION: M.S. 119A.20 - 119A.23
MDCFL ADMIN: 1402 Prevention
FEDERAL: 0338 Abused Children

PURPOSE:

Federal funds from the Victims of Crime Act along with state funds enable the department to award grants which provide services to victims of child abuse and their families, adolescent victims of non familial physical or sexual assault and juvenile primary and secondary victims of crime.

DESCRIPTION:

Through the Victim of Crime Act (VOCA) of 1984, a Crime Victims Fund was established to receive funds from federal criminal penalties, fines, forfeitures and other monies collected from federal offenders. These funds serve as a source of funding for compensation and direct services for crime victims throughout the country. In 1996, \$127,000,000 was distributed to the states to fund victim assistance programs. The Abused Children's Program administers the portion of the VOCA funds Minnesota receives that are dedicated toward serving child abuse victims. Total funds coming to Minnesota include the base amount given to each state (this amount can change based on total funds available for distribution), plus a portion of remaining funds based on our state's population in relation to the population of all states. VOCA authorizes each state to subaward VOCA federal funds to the agencies and nonprofit organizations they believe will best meet the unique needs of crime victims.

Grants shall be awarded in a manner that ensures that they are equally distributed to programs serving metropolitan and non metropolitan populations.

PROGRAM STATUS:

Currently, the program provides grants to 38 abused children programs statewide. Additionally, one statewide coalition for abused children programs is funded.

(\$ in 000s)	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
State Funded Grants	\$791.0	\$892.0	\$916.0	\$916.0	\$943.0
Administration	<u>\$106.0*</u>	<u>\$106.0*</u>	<u>\$106.0</u>	<u>\$132.0</u>	<u>\$136.0</u>
Total State Funding	\$897.0	\$998.0	\$1,022.0	\$1,048.0	\$1,079.0
Federal Funds	<u>\$359.0</u>	<u>\$359.0</u>	<u>\$484.0</u>	<u>\$500.0</u>	<u>\$500.0</u>
Total	\$1,256.0	\$1,357.0	\$1,022.0	\$1,048.0	\$1,079.0

(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Victims Served					
Primary Victims	6,678	9,130	9,200	9,300	9,300
Secondary Victims	<u>2,557</u>	<u>4,023</u>	<u>3,953</u>	<u>4,050</u>	<u>4,050</u>
Total	9,235	13,153	13,153	13,350	13,350

* Estimated administrations costs. Due to budgeting procedures at the Department of Corrections, it was not possible to track individual program administration costs.

BUDGET ISSUES:

A. CHALLENGES:

- Programs must meet diverse cultural needs of clients.

B. STRATEGIES:

- The program has transferred to the new Department of Children, Families & Learning, offering new opportunities for collaboration and cooperation with other programs serving abused children.
- Staff is planning ongoing technical assistance contacts with grantees to address the issues involved in serving a diverse clientele.
- Agency staff is reviewing methods of grants review to make the process more efficient.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$1,048 for F.Y. 1998 and \$1,079 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0310: ABUSED CHILDREN PROGRAM

	Estimated		Governor's Rec.	
	F.Y. 1996 (a)	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	998	1,022	1,048	1,079
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	998	1,022	1,048	1,079
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	998	1,022	1,048	1,079
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	998	1,022	1,048	1,079
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			1,048	1,079
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,048	1,079
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	998	1,022	1,048	1,079
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	998	1,022	1,048	1,079
Aid	892	916	916	943
Administration	106	106	132	136

(a) 1996 spending shown for historical perspective only. Program did not transfer to CFL until F.Y. 1997.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0311 DRUG POLICY AND VIOLENCE PREVENTION

CITATION: M.S. 119A.25 - 119A.33
MDCFL ADMIN: 1402 Prevention
FEDERAL: 0337 Byrne Memorial Law Enforcement Program

PURPOSE:

The Office of Drug Policy and Violence Prevention serves as a catalyst for statewide approaches to the prevention of violence and drug abuse through identifying causes, recommending policies, and coordinating statewide and community strategies. The program provides grants to a wide variety of programs whose purposes are to reduce violence and drug abuse in Minnesota.

Minnesota established the Office Drug Policy in 1989, modeling it after the Federal Office of National Drug Control Policy. In 1991, the administration of the Drug Free Schools and Communities funds were returned to the Department of Children, Families & Learning. In 1992, the state legislature amended the office's enabling language to include the violence prevention planning component. The office is now responsible for establishing drug abuse and violence prevention policy for the state, coordinating violence and drug abuse prevention activities, as well as administering approximately \$11 million in federal and state grants to state, local and non-profit agencies in Minnesota. The office also provides staffing and grants administration assistance for the Chemical Abuse and Violence Prevention Council.

DESCRIPTION:

The program administers \$2.2 million dollars per year in state funds. Minnesota Statue 119A.31 (Community Crime Prevention Programs) describes the purposes for use of these funds.

The state funds that the Office of Drug Policy and Violence Prevention receives are a match to the Byrne Formula Grant and any reduction in state funding will result in a reduction of the federal grant.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Number of Grants Administered					
State	100	150	100	100	100
Federal	160	160	262	264	200
Program (119A)	\$4,494.0	\$2,202.0	\$2,202.0	\$2,262.0	\$2,330.0
Comm. Crime Reduction Grants			\$1,775.0		
Higher Education Center			\$75.0		
Comm. Violence Prevention Councils		\$75.0	\$75.0		
Youth Neighborhood Centers		\$25.0			
Council on Black Minnesotans			\$200.0		
Police Liaison Officers		\$500.0	\$500.0		
Truancy Reduction	\$100.0	\$100.0			

(continued)

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Targeted Early Intervention		\$225.0	\$225.0		
Northwest Human Services		\$100.0	\$100.0		
Theater Project		\$50.0			
Parents Anonymous		\$50.0			
State Funding	\$4,644.0	\$3,277.0	\$5,152.0	\$2,262.0	\$2,330.0
Federal Funding	\$6,228.0	\$7,039.0	\$8,865.0	\$8,890.0	\$8,241.0
Total Funding	\$10,872.0	\$9,235.0	\$11,067.0	\$11,152.0	\$10,571.0

The legislature routinely appropriates funding for community crime and violence prevention projects. These funds are in addition to ODPUP's base budget and include the following types of programs:

Community Crime Reduction Grants, Higher Education Center, Community Violence Prevention Councils, Youth Neighborhood Centers, Council on Black Minnesotans, Police Liaison Officers, Truancy Reduction, Targeted Early Intervention, Northwest Human Services, Theater Project, and Parent Anonymous

BUDGET ISSUES:

A. CHALLENGES:

- Over the years, the office has had to shift its focus to an expanding definition of the problems to be addressed which now encompasses drugs, crime, violence, and their root causes. This has been accompanied by a continual evolution of preferred strategies to address the problems and changing national and state mandates.
- The office faces the continual challenge of funding the increasing needs of the law enforcement and criminal justice systems while at the same time providing resources for prevention.

B. STRATEGIES:

- The relocation of the office to the new Department of Children, Families & Learning will allow an unprecedented level of cooperation and coordination with other programs designed to address the problems of drug abuse, crime and violence. The office is now located with the same section as Safe and Drug Free Schools, Violence Prevention Education Grants and other programs with similar outcomes. This allows for greater collaboration and coordination among staff and between programs. The staff is actively exploring ways to better administer these programs cooperatively in an effort to enhance their effectiveness in building safe and healthy Minnesota communities. Examples of this type of coordination include streamlining grant application procedures and coordinating technical assistance and outreach efforts.
- The office continually reviews funding decisions to ensure fair distribution of funds between the metropolitan and greater Minnesota communities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends transitioning the Family Visitation Center Grant Program from the Department of Human Services to the Department of Children, Families & Learning. In addition to the base amount, an increase of \$450 for the program has been requested as part of DHS's budget.

The Governor recommends an aid entitlement and 100% current appropriation of \$3,412 for F.Y. 1998 and \$3,480 for F.Y. 1999. This includes \$500.0/year for funds for community crime reduction and mentoring programs.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0311: DRUG POLICY AND VIOLENCE PREVENTION

	Estimated		Governor's Rec.	
	F.Y. 1996 (a)	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	2,202	2,202	2,462 (b)	2,530
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	2,202	2,202	2,462	2,530
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	2,202	2,202	2,462	2,530
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	2,202	2,202	2,462	2,530
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			2,462	2,530
a. Increase in Family Visitation Center Grants (Requested in DHS budget)			450	450
b. Community Crime Reduction/Mentoring Funding			500	500
			3,412	3,480
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			3,412	3,480
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	2,202	2,202	3,412	3,480
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	2,202	2,202	3,412	3,480

(a) 1996 spending shown for historical perspective only. Program did not transfer to CFL until F.Y. 1997.

(b) Includes \$200 for Family Visitation Center Grants base (DHS Transfer). Transfer also includes \$96/year in special revenue funds.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Services
AGENCY: Children, Families & Learning Aids

0312 CHILDREN'S TRUST FUND

CITATION: M.S. 119A.10 - 119A.17
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL: None

PURPOSE:

The Children's Trust Fund (CTF) was created to provide funding to community-based programs that are designed to help prevent child abuse and to provide education, leadership and resources to local prevention organizations. All of Minnesota's 1.2 million children and their families are potential recipients of CTF programs and services. Currently, priority consideration is given to applicants serving the most vulnerable population of children, those up to the age of 5 and families experiencing poverty.

DESCRIPTION:

1. Competitive Grant Process:

- The program priorities for competitive grant applications established by the CTF Advisory council strive to address the needs of the most vulnerable children.
- The CTF awards competitive grants to qualifying private non-profit and public agencies providing primary and/or secondary child maltreatment prevention services. To assure community input, grant applications are reviewed and ranked initially by local child abuse prevention councils before being forwarded to the CTF Advisory Council for their review and final recommendations to the Commissioner. M. S. 119A.12 - 119A.15 provide the legislative authority for local child abuse councils, the advisory council and the disbursement of money from the CTF. Small grant awards are also made annually to local child abuse prevention councils.

2. Leadership and Resources:

- In 1994, the CTF, in collaboration with the Minnesota Amateur Sports Commission (MASC), launched a prevention initiative, "Keeping Youth Sports Safe and Fun." Resources and technical assistance are provided to local councils to adapt this program to individual community needs. In 1996, an interactive booklet for parents and children ages 3-7, entitled, "The Sport in Me!" was published. This booklet has been incorporated into the START SMART Sports Development Program of the National Alliance for Youth Sports, West Palm Beach, FL.
- The CTF undertakes prevention education initiatives that are generic to all communities and lend themselves to local "customizing." Basic information, consultation, technical assistance and small grants are provided to local child abuse prevention councils (CAPCs) to enable them to provide local leadership, maintain themselves and operate at maximum capacity. A kit was developed in 1996 to be used by the CAPCs in addressing the problems of children being neglected by their parents or care givers.

- The CTF, on a quarterly basis, publishes *The Children's Fire*. This publication strives to educate the reader about child development, behavior management skills, family-enhancement techniques, features grantee programs, the activities of local child abuse prevention councils and features special in-depth subjects, i.e., the series on fathering, "Me and My Dad," and currently the series on child neglect.

3. Funding

Special Revenue

CTF receives approximately \$667,000 annually from a \$3 surcharge on birth certificates and the interest earned on a trust account. Up to \$120,00 of this amount may be used for administrative purposes. The salaries of the executive director and the support staff are paid from this account and approximately \$20,000 is used for indirect costs. The remaining balance is split with 40% put into the trust account (M. S. 119A.12); 60% disbursed in grants; and 100% of the interest earned disbursed in grants.

General Fund Appropriation

CTF receives \$247,000 annually in direct state appropriation. Up to \$22,000 may be used for administrative purposes, including Advisory Council expenses. \$225,000 is disbursed in grants.

Federal Grant Award

The federal grant, awarded annually to the Children's Trust Fund, is based on state dollars appropriated to the CTF and according to a child population formula. The amount of funds generated by the Special Revenue and the General fund appropriation have a significant impact on the amount of funds the Children's Trust Fund leverages toward the federal grant award. The amount of the Federal award received by the Children's Trust Fund October 1, 1995 was \$598,985. This amount may be expended over a 24 month period. The award received October 1, 1996 was \$494,923.

The CTF Advisory Council determined that the budget for the federal grant monies for 1995-97 and 1996-98 would be split as follows: 10% for administration, 40% for grant awards, 40% for leadership training (includes salary and expenses of Community Resource Developer), and 10% for evaluation.

PROGRAM STATUS:

	Current Law			
(\$ in 000s)	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Type of Revenue:				
State Sources				
Dedicated-Special*	\$816.0	\$674.0	\$667.0	\$667.0
Dedicated-Federal				
General Fund	<u>\$247.0</u>	<u>\$247.0</u>	<u>\$247.0</u>	<u>\$247.0</u>
Subtotal	\$1,063.0	\$921.0	\$914.0	\$914.0
Federal Funding	\$363.0	\$363.0	\$363.0	\$363.0

* Special revenue projection for F.Y. 1998 and F.Y. 1999 is based on the average amount received over the past five years (F.Y. 1993 - F.Y. 1997).

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Services
AGENCY: Children, Families & Learning Aids

0312 CHILDREN'S TRUST FUND
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- To equitably disburse grant monies when demand far exceeds available dollars.
- To develop and maintain community involvement and commitment with minimum financial support and technical assistance.

B. STRATEGIES:

- Systematically gather consumer input and incorporate suggestions into the grant award process.
- To maximize evaluation efforts and assist grantees in using evaluation to improve program efforts.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$247 for F.Y. 1998 and \$247 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0312: CHILDREN'S TRUST FUND

	Estimated		Governor's Rec.	
	F.Y. 1996 (a)	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	247	247	247	247
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	247	247	247	247
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	247	247	247	247
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	247	247	247	247
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			247	247
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			247	247
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	247	247	247	247
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	247	247	247	247

(a) 1996 spending shown for historical perspective only. Program did not transfer to CFL until F.Y. 1997.

1998-99 Biennial Budget

PROGRAM: 03 Community Services
AGENCY: Children, Families & Learning Aids

0313 MINNESOTA ECONOMIC OPPORTUNITY GRANT

CITATION: M.S. 268.52
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL:

PURPOSE:

Community Action Programs provide low-income citizens the opportunity to obtain the skills, knowledge and motivation to become self-sufficient; help remove the causes of poverty in Minnesota communities; and alleviate the effects of poverty in Minnesota.

DESCRIPTION:

Community Action Programs are delivered through a statewide network of local non-profit agencies and Indian Reservation Governments. Activities are locally determined to provide a range of services based on local needs which go beyond traditional human service delivery concepts. Activities address 3 program models:

- intervention programs designed to provide immediate basic needs to households in economic crisis;
- case management programs providing assistance in developing personal and economic self-sufficiency; and
- community investment, including economic development initiatives and entrepreneurial projects.

Issues addressed include nutrition, literacy, transportation, housing, job training, energy conservation, Head Start, youth employment and recreation, services to seniors, crisis assistance advocacy, information and referral as well as collaboration with public and private health, education and human service organizations.

PROGRAM STATUS:

In F.Y. 1995, 41 grants were awarded, providing "one-stop" access to approximately 200,000 disadvantaged households. A total of 70,000 volunteers donated 1.8 million hours to community action activities with an estimated economic value of \$9 million. Activity in future years depends on the population needing community action network services.

BUDGET ISSUES:

A. CHALLENGES:

- The Community Services Block Grant and the Minnesota Economic Opportunity Grant have remained a stable funding source for communities throughout the decade. Grantees anticipate peak demand of services as a result of welfare reform

B. STRATEGIES:

- Under the framework of M.S. 268.52, the Minnesota Economic Opportunity Grant and the Community Services Block Grant support the infrastructure of community action agencies (CAAs) through which approximately \$175 million in federal, local, state, and private funds provide a wide spectrum of programs serving the poor. This mechanism fills gaps by providing services in response to locally identified needs and by preventing families from turning to entitlement programs or providing the supportive services which enable families to extract themselves from the welfare web. Funding has remained stable.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% appropriation of \$10,000 for F.Y. 1998 and \$10,000 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0313: MINNESOTA ECONOMIC OPPORTUNITY GRANTS

	Estimated (a)		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	7,000	7,000	7,000	7,000
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	7,000	7,000	7,000	7,000
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	7,000	7,000	7,000	7,000
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	7,000	7,000	7,000	7,000
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			7,000	7,000
a. Increase Funding			3,000	3,000
Recommended Aid Entitlement			10,000	10,000
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			10,000	10,000
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	7,000	7,000	10,000	10,000
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	7,000	7,000	10,000	10,000

(a) 1996 and 1997 spending shown for historical perspective only. Program does not transfer to CFL until F.Y. 1998.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0314 TRANSITIONAL HOUSING

CITATION: M.S. 268.38
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL: None

PURPOSE:

The Transitional Housing Program (THP) helps homeless families and individuals become self sufficient by providing a stable place to live and support services to learn how to live independently when they graduate to permanent housing. Support services may include child care, housing counseling, employment training, chemical dependency treatment and referrals.

DESCRIPTION:

The THP, funded under M.S. 268.38, provides operating funds to non-profit transitional housing programs to help homeless persons obtain the skills and income to live independently. Funded programs are chosen through a competitive request for proposal process. THP funding accounts for an estimated 11 % of operating costs for transitional housing programs in the state.

PROGRAM STATUS:

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Grants Awarded	38	41	62	62	62
Number of Homeless Served	1,262	1,304	1,304	1,304	1,304
Number of Homeless Eligible	9,989	10,000	10,000	10,000	10,000
Percent Served	13	13	13	13	13
Funds	\$860.0	\$935.0	\$935.0	\$935.0	\$935.0

These numbers are expected to increase. However, straight line estimates are used due to the difficulty of forecasting the magnitude of these increases. The 943 persons reported being turned away from shelter due to a lack of space is the highest number of turnaways recorded since the survey began in 1985 and represents a 111 % increase from the May 1995 survey. The demand for food and shelter resources is on the upswing. With welfare reform, we expect demand to peak.

BUDGET ISSUES:**A. CHALLENGES:**

- Minnesota is experiencing a significant increase in the number of persons needing temporary shelter, and the ability of local programs to adequately meet the needs of homeless persons and low-income households is severely strained.
- According to the MDES Quarterly Shelter Survey, 45% of all homeless individuals reported sheltered in the May 1996 survey were children.

B. STRATEGIES:

- Maintaining the availability of transitional housing program in the state of Minnesota to meet the needs of homeless families and individuals is critical. As with all self-sufficiency programs, welfare reform will likely increase the demand for services.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% appropriation of \$1,385 for F.Y. 1998 and \$1,385 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0314: TRANSITIONAL HOUSING

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	935	935	935	935
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	935	935	935	935
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	935	935	935	935
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	935	935	935	935
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			935	935
a. Increase Funding			450	450
Recommended Aid Entitlement			1,385	1,385
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,385	1,385
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	935	935	1,385	1,385
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	935	935	1,385	1,385

(a) 1996 and 1997 spending shown for historical perspective only. Program does not transfer to CFL until F.Y. 1998.

1998-99 Biennial Budget

PROGRAM: 03 Community Services
AGENCY: Children, Families & Learning Aids

0315 THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)
 0316 FOOD BANKS/SHELVES

CITATION: M.S. 268.55
MDCFL ADMIN: 1404 Self Sufficiency/Lifelong Learning
FEDERAL:

PURPOSE:

The Emergency Food Assistance Program & the Minnesota Food Shelf Program create mechanisms to provide food to low-income Minnesotans. State TEFAP funds allow Minnesota to leverage over \$500,000 in federal TEFAP funds. TEFAP state funding is a federal matching requirement.

DESCRIPTION:

The Emergency Food and Assistance Program makes surplus commodities available to food banks, food shelves, emergency meal sites and overnight shelters. Individuals or households are eligible to receive TEFAP commodities if their income is at or below 185% of the federal poverty level. The Minnesota Food Shelf Program (MFSP) provides funds to food shelves throughout the state to purchase nutritious food items for distribution to individuals and families in need. The funding for the Minnesota Food Shelf Program is given to the Minnesota Food Shelf Association which distributes funds to communities.

PROGRAM STATUS:

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997*</u>	<u>F.Y. 1998*</u>	<u>F.Y. 1999*</u>
Number of Food Shelf Visits	1,291,082	1,337,320	982,564	982,564	982,564
Number Of On-Site Meals	9,566,372	10,315,000	10,315,000	10,315,000	10,315,000
USDA Pounds	3,200,000	1,600,000	1,600,000	1,600,000	1,600,000
Funding (\$ in 000s)					
TEFAP (state admin match)	\$100.0	\$97.0	\$97.0	\$97.0	\$97.0
Food Shelf Program	<u>\$600.0</u>	<u>\$700.0</u>	<u>\$700.0</u>	<u>\$700.0</u>	<u>\$700.0</u>
TOTAL	\$700.0	\$797.0	\$797.0	\$797.0	\$797.0

* These numbers are expected to increase. However, straight-line estimates are used due to the difficulty of forecasting the magnitude of these increases.

BUDGET ISSUES:

A. CHALLENGES:

- Minnesota is experiencing a significant increase in the number of persons needing food assistance and the ability of local programs to adequately meet the needs of homeless persons and low-income households is severely strained. Welfare reform will likely increase this need.

B. STRATEGIES:

- These programs are currently looking for ways to increase their use of non-public resources including number of volunteers and volunteer time, financial donations and food products.

GOVERNOR'S RECOMMENDATION:

0315 The Emergency Food Assistance Program (TEFAP)

The Governor recommends an aid entitlement and 100% current appropriation of \$97 for F.Y. 1998 and \$97 for F.Y. 1999. .

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

0316 Food Banks/Shelf

The Governor recommends an aid entitlement and 100% current appropriation of \$700 for F.Y. 1998 and \$700 for F.Y. 1999..

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

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0317 OIL PROGRAM (For Information Only)
 0318 LIQUID PROPANE (LP) PROGRAM (For Information Only)
 0319 STATE WEATHERIZATION (For Information Only)

CITATION: M.S. 216B.241, Subd. 2a; 239.785, Subd. 2 & 6; MN Laws 1996, Ch. 452, Sec. 6 (e) & (f)

MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL: None

PURPOSE:

Oil program funds are used to weatherize dwelling units utilizing heating oil as its main source of heat. Liquid Propane (LP) gas program funds are used to weatherize dwelling units utilizing liquid propane as their main source of heat. The Weatherization Assistance Program (WAP) for Low-Income Persons provides funds to local non-profit and governmental organizations (subgrantees) to weatherize individual dwelling units and improves the energy efficiency of furnaces where eligible households reside.

Program funds are used to purchase conservation materials and labor, support costs, as well as training and administration.

DESCRIPTION:

Households weatherized must be:

- a recipient of an energy assistance grant having an income of 150% of the poverty guidelines;
- received cash assistance payments under the Social Security Act, Titles IV and XVI during the preceding 12 month period; or
- have an income of 125% of poverty guidelines or less.

Both Oil and LP programs utilize the WAP procedure and supplement WAP funding. After a household is determined eligible, their individual dwelling unit receives an energy audit. The conservation work called for on the audit is completed and the dwelling unit is inspected per the audit prescriptions.

The energy audit prescribes the total conservation investment to be given to the unit adjusted for the interaction between architectural and mechanical weatherization materials and their cumulative costs. It is the procedure for determining the most cost-effective measures to done on a dwelling unit and it takes into account the whole house as a system, including examining the heating system, its air exchange system and its occupants living habits and needs. The energy audit considers energy usage, energy costs, heating needs and uses advanced diagnostic and assessment techniques. Conservation activities may include attic and sidewall insulation, air infiltration reduction measures, heating system efficiency or modification activities and repair of doors and windows when it is deemed cost effective. The household also receives energy education as part of the audit.

Findings using an initial monitoring of fuel use, show an average savings of 26% of fuel in the first year which provide payback period of 10 years. A household's dwelling unit is reported complete

(weatherized) when all weatherization materials have been installed and a final inspection is performed. The inspection also includes any mechanical work performed.

A dwelling unit may be a house, mobile home, an apartment, a group of rooms or a single room occupied as separate living quarters. A household may be an individual, a family or multiple families living in owned or rented individual dwelling units. Renters and homeowners are to be treated equitably. A building containing rental units may be weatherized if the benefits of weatherization accrue primarily to the low-income tenants residing in the unit, the renters are not subjected to rent increases due to the weatherization work, no undue enhancement occurs to the value of the dwelling units and there is a written landlord agreement in place. WAP recommends financial participation of the landlord when weatherizing the property.

Priority is given to identifying and providing weatherization assistance to elderly and handicapped low-income persons and households with children. State funds follow WAP procedures. Oil funds are to improve the energy efficiency of residential oil heating equipment in low-income households and when necessary to provide weatherization services to the homes. LP funds are to improve the energy efficiency of residential LP gas heating equipment in low-income households and, when necessary, to provide weatherization services to the homes. To the maximum extent possible, weatherization works on individual dwelling units is coordinated with other federal, state, local and privately funded programs to enhance the program's effectiveness.

WAP relies on the Energy Assistance Program (EAP) for referrals of eligible households. Oil and LP funds are allocated based on the EAP distribution of those energy sources in households. State funds are allocated to subgrantees using low-income population census data and heating degree days by region. There are 34 subgrantees including 25 community action agencies, 1 non-profit, 1 housing rehabilitation authority, and 7 indian reservations. The state takes 2.5% administration out of State Weatherization, Oil and LP funds. In the Oil and LP program, subgrantees are given the flexibility to budget the funds in one or all three of the following categories: for WAP, mechanical activities, or incidental repairs which are repairs necessary for the effective performance or preservation of weatherization materials.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997*	F.Y. 1998*	F.Y. 1999*
Oil Funding	\$600.0	\$600.0	\$588.0	\$588.0	\$588.0
State Administration	\$14.0	\$14.0	\$14.0	\$14.0	\$14.0
Disabled Served	143	87	87	87	87
Children Served	418	206	206	206	206
Elderly Served	227	118	118	118	118
Homes Weatherized	42	52	50	50	50
Oil Mechanical	506	413	400	390	375

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0317 OIL PROGRAM (For Information Only)
0318 LIQUID PROPANE (LP) PROGRAM (For Information Only)
0319 STATE WEATHERIZATION (For Information Only)

(Continuation)

(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997*</u>	<u>F.Y. 1998*</u>	<u>F.Y. 1999*</u>
LP Funding	\$250.0	\$225.0	\$487.0	\$487.0	\$487.0
State Admin	<u>\$7.0</u>	<u>\$7.0</u>	<u>\$13.0</u>	<u>\$13.0</u>	<u>\$13.0</u>
Total	\$257.0	\$232.0	\$500.0	\$500.0	\$500.0
Disabled Served	33	54	54	54	54
Children Served	91	133	133	133	133
Elderly Served	56	73	73	73	73
Homes Weatherized	42	48	120	120	120
LP Mechanical	175	256	530	530	530
DOE Average Cost per Household	\$1,854.0	\$1,903.0	\$1,960.0	\$2,018.0	\$2,079.0

* Projected

BUDGET ISSUES:

A. CHALLENGES:

- The Liquefied Petroleum Conservation Program generates dedicated revenue through a tax on LP gas levied at the terminal. The collected funds and the interest earned are appropriated to the Commissioner of Economic Security. The revenues generated are dependent on sale of LP gas which is dependent on the weather and the demand for LP gas to heat homes.
- The state WAP activities follow the federal program rules and use the DOE average cost formula. Funding and the DOE average cost per unit weatherized dictate the number of households to be served. DOE's average cost factor is adjusted yearly to the consumer price index or a minimum of 3%. Costs on individual dwelling units have increased due to additional health and safety activities and expanded activities on heating systems.
- Oil and LP funds are allocated by distribution of fuel type. This does not provide for equitable funding of weatherization programs statewide. These are dedicated funds and are allocated to those areas where the respective fuel is used.

B. STRATEGIES:

- The weatherization program coordinates activities with local housing programs, conservation improvement programs and the local energy assistance program. With increasing service demands, the program will become more dependent on this coordination. Subgrantees will have to better target resources to those households with the highest energy burdens and greatest housing structural needs. The state will work with agencies to better focus their local resources and reduce program barriers which impede coordination.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0317: OIL PROGRAM (Information Only)

0318: LIQUID PROPANE (LP) PROGRAM (Information Only)

0319: STATE WEATHERIZATION PROGRAM (Information Only)

	Estimated (a)		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1a. Statutory Formula Aid - Oil Program (Transfer from Public Service)	600	588	588	588
1b. Statutory Formula Aid - Liquid Propane Program (Transfer from Public Service)	507	500	500	500
1c. Statutory Formula Aid - State Weatherization Program (one-time funds)	0	190	0	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	1,107	1,278	1,088	1,088
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	1,107	1,278	1,088	1,088
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	1,107	1,278	1,088	1,088
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)				
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,088	1,088

APPROPRIATIONS BASIS:

Direct Appropriated Funds - Oil Program	600	588	588	588
Direct Appropriated Funds - Liquid Propane Program	507	500	500	500
Direct Appropriated Funds - State Weatherization Program	0	190	0	0
Transfers per M.S. 124.14, subd. 7				
Total State General Funds (b)	[1,107]	[1,278]	[1,088]	[1,088]

(a) 1996 and 1997 spending shown for historical perspective only. Programs do not transfer to CFL until F.Y. 1998.

(b) Amounts were transferred into DES from the Department of Public Service. Base amounts are carried in the base budget for that agency.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0320 STATE ENERGY ASSISTANCE (For Information Only)
0321 STATE EAP (RESERVE)

CITATION: MN Laws 1996, Ch. 452, Sec. 6 (e) & (f)
MDCFL ADMIN: 1404 Self Sufficiency/Lifelong Learning
FEDERAL: None

PURPOSE:

The Energy Assistance Program (EAP) provides funds to local non-profit government organizations to help households with incomes at 150% of the federal poverty level or lower meet the costs of home energy by paying a portion of their heating costs and providing energy conservation and emergency furnace repair activities. The money is available to supplement the federal Low-Income Home Energy Assistance Program and is to be used and allocated in the same manner as the federal money is used and allocated.

DESCRIPTION:

This program assists low-income households, particularly those that pay a high proportion of their income for home heating costs or energy needs in relationship to income and taking into account family size, in meeting their immediate home heating energy needs and in attaining the capacity to meet such needs independently in the future. The program pays a percentage of the eligible households previous year's heating costs and that payment is applied as a credit to the household's energy supplier. A household must submit income documentation and the previous year's heating costs, if available, when applying for the program. The program will dispatch a furnace technician to an eligible household's residence to correct a faulty furnace or to alleviate any health and safety risks so as to ensure that the household has heat during the heating season. Besides heating payments and furnace repair, EAP agencies try to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance by doing needs assessment, counseling and working with energy vendors on behalf of the household. The program goal is to ensure that no low-income Minnesotan goes without heat in the winter because of an inability to pay energy costs or a malfunctioning furnace.

EAP program activities include outreach designed to assure that eligible elderly and disabled households and households with high home energy burdens are made aware of assistance. The program assures that home energy suppliers receiving payments on behalf of households do not discriminate through the costs of goods or services they provide to the eligible households. EAP agencies work with the local community and other resources available to them to provide energy crisis intervention for eligible households. Under crisis intervention, agencies try to provide some form of assistance that will resolve the energy crisis no later than 48 hours after the household applies for the program or within 18 hours, if the household is in a life-threatening situation. State EAP is used as a leverage resource under the federal leveraging incentive program in the Leveraging Report that identifies nonfederal resources used to help low income households meet their home energy needs. The percentage of EAP households served by fuel type are: 53% natural gas, 20% fuel oil, 14% liquid propane, 8% electric, 4% wood and other. The program is administered at the local level by 41 agencies. These include: 26 Community Action Agencies, 7 counties, 1 local nonprofit and 7 Indian Reservation governments.

PROGRAM STATUS:

A \$9.0 million Home Energy Assistance Contingency state appropriation is to be released in January, 1997 under Laws 1996, Chapter 452, Section 6(f). The release of this money was triggered because federal money allocated to Minnesota under LIHEAP for federal F.Y. 1996 was less than the amount received in federal F.Y. 1995. Total federal LIHEAP funding for F.Y. 1996 was \$42,148,986 compared to F.Y. 1995 of \$56,392,220. This was a 25% decrease. The contingency fund is to be released to mitigate the hardships low income households are having because of difficulties in recovering from the record cold weather and heating bills for the winter of 1995-96, the abnormally cold 1996 November with heating degree days ranging from 17-38% colder than normal, 1996-97 fuel prices running 28% higher for oil and 46% higher for liquid propane gas, and federal funds for F.Y. 1997 are 33% lower than F.Y. 1995.

BUDGET ISSUES:

A. CHALLENGES:

- The Energy Assistance Program is predominately federally funded in Minnesota with supplemental state general funds. Funding levels have gradually declined from F.Y. 1986 to F.Y. 1997. Federal funding was reduced by 32% in F.Y. 1996 from the previous year, F.Y. 1995. State general funds are available to supplement the start of the program in F.Y. 1997.
- The number of households participating in the program is somewhat dependent on economic conditions, winter weather and fuel prices. A change in any one of these factors can affect how many people receive assistance or the amount of their assistance. Low-income households generally have inefficient furnaces and use multiple energy sources for heating, whatever is affordable or available at the time. There are many low-income customers who just cannot afford energy. The energy industry, itself, is going through changes. Small community or family owned oil and LP companies are consolidating into larger companies. Small bulk dealers do not have the financial ability to provide lines of credits to their low-income customers. Bulk fuel prices fluctuate seasonally based on national markets and impact low-income customers hardest. And, the electric industry is going through changes, nationally as well as locally. Many of the changes affecting the energy industry will have an impact on low-income customers pertaining to the following issues: the equitable distribution of benefits to customers, access to service, social programs, i.e. low-income discount rate and cold weather rule, and customer service.
- In F.Y. 1996, the Energy Assistance program served 87,080 households at an average primary heat grant of \$329. This compares to F.Y. 1995, where the program served 103,760 households with average primary heat grants of \$429. Grants received by households in F.Y. 1996 were lower due to federal funding reductions. As funding is reduced, administrative dollars will be reduced, creating hardships on local agencies in their efforts to operate the program.

B. STRATEGIES:

- The Energy Assistance Program will work closely with energy vendors and households to develop better lines of credit and payment schedules, better target resources to those households with the highest energy burden and lowest incomes, and focus on developing local resources through fuel fund activities and conservation activities to meet community, household and vendor needs.

GOVERNOR'S RECOMMENDATION:

State EAP Reserve

The Governor does not recommend appropriating funds to this activity at this time. The Governor will reevaluate the funding required for this activity after information on federal funding is available.

This page intentionally left blank.

This page intentionally left blank.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0322 HEAD START

CITATION: M.S. 268.912 (P.L. 97-35)
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL:

PURPOSE:

Head Start was designed to help break the cycle of poverty by providing preschool children of low income families with a comprehensive program to meet their emotional, social, health, nutritional and psychological needs. The overall goal of the program is to bring about a greater degree of social competence in the children and to promote economic self-sufficiency for the parents.

DESCRIPTION:

Every child receives a comprehensive health care program including medical, dental, mental health and nutrition services as well as a variety of individualized learning experiences. Every parent is encouraged to become involved in parent education, program planning and operating activities. Parents have a voice in administrative and managerial decisions. The social services component represents an organized method of assisting families to assess their needs and then providing those services or linking them with appropriate community services that will build upon the individual strengths of families to meet their own needs.

State Head start funds, authorized under M.S. 268.912, are allocated to all 35 federal Head Start grantees in the State to provide services to additional low-income children and their families. Money is allocated based equally on the grantees' share of federal funds and on the proportion of eligible children in the grantee service area who are not currently being served. In the state, 23 community action agencies and 3 single purpose agencies, 1 school district and 7 Indian Reservation Governments deliver the program.

Up to 11% of the state Head Start funds appropriated annually may be used to provide grants to local Head Start agencies for innovative programming designed either to target Head Start resources to particular at-risk groups of children or to provide services in addition to those currently allowable under federal Head Start regulations. Innovative grants are awarded on a competitive basis. Since F.Y. 1994, the major portion of state Head Start innovative funding has gone to fund Head Start collaboration projects.

The bonding initiative, in addition to helping programs meet the pressing need for additional space and the rehabilitation of facilities to comply with licensing standards, also makes possible the leveraging of additional dollars from public and private resources in communities.

PROGRAM STATUS:

Only about 40% of eligible children and their families are currently served by Head Start. For the program year 1995-1996, 12,112 children were funded at a cost per child of \$4,660.

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Grantees	34	34	34	34	34
Number of Eligible Children	29,831	29,831	29,831	29,831	29,831
Number of Children Served	12,097	12,112	12,145	12,100	12,050
Percentage of Eligible Children Served	41	41	41	41	40

	<u>Current Law</u>				
(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Federal Funding					
Federal HHS*	\$40,537.0	\$43,245.0	\$43,727.0	\$43,727.0	\$43,727.0
HHS Collaboration Grant	\$100.0	\$100.0	\$100.0	\$150.0***	\$150.0***
State Funding					
General Fund	\$11,500.0	\$11,506.0	\$11,506.0	\$11,506.0	\$11,506.0
Bonding**	0	3,500	0	0	0
TOTAL	\$52,137.0	\$58,351.0	\$55,333.0	\$55,383.0	\$55,383.0

* Federal Head Start funds are distributed directly to the Head Start grantees from the U.S. Department of Health and Human Services. Federal totals are provided here for information only.

** F.Y. 1992 and F.Y. 1994 bonding dollars went to purchase, construct or rehabilitate facilities for Head Start and other early childhood learning programs. F.Y. 1996 bonding dollars will finance purchase, construction or rehabilitation of facilities for Head Start or other early childhood learning programs, child protection programs, and homeless youth programs.

*** In the process of requesting an increase of \$50,000.

In the 1994-1995 Minnesota Head Start program year:

- 20% of enrolled children were funded by state funds
- 100% of enrolled children were medically screened
- 82% of enrolled children were enrolled in Child and Teen Checkups/Medicaid
- 15% of enrolled children were professionally diagnosed as disabled and requiring special services
- 96% of enrolled children received dental examinations
- 94% of enrolled children had up-to-date immunizations
- 40% of paid staff were current or former Head Start parents
- 832,580 hours were volunteered in Head Start programs
- 100% of families identified as needing social services received them

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

0322 HEAD START
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Most Head Start programs currently operate on a half-day basis. As more and more Head Start parents are working full-time, there will be an increased demand for full-day, full-year services.
- Research has shown the importance of the first months and years of life for human growth and development. Head Start has typically served the preschool population.

B. STRATEGIES:

- Parent involvement in the governance of Head Start will continue to promote communication, coordination and collaboration at the state and local level to improve and integrate service delivery.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$18,506 for F.Y. 1998 and \$18,506 for F.Y. 1999.

The Governor also recommends a block grant of \$2,500.0/year for the Head Start, Learning Readiness and Early Childhood Family Education programs. Distribution of these funds between programs would be determined at the discretion of the Commissioner of Children, Families and Learning, depending on capacity of the programs involved and family and community needs. Funding for the block grant is reflected in Learning Readiness, Program 0410, page A-354.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0322: HEAD START

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	11,506	11,506	11,506	11,506
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	11,506	11,506	11,506	11,506
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	11,506	11,506	11,506	11,506
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	11,506	11,506	11,506	11,506
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			11,506	11,506
a. Increase Funding			7,000	7,000
Recommended Aid Entitlement			18,506	18,506
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			18,506	18,506
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	11,506	11,506	18,506	18,506
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	11,506	11,506	18,506	18,506

(a) 1996 and 1997 spending shown for historical perspective only. Program does not transfer to CFL until F.Y. 1998.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0327 ABUSED CHILDREN

CITATION: Victims of Crime Act of 1984 (P.L. 98-473)
MDCFL ADMIN: 1402 Prevention

PURPOSE:

The Abused Children Program administers state and federal grant funds to local agencies for the provision of services to abused children.

DESCRIPTION:

Federal funds from the Victims of Crime Act along with state funds enable the department to award grants which provide services to victims of child abuse and their families, adolescent victims of non familial physical or sexual assault and juvenile primary and secondary victims of crime. Grants shall be awarded in a manner that ensures that they are equally distributed to programs serving metropolitan and non metropolitan populations.

Through the Victim of Crime Act (VOCA) of 1984, a Crime Victims Fund was established to receive funds from federal criminal penalties, fines, forfeitures and other monies collected from federal offenders. These funds serve as a source of funding for compensation and direct services for crime victims throughout the country. In 1996, \$127,000,000 was distributed to the states to fund victim assistance programs. The Abused Children's Program administers the portion of the VOCA funds Minnesota receives that are dedicated toward serving child abuse victims. Total funds coming to Minnesota include the base amount given to each State (this amount can change based on total funds available for distribution), plus a portion of remaining funds based on our State's population in relation to the population of all States. VOCA authorizes each state to subaward VOCA federal funds to the agencies and nonprofit organizations they believe will best meet the unique needs of crime victims. VOCA funds require a 25% local match. The program provides \$33,500 to each eligible grantee. 38 programs are currently funded statewide.

PROGRAM STATUS:

Currently, the program provides grants to 38 abused children programs statewide. Additionally, one statewide coalition for abused children programs is funded.

(\$ in 000s)	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Federal Funds	\$359.0	\$359.0	\$484.0	\$500.0	\$500.0
Number of Victims Served					
Primary	6,678	9,130	9,220	9,300	9,300
Secondary	2,557	4,023	3,953	4,050	4,050

BUDGET ISSUES:**A. CHALLENGES:**

- Programs must meet the diverse needs of the children and families they serve.

B. STRATEGIES:

- The program has transferred to the new Department of Children, Families and Learning, offering new opportunities for collaboration and cooperation with other programs serving abused children.
- Staff is planning ongoing technical assistance contacts with grantees to address the issues involved in serving a diverse clientele.
- Agency staff is reviewing methods of grants review to make the process more efficient.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0328 HHS HEAD START COLLABORATION PROJECT

CITATION: 42 USC 9801 ET SEQ

MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning

PURPOSE:

The purpose of the federal Head Start Collaboration grant, funded by the U.S. Department of Health and Human Services, is to create significant partnerships between Head Start and the States in order to meet the increasingly complex, intertwined and difficult challenges of improving services for low income children and their families. These partnerships are intended to:

- facilitate the involvement of Head Start in the development of state policies and plans which affect the Head Start population and other low income families;
- create significant, cross-cutting initiatives on behalf of children and families throughout the state;
- help build more integrated and comprehensive service delivery systems to improve families' access to services and promote a high level of programmatic quality; and
- encourage widespread local collaboration between Head Start and other programs.

DESCRIPTION:

This federal Head Start Collaboration grant has enabled the Minnesota Department of Economic Security to augment its Head Start staff in order to increase representation in State level activities related to systems change, bringing the perspectives and concerns of Head Start and other low income children and families into the process. In addition, Minnesota uses its state Head Start innovative funding to support local Head Start collaboration projects in the federally designated priority areas:

- improving access to health care services;
- improving the availability, accessibility and quality of child care services;
- improving collaboration with the welfare system;
- expanding and improving education opportunities in early childhood programs;
- initiating interaction with AmeriCorps;
- improving access to family literacy services; and
- improving opportunities for children with disabilities.

PROGRAM STATUS:

(\$ in 000s)

Current Law

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Projects Evaluating Collaborative Process(es) and Outcomes	21	21	25	30	34
Percentage of State Head Start Innovative Funds Going to Support Local Collaboration Projects	95%	95%	95%	95%	95%
HHS Head Start Collaboration Grant	\$100.0	\$100.0	\$100.0	100*	100*

* In the process of requesting \$50,000 in additional funds.

BUDGET ISSUES:**A. CHALLENGES:**

- Changes in the economic status of families (e.g. due to welfare reform) will increase the demand for anti-poverty services such as Head Start. At the same time that systems are working toward coordination and collaboration of prevention and early intervention services, resources must be secured to continue to address the complex and comprehensive needs of low income families.

B. STRATEGIES:

- The Head Start Collaboration grant will continue to be used to develop and support partnerships at the state and local levels as a way to improve services for low income children and their families. Efforts to bring the unique perspectives of low income families to the table at all levels will continue.

1998-99 Biennial Budget

PROGRAM: 14 Community Services
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0329 COMMUNITY SERVICES BLOCK GRANT

CITATION: P.L. 97-35
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning

PURPOSE:

Community Services Block Grant supports the infrastructure of community action agencies. Community Action Programs provide Minnesota low-income citizens the opportunity to obtain the skills, knowledge and motivation to become self-sufficient; help remove the causes of poverty in Minnesota communities; and alleviate the effects of poverty in Minnesota.

DESCRIPTION:

Under the framework of M.S. 268.52, the Minnesota Economic Opportunity Grant and the Community Services Block Grant support the infrastructure of community action agencies (CAAs) through which approximately \$175 million in federal, local, state, and private funds provide a wide spectrum of programs serving the poor. This efficient and compassionate mechanism provides "one stop" access to service for approximately 200,000 disadvantaged households annually. Over 70,000 volunteers provide 1.8 million hours of service through the CAA network with an estimated economic value of \$9 million. This effective delivery mechanism for self-sufficiency programs fills gaps by providing services in response to locally identified needs and by preventing families from turning to entitlement programs or providing the supportive services which enable families to extract themselves from the welfare web. Federal funding of CSBG increased in F.F.Y 1997.

CSBG is funded under P.L. 97-35 as amended by P.L. 03.52. Grants are provided to 29 CAAs, 11 Indian Reservation Governments and a statewide migrant farm workers' organization to deliver economic opportunity programs throughout Minnesota. Discretionary grants are also provided to support innovative strategies at the local, regional or state level and to respond to emerging issues.

PROGRAM STATUS:

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Federal Funds	\$4,700.0	\$4,700.0	\$5,900.0	\$5,900.0	\$5,900.0
Number of Grants	41	41	41	41	41
Number of Households Served	200,000	200,000	200,000	200,000	200,000
Number of Volunteers	70,000	70,000	70,000	70,000	70,000

Note: Straight line estimates used.

BUDGET ISSUES:**A. CHALLENGES:**

- The Community Services Block Grant and the Minnesota Economic Opportunity Grant have remained a stable funding source for communities throughout the decade.

1998-99 Biennial Budget

PROGRAM: 03 Community Services
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0330 EMERGENCY SHELTER GRANT PROGRAM
 0331 RURAL HOUSING ASSISTANCE AND SUPPORT PROGRAM
 0332 SUPPLEMENTAL ASSIST. FOR FACILITIES FOR HOMELESS
 0333 EMERGENCY FOOD ASSISTANCE
 0334 COMMUNITY FOOD AND NUTRITION

CITATION: P.L. 100-250; 101-645
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning

PURPOSE:

Food and homeless programs provide services and grants to local agencies involved in aiding Minnesota's low-income and homeless citizens to obtain and maintain adequate food and shelter.

DESCRIPTION:

The Emergency Shelter Grant Program provides funds for operating expenses for shelters and transitional housing and homeless prevention activities.

The Rural Housing Assistance and Stability Program funds homeless prevention activities to address the unique conditions of rural homelessness. Services include emergency rent, utility and mortgage assistance, emergency lodging and self-sufficiency case management.

Supplemental Assistance for Facilities to Assist the Homeless provides funds that enable Transitional Housing Programs (THPs) to provide case management and supportive services for up to 12 months after a THP family relocates into permanent housing.

The Emergency Food Assistance Program makes surplus commodities available to food banks, food shelves, emergency meal sites and overnight shelters. Individuals or households are eligible to receive TEFAP commodities if their income is at or below 185% of the federal poverty level.

The Community Food and Nutrition program funds activities to meet the nutritional needs of low-income individuals and improve the coordination of existing public and private food assistance resources.

The shelter programs provide a range of comprehensive services to homeless individuals and families through emergency overnight shelters, transitional housing and community action agencies.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
TEFAP**	\$577	\$605	\$668	\$668	\$668
CF & N	\$63	\$65	\$34	\$34	\$34
ESGP	\$878	\$1,198	\$874	\$874	\$874
SAFAH	--	\$310	\$319	--	--
RHASP	--	\$1,130.5	\$877.5	\$832.9	--

* Currently requesting funds for F.Y. 1998 and F.Y. 1999.

** Includes \$97,000 in state funding.

BUDGET ISSUES:

A. CHALLENGES:

- Minnesota is experiencing a significant increase in the number of persons needing temporary shelter, and the ability of local programs to adequately meet the needs of homeless persons and low-income households is severely strained.
- According to the MDES Quarterly Shelter Survey, 45% of all homeless individuals reported sheltered in the May 1996 survey were children.
- The 943 persons reported being turned away from shelter due to lack of space is the highest number of turnaways recorded since the survey began in 1985 and represents a 111% increase from the May 1995 survey.
- The demand for food and shelter resources is on the upswing. With welfare reform, demand is expected to peak.

B. STRATEGIES:

- TEFAP, funded under P.L. 100-250, provides surplus commodities targeted to the needy, including the unemployed and low-income households at 185% poverty guidelines. Commodities are available through Minnesota's food banks to food shelves, homeless shelters and soup kitchens.
- Community Food & Nutrition funds are distributed to agencies to address statewide issues and increase participation in food and nutrition programs.
- SAFAH provides funds to 6 transitional housing programs to help families with children stabilize in permanent housing.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0335 ENERGY ASSISTANCE PROGRAM
 (See State program 0320 State Energy Assistance for additional information)

CITATION: P.L. 97-35, Title XXVI; Omnibus Budget Reconciliation Act of 1981
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning

PURPOSE:

The Energy Assistance Program (EAP) provides funds to local non-profit government organizations to help households with incomes at 150% of the federal poverty level or lower meet the costs of home heating by paying a portion of their heating burden and providing energy conservation and emergency furnace repair activities.

DESCRIPTION:

The Energy Assistance Program is predominately federally funded in Minnesota with supplemental state general funds. Funding levels have gradually declined from F.Y. 1986 to F.Y. 1997. Federal funding was reduced by 32% in F.Y. 1996 from the previous year, F.Y. 1995. State general funds are available to supplement the start of the program in F.Y. 1997.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997*	F.Y. 1998*	F.Y. 1999*
Federal EAP (less transfer)	\$48,509.0	\$39,834.0	\$36,056.0	\$36,742.0	\$36,742.0
Federal EAP Emergency	\$5,043.0	\$7,141.0	\$13,710.0	\$0.0	\$0.0
Federal EAP Leveraging	\$240.0	\$218.0	\$150.0	\$150.0	\$150.0
Federal Total	\$53,792.0	\$47,193.0	\$49,916.0	\$36,892.0	\$36,892.0
State Administration ¹⁾	\$915.0	\$765.6	\$811.0	\$598.8	\$598.8
Primary Heat Payments	\$43,600.0	\$27,968.0	\$33,750.0	\$27,000.0	\$27,000.0
Households Served	103,760	87,080	75,000	72,000	72,000
Households with Children < 6	21,885	18,850	16,250	15,600	15,600
Elderly Households	18,218	18,856	24,000	23,000	23,000
Disabled Households	13,104	12,794	11,019	10,800	10,800
Average Assistance Payment	\$420.0	\$322.0	\$450.0	\$375.0	\$375.0

* Projected

¹⁾ State Adm included in Federal Total

BUDGET ISSUES:

- The Energy Assistance Program will work closely with energy vendors and households to develop better household lines of credits and payment schedules, better targeting the resources to those households with the highest energy burden and lowest incomes and focus on developing local resources through fuel fund activities and conservation activities to meet community, household and vendor needs.

1998-99 Biennial Budget

PROGRAM: 03 Community and School Services
AGENCY: Education Aids

FEDERAL PROGRAMS

0336 DEPARTMENT OF ENERGY WEATHERIZATION
 0337 EAP WEATHERIZATION
 (See State program 0319 State Weatherization for additional information)

CITATION: Department of Energy, Office of Conservation and Renewable Energy, State Energy Efficiency Programs Improvement Act of 1990, P.L. 101-440; U.S. Health and Human Services Low Income Home Energy Assistance Program (EAP), Title XXVI, P.L. 97-35, Omnibus Reconciliation Act of 1981

MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning

PURPOSE:

The Weatherization Assistance Program (WAP) for Low-Income Persons provides funds to local non-profit and governmental organizations (subgrantees) to weatherize individual dwelling units and improve the energy efficiency of furnaces where eligible households reside. Households weatherized must be:

- a recipient of an energy assistance grant having an income of 150% of the poverty guidelines;
- received cash assistance payments under the Social Security Act, Titles IV and XVI during the preceding 12 month period; or
- have an income of 125% of poverty guidelines or less.

Program funds are used to purchase conservation materials and labor, support costs, as well as training and administration.

DESCRIPTION:

Federal appropriations for the Weatherization Program were reduced by 49% in F.Y. 1996 from the previous year, F.Y. 1995.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997*	F.Y. 1998*	F.Y. 1999*
DOE Weatherization (allocation)	9,300	4,841	5,232.0	5,232.0	5,232.0
State Administration ¹⁾	221	121	130.8	130.8	130.8
Elderly Served	1,910	1,201	1,200.0	1,200.0	1,200.0
Handicapped Served	1,129	889	900.0	900.0	900.0
Children Served	3,069	2,185	2,200.0	2,200.0	2,200.0
Homes Weatherized	4,764	2,464	2,268.0	2,203.0	2,139.0
PVE Weatherization (total)	0	0	0.0	2,000	0
State Administration ¹⁾	0	0	0.0	50	0
Homes Weatherized	0	0	0.0	842	0
EAP Weatherization (total)	2,513	2,075	2,053.0	933.0	1,933.0
State Administration ¹⁾	41	33	43.0	31.0	31.0
Disabled Served	742	69	50.0	50	50
Children Served	812	102	105.0	100	100
Homes Weatherized	580	252	315.0	234.0	234.0
Mechanical & Repair	773	261	341.0	244.0	244.0
DOE Average Cost per Household	\$1,854	\$1,903	\$1,960.0	\$2,018	\$2,079

* projected

¹⁾ State Adm included in total allocation

This page intentionally left blank.

CHILDREN AND FAMILY SUPPORT

State Aid Programs	<u>Page</u>
0401 Community Education	A-333
0402 Extended Day	A-336
0403 Miscellaneous Community Service Levy	A-339
0304 Adults with Disabilities	A-340
0305 Hearing Impaired Adults	A-342
0406 Early Childhood Family Education	A-345
0407 Early Childhood Health and Developmental Screening	A-348
0408 Part H	A-350
0409 Way to Grow	A-352
0410 Learning Readiness and Head Start/ECFE/Learning Readiness Block Grant	A-354
0411 Head Start (Information Only)	A-357
0412 Family Collaboratives	A-358
0413 Child Care Assistance	A-361
0414 Child Care Development	A-364
 Federal Flow - Through Programs	
0415 Infants and Toddlers - Part H	A-366
0416 Homeless Children and Youth	A-367
0417 Child Care Assistance	A-368
0418 Child Care Development	A-369

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids
 0401 COMMUNITY EDUCATION
CITATION: M.S. 121.85 - 121.88; 124.2713
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: None

PURPOSE:

The purpose of community education as defined in statute is "to make maximum use of the public schools of Minnesota by the community and to expand utilization by the school of the human resources of the community" (M.S. 121.85). The Community Education program in Minnesota is "an education-based partnership between the community and the formal education system whereby the resources of both are used as available for the continuing growth and betterment of both" (State Board Rule 3530.5500).

Community education enables lifelong learning for Minnesotans of all ages through a process of citizen involvement in identifying community learning needs and learning resources, and connecting the two. "Community education, as defined for school districts, includes services rendered by a school district beyond the regular K to 12 program, as recommended by the community education advisory council and approved by the local school" (State Board Rule 3530.5600).

The following processes and activities are among those operating through community education at the local level (as specified in M.S. 124.2713, Subd. 8):

- nonvocational, recreational, and leisure time activities and programs;
- adults with disabilities programs, if the programs and budgets are approved by the Commissioner of Children, Families & Learning;
- adult basic education programs;
- summer programs for elementary and secondary pupils;
- implementation of a youth development plan;
- implementation of a youth service program;
- early childhood family education programs; and
- extended day programs.

There is separate, additional categorical funding for 5 of the 8 programs on this list: adults with disabilities, adult basic education, youth development, youth service, and early childhood family education. These categorical revenues are often supplemented by general community education revenue based on a local decision-making process involving the community education advisory council.

Youth development, an optional component of community education, provides an incentive to school districts to plan for and meet the special needs of youth in the community. Youth service, a component of youth development, provides an incentive to develop community service learning opportunities for youth. Both of these programs are funded through an extension of the general community education funding formula.

DESCRIPTION:

Revenue for general Community Education and for Youth Service (inclusive of Youth Development) is derived from an equalized aid/levy formula based on the district's population and from fees collected from participants. With the basic program revenue, school district community education advisory councils and local school boards provide the executive leadership necessary to develop and maintain local community education programs.

In addition, local community education programs provide the administrative expertise necessary to support programs for Adults with Disabilities, Adult Basic Education, Early Childhood Family Education (ECFE), Learning Readiness and School Age Child Care (SACC). Another program that receives Community Education support in a significant number of locations is the testing and certification of the General Education Development (GED) high school equivalency for adults.

A district's total community education revenue is the sum of the district's general community education revenue and youth service program revenue. In F.Y. 1997, the general community education revenue for a district equals \$5.95 times the district's population, but not less than \$7,943. Youth service revenue is available to a district with a youth development plan that includes youth service. The local plan must be approved by the local school board to qualify the district for revenue of 1 dollar times the district's population, but not less than \$1,335. Youth service monies can only be used for youth service or youth development.

To receive the maximum community education revenue, a district must levy an amount equal to the lesser of the maximum revenue or 1.1% of the district's adjusted net tax capacity. A district's maximum community education aid equals the maximum community education revenue minus the maximum community education levy. If a district levies less than the maximum amount, state aid is reduced proportionately.

PROGRAM STATUS:

All of Minnesota residents live in school districts that choose to provide community education. More than 67,000 activities were conducted by districts through community education during F.Y. 1996. Over 3.6 million participants of many ages were engaged in educational/cultural, athletic/recreational, and community events offered through general community education. Participation numbers increase annually. Minnesota is clearly recognized nationally as a leader in community education.

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Participation					
1. General Community Education					
Districts	382	359	356	356	356
Participants (in millions)	3.0	3.6	3.8	4.0	4.0
2. Youth Service					
Districts	308	298	286	292	292
Participants	173,000	190,000	209,000	230,000	250,000
3. GED Testing					
People Tested	10,611	10,795	11,000	11,200	11,445
Certificates Issued	6,270	6,329	6,445	6,575	6,707

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids

0401 COMMUNITY EDUCATION
(Continuation)

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Program Funding					
1. Funding Formulas					
General Community Education					
Revenue					
Allowance per Capita	5.95	5.95	5.95	5.95	5.95
Minimum per District	\$7,943.25	\$7,943.25	\$7,943.25	\$7,943.25	\$7,943.25
Youth Service Revenue					
Allowance per Capita	1.00	1.00	1.00	1.00	1.00
Minimum per District	\$1,335.00	\$1,335.00	\$1,335.00	\$1,335.00	\$1,335.00
Levy					
Property Valuation Measure	ANTC	ANTC	ANTC	ANTC	ANTC
Tax Rate	0.0113	0.0113	0.0110	0.0110	0.0110
2. Total Revenue					
General					
Amount	\$26,772.1	\$26,767.6	\$26,932.2	\$26,929.5	\$27,253.6
Number of Districts	382	359	356	356	356
Youth Service/Development					
Amount	\$4,286.4	\$4,328.6	\$4,300.3	\$4,400.9	\$4,430.9
Number of Districts	308	298	287	293	293
Total					
Amount	\$31,058.5	\$31,096.2	\$31,232.5	\$31,340.4	\$31,684.5
Number of Districts	382	359	356	356	356
Levy					
Maximum Levy Authority*	\$27,666.6	\$28,379.9	\$28,860.0	\$29,872.2	\$30,385.1
Amount of Authority Certified**	\$27,666.6	28,379.9	\$28,860.0	\$29,573.5	\$30,081.3
Number of Districts	382	359	356	356	356
Aid					
Gross	\$3,555.5	\$2,716.3	\$2,372.5	\$1,766.9	\$1,603.2
Proration Factor	1.000	1.000	1.000	1.000	1.000
Prorated Aid	\$3,355.5	\$2,716.3	\$2,372.5	\$1,766.9	\$1,603.2
Number of Districts	230	203	187	168	168

* Excludes levy adjustment

** Adjusted for districts under-levying

(\$ in 000s)	F.Y. 1996	F.Y. 1997	F.Y. 1998	Current Law F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	\$2,737.0	\$2,545.0	\$2,545.0	\$2,546.0
B. ENTITLEMENT CHANGES PER LAW				
■ REVENUE INCREASE (DECREASE):				
Change in Estimated Population	(21)	(172)	(64)	278
■ LEVY DECREASE (INCREASE):				
Increase in ANTC			(714)	(1,221)
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$2,716.0	\$2,372.0	\$1,767.0	\$1,603.0

BUDGET ISSUES:

A. CHALLENGES:

- Growth will come in the variety of opportunities available locally and in the numbers of districts offering well-rounded programming in community education.
- As our population ages and diversifies in the years ahead, new types of programs in community education will develop to meet changing demands. The costs per capita for programs and services are expected to increase due to inflation and the costs associated with meeting more diverse needs. Meanwhile, the ability of some participants to pay fees may diminish.
- Several exciting and emerging education initiatives operate through community education leadership in Minnesota. Extended day (school age child care), parental involvement in the schools, and family literacy programs continue to grow dramatically, placing pressure on community education to help meet these needs.

B. STRATEGIES:

- Increase use of sliding scale fees to cover program costs.
- Seek private support for local programming activities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$1,767 for F.Y. 1998 and \$1,603 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$1,828 in F.Y. 1998 (\$237 for F.Y. 1997 and \$1,591 for F.Y. 1998), and \$1,619 in F.Y. 1999 (\$176 for F.Y. 1998 and \$1,443 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0401: COMMUNITY EDUCATION (Includes Youth Service)

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	2,716	2,373	1,767	1,603
2. Statutory Excess / (Shortfall)	21	172	778	943
3. Appropriated Entitlement	2,737	2,545	2,545	2,546
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(21)	(155)		
b. Portion of Final 10% Not Requested		(17)		
5. Current Law Aid	2,716	2,373	2,545	2,546
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	28,380	28,860	29,574	30,081
8. Current Law Funding: Aid & Levy	31,096	31,233	32,119	32,627
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			2,545	2,546
a. Eliminate Excess			(778)	(943)
Recommended Aid Entitlement			1,767	1,603
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			29,574	30,081
TOTAL RECOMMENDED FUNDING: AID & LEVY			31,341	31,684

APPROPRIATIONS BASIS:(a)

Prior Year	499	410	237 (b)	176
Current Year	2,327	2,164	1,591	1,443
Current Year Adj. to 90%, per M.S. 124.904		127		
Subtotal before Transfers	2,826	2,701	1,828	1,619
Transfers per M.S. 124.14, subd. 7	(21)	(155)		
Total State General Funds	2,805	2,546	1,828	1,619

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) The \$254 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

REVISED 2/28/97
PAGE A-335

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids

0402 EXTENDED DAY

CITATION: M.S. 124.2716
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: None

PURPOSE:

To provide school districts offering extended day programs revenue to fund the additional costs of providing services to children with disabilities or children experiencing family or related problems of a temporary nature.

DESCRIPTION:

The extended day revenue for an eligible district equals the approved additional cost of providing services to children with disabilities or children experiencing family or related problems of a temporary nature. The extended day levy authority equals the extended day revenue times the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity by the actual pupil units, to \$3,700. State aid equals the difference between the extended day revenue and the extended day levy.

PROGRAM STATUS:

The number of districts participating and the amount of extended day revenue has increased each year. As more districts establish extended day programs it is expected that more services will be provided to children with disabilities and children experiencing family or related problems.

(\$ in 000s)	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Programs	104	112	115	125	125

(\$ in 000s)	Current Law			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)	\$379.0	\$374.0	\$374.0	\$374.0
B. ENTITLEMENT CHANGES PER LAW				
■ REVENUE INCREASE (DECREASE):				
Reduced District Expenditures	(\$13.0)			
■ LEVY DECREASE (INCREASE):				
Increase in ANTC			(\$48.0)	(\$108.0)
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)	\$366.0	\$374.0	\$326.0	\$266.0

BUDGET ISSUES:

A. CHALLENGES:

- There has been a steady increase in the number of districts levying which reflects the increase in the number of children with disabilities served in Extended Day programs. It is expected that this trend will continue.
- The levy has allowed for replicable collaborative and innovative models of service delivery to be developed.
- The passage of ADA supports the continuation of the levy as a vehicle for districts to comply with the federal requirements.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$344 for F.Y. 1998 and \$300 for F.Y. 1999.

The Governor recommends the following modification in the extended day program:

1. Beginning in F.Y. 1999, increase the equalizing factor used in computing the extended day aid from \$3,700 to \$3,838, to adjust for the change in pupil unit weights (see program 0101).

Based on these entitlements, the Governor recommends an appropriation of \$347 in F.Y. 1998 (\$37 for F.Y. 1997 and \$310 for F.Y. 1998), and \$304 in F.Y. 1999 (\$34 for F.Y. 1998 and \$270 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0402: EXTENDED DAY

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	366	370	344	300
2. Statutory Excess / (Shortfall)	13	4	30	74
3. Appropriated Entitlement	<u>379</u>	<u>374</u>	<u>374</u>	<u>374</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)	<u>(13)</u>	<u>(4)</u>		
5. Current Law Aid	366	370	374	374
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	2,312	2,580	3,056	3,100
8. Current Law Funding: Aid & Levy	<u>2,678</u>	<u>2,950</u>	<u>3,430</u>	<u>3,474</u>

GOVERNOR'S RECOMMENDATION: AID

Current Law Aid (from Line 5)	374	374
a. Eliminate Excess	<u>(30)</u>	<u>(74)</u>
Recommended Aid Entitlement	<u>344</u>	<u>300</u>

GOVERNOR'S RECOMMENDATION: LEVY

Current Law Levy (from Line 7)	3,056	3,100
TOTAL RECOMMENDED FUNDING: AID & LEVY	<u><u>3,400</u></u>	<u><u>3,400</u></u>

APPROPRIATIONS BASIS:(a)

Prior Year	58	56	37	34
Current Year	323	318	310	270
Current Year Adj. to 90%, per M.S. 124.904		19		
Subtotal before Transfers	<u>381</u>	<u>393</u>	<u>347</u>	<u>304</u>
Transfers per M.S. 124.14, subd. 7	<u>(32) (b)</u>	<u>(4)</u>		
Total State General Funds	<u>349</u>	<u>389</u>	<u>347</u>	<u>304</u>

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) Includes \$19 for the prior year final and \$13 in the current year account

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Children, Families & Learning Aids

0406 EARLY CHILDHOOD FAMILY EDUCATION

CITATION: M.S. 121.882; 124.2711
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: None

PURPOSE:

To enhance the ability of parents to provide for their children's optimal learning and development through education and support during the early childhood years, from birth to kindergarten enrollment. This community-based parent-child program is designed to maximize the use of available resources to provide cost-effective prevention/risk reduction services for all young children and their families through the cooperation and collaboration of agencies, services, and other community resources. The focus is on strengthening families, recognizing and building upon their strengths to foster self-sufficiency and the well-being of both children and parents. This universal access to family support ultimately increases the stability and social capital generated by more caring communities.

DESCRIPTION:

A school district must provide a community education program to be eligible to establish and maintain an Early Childhood Family Education (ECFE) program. All children, birth to kindergarten enrollment, and their families residing in the district are eligible to participate. Such programs require the direct presence and substantial involvement of the children's parents and may include any or all of the following:

- programs to educate parents about the physical, mental, and emotional development of children;
- programs to enhance the skills of parents in providing for their children's learning and development;
- learning experiences for children and parents;
- activities designed to detect children's physical, mental, emotional, or behavioral problems that may cause learning problems;
- activities and materials designed to encourage self-esteem, skills and behaviors that prevent sexual and other interpersonal violence;
- educational materials which may be borrowed for home use;
- home visits or center based activities;
- information on related community resources; or
- other programs or activities to improve the health, development and learning readiness of children.

Program funding is provided in the form of guaranteed equalized revenue based on the district's population under 5 years of age. Maximum revenue for F.Y. 1997 is equal to \$101.25 times the population (age birth to 4) but not less than \$15,187.50 per district. For F.Y. 1997, the statewide ECFE programs collectively are supported 58% with local levy, and 42% state aid. Levy is equal to the lesser of maximum revenue or 0.609% times Adjusted Net Tax Capacity (ANTC). The aid is equal to maximum revenue minus levy, with a proportionate reduction in aid for any under-levy.

PROGRAM STATUS:

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Program Data:					
Hours of Parent-Child Classes	201,002	203,000	204,000	204,000	204,000
Family Special Events	8,541	8,900	9,000	9,000	9,000
Home Visits	12,988	15,000	15,000	15,000	15,000
Advisory Council Meetings	1,558	1,500	1,500	1,500	1,500
Participation Data:					
Children Served	127,579	128,000	128,000	128,000	128,000
Parents Served	132,902	133,000	133,000	133,000	133,000
Participants	260,481	261,000	261,000	261,000	261,000
Percentage of Statewide Eligible Population Served	40	40	40	40	40
Participants					
Formula Revenue:					
Allowance per Capita	101.25	101.25	101.25	101.25	101.25
Minimum per District (actual \$)	\$15,187.50	\$15,187.50	\$15,187.50	\$15,187.50	\$15,187.50
Total Revenue	\$31,549.9	\$32,124.4	\$32,516.0	\$32,707.1	\$32,930.8
Number of Districts	369	353	349	350	350
Levy:					
Property Value Measure*	ANTC	ANTC	ANTC	ANTC	ANTC
Tax Rate	0.00626	0.00626	0.00609	0.00609	0.00609
Maximum Levy Amount	\$17,641.1	\$18,225.2	\$19,002.1	\$20,441.9	\$21,599.7
Amount of Authority Certified***	\$17,641.1	\$18,080.2	\$18,917.6	\$20,237.5	\$21,383.7
Number of Districts	369	353	349	350	350
State Aid:					
Gross Aid Amount	\$14,585.0	\$14,044.2	\$13,598.4	\$12,469.6	\$11,547.1
Proration Factor	0.95363	1.00000	1.00000	1.00000	1.00000
Prorated Aid	\$13,908.8**	\$14,044.2	\$13,598.4	\$12,469.6	\$11,547.1
Number of Districts	347	322	320	312	309
ECFE Evaluation	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0
TOTAL FUNDING	\$13,918.8	\$14,054.2	\$13,608.4	\$12,479.6	\$11,557.1

* Adjusted Net Tax Capacity (ANTC).

** Does not include \$10.0 for evaluation

*** Adjusted for districts underlevying

(\$ in 000s)	F.Y. 1996	F.Y. 1997	Current Law F.Y. 1998	F.Y. 1999
A. APPROPRIATED ENTITLEMENT (Line 3 Fiscal Page)				
	\$14,278.0	\$13,753.0	\$13,755.0	\$13,755.0
B. ENTITLEMENT CHANGES PER LAW				
■ REVENUE INCREASE (DECREASE):				
Change in Estimated Population	(234)	(145)	44	268
■ LEVY DECREASE (INCREASE):				
Increase in ANTC			(1,319)	(2,466)
C. STATUTORY FORMULA AID (Line 1 Fiscal Page)				
	\$14,044.0	\$13,608.0	\$12,480.0	\$11,557.0

1998-99 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Children, Families & Learning Aids

0406 EARLY CHILDHOOD FAMILY EDUCATION
(Continuation)

BUDGET ISSUES:

A. CHALLENGES:

- Because Early Childhood Family Education is one of very few programs for young children and their families with universal eligibility, it is viewed as an appealing and major part of the foundation for the emerging comprehensive, integrated service delivery systems. Thus the expectations of the program increase continually.
- The declining social conditions impacting young children and their families have intensified and expanded their needs. The challenge for ECFE is to address these needs as effectively as possible with the resources available and help families to build a social network of support in the process. A long term goal is to create more caring communities in which children and their families can become more self-reliant and less dependent upon government services.

B. STRATEGIES:

- Maximize available resources through collaboration and cooperation.
- Continue to build collaborative relationships with families representative of entire community and with others who provide services for families.
- Serve as integral part of family resource centers, building upon ECFE's unique role as one of few programs with universal eligibility.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$14,660 for F.Y. 1998 and \$13,557 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$14,554 in F.Y. 1998 (\$1,360 for F.Y. 1997 and \$13,194 for F.Y. 1998), and \$13,668 in F.Y. 1999 (\$1,466 for F.Y. 1998 and \$12,202 for F.Y. 1999).

The Governor recommends continuation of authority to use up to \$10 per year for evaluation of the ECFE program. The evaluation amount is 100% funded in the current account.

The Governor recommends the following modifications in the early childhood family education program:

1. For F.Y. 1998, provide additional aid equal to \$6.70 times the greater of 150 or the number of people under five years of age residing in the school district on October 1 of the previous school year.

2. Beginning in F.Y. 1999, increase the early childhood family education allowance from \$101.25 to \$112.70, and increase the early childhood family education tax capacity rate from 0.609 percent to 0.653 percent. It is estimated that most districts will use approximately half of the increased funding to increase their total number of participants and half to provide more intensive services to families struggling with multiple stressors in their lives.

Thus, projected participant numbers are expected to increase:

F.Y. 1998: 9,600 due to funding increase

F.Y. 1999: 17,200 due to funding increase

The Governor also recommends a block grant of \$2,500.0/year for the Head Start, Learning Readiness and Early Childhood Family Education programs. Distribution of these funds between programs would be determined at the discretion of the Commissioner of Children, Families and Learning, depending on capacity of the programs involved and family and community needs. Funding for the block grant is reflected in Learning Readiness, Program 0410, page A-354.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0406: EARLY CHILDHOOD FAMILY EDUCATION

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	14,054	13,608	12,470	11,547
2. Statutory Excess / (Shortfall)	224	145	1,285	2,208
3. Appropriated Entitlement	14,278	13,753	13,755	13,755
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(224)	(130)		
b. Portion of Final 10% Not Requested		(15)		
5. Current Law Aid	14,054	13,608	13,755	13,755
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	18,080	18,918	20,237	21,384
8. Current Law Funding: Aid & Levy	32,134	32,526	33,992	35,139
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			13,755	13,755
a. Eliminate Excess			(1,285)	(2,208)
b. Increase Formula			2,190	2,010
Recommended Aid Entitlement			14,660	13,557
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			20,237	21,384
a. Increase Formula			0	1,949
Recommended Levy			20,237	23,333
TOTAL RECOMMENDED FUNDING: AID & LEVY			34,897	36,890

APPROPRIATIONS BASIS:(a)

Prior Year	2,086	2,140	1,360	1,466
Current Year	12,138	11,692	13,194	12,202
Current Year Adj. to 90%, per M.S. 124.904		686		
Subtotal before Transfers	14,224	14,518	14,554	13,668
Transfers per M.S. 124.14, subd. 7	(224)	(130)		
Total State General Funds	14,000	14,388	14,554	13,668
Aid	13,991	14,378	14,544	13,658
Administration	9	10	10	10

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) The \$1375 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids

0407 EARLY CHILDHOOD HEALTH AND DEVELOPMENT SCREENING

CITATION: M.S. 123.701-7045
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: None

PURPOSE:

The Objectives of Early Childhood Screening (ECS) are to:

- detect and seek solutions to conditions that may interfere with young children's growing, developing and learning by predicting and preventing problems, minimizing physical and educational barriers;
- enable parents to become more aware of the connections among physical health, development and readiness for learning;
- link children and families, through Learning Readiness initiatives, to a wide range of community services and programs to enhance their development and readiness for formal education. This includes collaboration with other early childhood programs (Early Childhood Family Education, Special Education and Head Start, for example);
- improve the access to and regular use of preventive health services by increasing awareness of the need for early and periodic health services, discussing financing of health care and linking families to public and private health care providers; and
- provide leadership in the development and implementation of effective programs.

DESCRIPTION:

Through ECS, educators and health professionals focus on a child's health and development. All families are linked to school and community programs that promote health and enhance a child's well being. Using a series of standardized screening instruments and structured interview procedures, screeners identify the normal health and development of a child while identifying conditions and situations that require further assessment. Children and families needing further assessment are referred to a variety of school and community services. ECS providers follow-up by contacting parents to ensure that referral sources are accessible and acceptable and that the identified needs have been met and/or the child and family are in an ongoing system of service and support.

Minnesota school districts are required to offer the screening for four-year-old children. Many districts include 3½ to 5 year olds in their programs. The number of children eligible for screening statewide fluctuates with the birth rate and mobility; there are approximately 67,000 eligible children per year.

Parents are required to have their children screened at the school district program or by a public or private health care provider that offers comparable services. Required components that children must receive include developmental review, sensory (vision and hearing) screening, immunization review, growth (height and weight), identification of risk factors which may influence learning, and a summary interview. Optional components include the health history, review of family factors that might affect development, nutrition review, laboratory tests and physical assessments. Schools are to work in collaboration with other early childhood programs and public or private health care providers to offer a comprehensive and cost effective program. Outreach is an intensive effort

to notify all parents of the requirement for screening, of their options for services and to encourage participation early, at age 3-1/2 to 4. The actual screening is staffed by personnel from K-12 education, special education, community education and/or contracts with community health agencies and education cooperatives. Follow-up includes guaranteeing that problems noted have been assessed, resolved, or the family is linked with ongoing services and support. Learning Readiness initiatives play a major role in ensuring that follow-up is completed. Local and/or county Interagency Early Intervention Committees may assist in planning and evaluating ECS.

The state reimburses districts for planning, administering and evaluating the program. The present state reimbursement rate is \$25 per child screened. When the ECS state categorical aid does not meet actual costs, districts draw on Grade K-12 General Education aid, early childhood family education funds, Learning Readiness funds, special education funds, community resources and use of volunteers. A few ECS programs also use federal Medical Assistance dollars because they fund similar comprehensive services through Children and Teen Checkups (formerly named EPSDT). Some districts are providing integrated screenings with ECS, Child and Teen Checkups and Head Start.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Eligible Children	61,230	65,376	67,000	67,000	67,000
Percent Participating	95	95	95	95	95
Number Screened ⁽¹⁾	55,138	62,000	62,000	62,000	62,000
⁽²⁾	3,215	1,000	1,000	1,000	1,000
Screened Other Sources ⁽³⁾	3,581	2,500	2,500	2,500	2,500
Statutory Formula Aid	\$1,378.5	\$1,550.0	\$1,550.0	\$1,550.0	\$1,550.0

⁽¹⁾Targeted preschool children (3-4-5 year olds)

⁽²⁾Children already enrolled in kindergarten without prior screening ("kindergarten catch-up")

⁽³⁾Head Start, Child and Teen Check-up, Private Health Providers

BUDGET ISSUES:

A. CHALLENGES:

- School district costs for Early Childhood Screening frequently exceed the reimbursement rate of \$25 per child screened, especially for smaller districts.

B. STRATEGIES:

- Work to obtain more collaboration in the provision of these services to keep cost low.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$1,550 for F.Y. 1998 and \$1,550 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$1,550 in F.Y. 1998 (\$155 for F.Y. 1997 and \$1,395 for F.Y. 1998), and \$1,550 in F.Y. 1999 (\$155 for F.Y. 1998 and \$1,395 for F.Y. 1999).

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0407: EARLY CHILDHOOD HEALTH AND DEVELOPMENTAL SCREENING

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	1,550	1,550	1,550	1,550
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	1,550	1,550	1,550	1,550
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	1,550	1,550	1,550	1,550
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	1,550	1,550	1,550	1,550
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			1,550	1,550
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,550	1,550
<hr/>				
APPROPRIATIONS BASIS:(a)				
Prior Year	232	232	155	155
Current Year	1,318	1,318	1,395	1,395
Current Year Adj. to 90%, per M.S. 124.904		77		
Subtotal before Transfers	1,550	1,627	1,550	1,550
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	1,550	1,627	1,550	1,550

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids

0408 INTERAGENCY EARLY INTERVENTION - PART H

CITATION: M.S. 120.1701
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: 0415 Infants and Toddlers (Part H, IDEA)

PURPOSE:

To provide eligible young children with disabilities, from birth through age 2 and their families with interagency services in their local communities developed through the Individualized Family Service Plan (IFSP) process. This is accomplished through the implementation of a comprehensive, coordinated, collaborative, interagency, multi-disciplinary, early intervention system throughout Minnesota. The Part H Interagency Early Childhood Intervention Project is an interagency effort between the Minnesota Departments of Children, Families and Learning, Health, and Human Services.

Appropriate services include family education and counseling, home visits, occupational and physical therapy, speech pathology, audiology, psychological services, special instruction, nursing, respite, nutrition, assistive technology, transportation and related costs, social work, vision services, case management including service coordination under subdivision 8, medical services for diagnostic and evaluation purposes, early identification and screening, assessment, and health services necessary to enable children with disabilities to benefit from early intervention services.

DESCRIPTION:

Minnesota receives an annual federal grant (Part H) based on the number of annual live births in Minnesota. The Part H Interagency Early Childhood Intervention Project program assists and provides funds to the 94 local interagency early childhood intervention committees (IEICs) established under M.S. 120.1701 for the development, coordination and implementation of a comprehensive system of interagency early childhood intervention services for young children with disabilities and their families.

Interagency early childhood intervention services for eligible young children with disabilities and their families generally are provided in conformity with an IFSP in the home, child care setting, or in a center based program including Early Childhood Family Education and Early Childhood Special Education.

The Part H Infants and Toddlers program provides the resources for the development and implementation of statewide policies to ensure the availability of appropriate early intervention services for young children with disabilities and their families. The Minnesota Department of Children, Families & Learning (CFL) has the responsibility as lead agency for the fiscal administration, supervision and monitoring of the various programs and services provided to young children with disabilities and their families. CFL, along with representatives from Health and Human Services and the ICC define, develop, and implement interagency policies regarding definition, child identification, IFSPs, service coordination, comprehensive system of personnel development (CSPD), monitoring, financial responsibility, procedural safeguards for families and dispute resolution procedures, through a state interagency agreement. The 94 local IEICs identify and coordinate resources to assure the development of individual family service plans (IFSPs) and services for eligible young children and their families.

PROGRAM STATUS:

This activity is currently supported entirely with federal funds which will be sufficient through F.Y. 1997. The projections of an increase in the number of eligible children according to the 1993 fiscal study requested by the legislature exceeded actual numbers. Therefore, the anticipated need to access the state funds has not yet occurred.

Recent legislation has put Minnesota into full implementation of Part H, clarifying school and county board responsibility and thus assuring the availability of Part H services throughout Minnesota.

Issues currently under discussion by state agencies, the ICC, and the 94 IEICs include the level and availability of early intervention services to be provided to young children and their families, the financial responsibility for providing services, procedural safeguards, quality review, data collection and strategies for accessing health care benefits including medical assistance and other third party payment sources.

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Children Served					
(Birth - Age 2)	2,563	2,620	2,780	2,780	2,780
State Funding	--	--	\$400.0	\$400.0	\$400.0

Note: F.Y. 1997 was the first year for state funding for this program.

BUDGET ISSUES:

- The number of infants and toddlers eligible to receive special education services continue to increase. Projections for this program are difficult to predict, so estimates of Children Served are straight-lined for F.Y. 1998 and F.Y. 1999.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$400 for F.Y. 1998 and \$-0- for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0409: WAY TO GROW

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	475	475	475	475
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	475	475	475	475
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	475	475	475	475
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	475	475	475	475
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			475	475
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			475	475
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	475	475	475	475
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	475	475	475	475

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids
 0410 LEARNING READINESS & HEAD START/ECFE/LEARNING READINESS BLOCK GRANT
CITATION: M.S. 121.831; 124.2615
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: None

PURPOSE:

To strengthen and build upon existing community resources to effectively address the health, nutrition, education and social service needs of 4 year old children with the goal of enhancing their learning and development and future success in school.

DESCRIPTION:

Learning Readiness is not a separate program but a concept for providing a continuum of services for 4 year old children based upon their needs as identified through a screening process. M.S. 121.831 requires that the program include the following:

- a comprehensive plan to coordinate social services to provide for the needs of participating families and for collaboration with agencies or other providers;
- a development and learning component;
- a nutrition component;
- health referral services to address the medical, dental, and mental health needs of the children;
- involvement of parents in meeting the needs of the children;
- community outreach; and
- community-based staff and program resources.

Communities are required to develop a plan that provides for a continuum of services based upon the needs of their children that would 1) provide choices through increased opportunities for all 4 year olds, 2) provide for heterogeneous mixing of children/families to prevent labeling and 3) build upon existing programs to improve quality and maximize the use of resources in that specific community. Learning Readiness funds become the "glue" to connect services, to provide access for children otherwise unable to participate, to fill gaps where certain services are missing or to supplement existing services to improve quality, quantity or breadth of service.

Services range from comprehensive Head Start and Family Literacy/ESL programs, to use of innovative scheduling of existing preschool and child care center programs that have added a parent education/involvement component and special needs services, to "life experience" field trips and "kindergarten connection" classes for all children and parents, to story time hours with take-home activity kits from the public library and special nutrition education sessions presented by Chef Combo through Minnesota Extension Service. The actual continuum varies from community to community and the list of ideas statewide is almost endless.

To become eligible for Learning Readiness aid, districts have been required to submit a plan to the commissioners of education; health; human services; and economic security. All agencies are involved in review and comment; CFL compiles comments and negotiates changes with the districts until the plan becomes suitable for approval.

Districts receive aid from the biennial appropriation of \$19,012,000 for F.Y. 1996 and F.Y. 1997 equal to: 1) the number of eligible 4-year-old children in the district times the ratio of 50% of the total

learning readiness aid for that year to the total number of eligible 4-year-old children reported to the commissioner for that year; plus 2) the number of participating eligible children times the ratio of 15% of the total learning readiness aid for that year to the total number of participating eligible children for that year; plus 3) the number of pupils enrolled in the school district from families eligible for the free or reduced school lunch program times the ratio of 35% of the total learning readiness aid for that year to the total number of pupils in the state from families eligible for the free or reduced school lunch program.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Number of Districts	340	342	345	345	345
Number of 4-year-olds	65,710	65,376	67,000	67,000	67,000
Number of Participating Children**	47,423	45,647	45,000	45,000	45,000
Number of Children Involved 30 or More Hours	21,653	23,339	24,000	24,000	24,000
Number of Participating Parents	45,498	45,216	45,000	45,000	45,000
Percent (%) of free/ reduced rates	70.7	68.5	70.0	70.0	70.0
Basic Revenue	\$4,746.5	\$4,749.0	\$4,748.0	\$4,748.0	\$4,748.0
Supplemental Revenue	\$4,746.5	\$4,748.0	\$4,747.0	\$4,748.0	\$4,747.0
Evaluation	\$20.0	\$10.0	\$10.0	\$10.0	\$10.0
Program	\$9,493.0*	\$9,497.0	\$9,495.0	\$9,496.0	\$9,495.0
Aid Entitlement	\$9,513.0	\$9,507.0	\$9,505.0	\$9,506.0	\$9,505.0

*In F.Y. 1995, \$1,500 was added to \$9,493 as part of violence prevention initiatives, Laws 1994, Chap. 576

**Includes children ages 3 ½ - 5 years old, not yet in kindergarten

BUDGET ISSUES:

A. CHALLENGES:

- To increase the percentage of children who enter kindergarten ready to learn.
- To assure that children with the greatest needs receive priority for services without inadvertently labeling them "at risk" in the process.
- To effectively engage hard-to-reach parents in their children's learning and total development.

B. STRATEGIES:

- Continue to collaboratively build upon existing resources to provide experiences for young children and their families that will enhance their readiness for school.
- Place additional emphasis on parent education/involvement component to prepare and support parents in fulfilling their responsibilities toward their children.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$10,406 for F.Y. 1998 and \$10,405 for F.Y. 1999 for the Learning Readiness program. Based on these entitlements, the Governor recommends an appropriation of \$10,316 in F.Y. 1998 (\$949 for F.Y. 1997 and \$9,367 for F.Y. 1998), and \$10,405 in F.Y. 1999 (\$1,039 for F.Y. 1998 and \$9,366 for F.Y. 1999).

The Governor recommends continuation of authority to use up to \$10 per year for evaluation of the learning readiness program. The evaluation amount is 100% funded in the current account.

The Governor also recommends a block grant of \$2,500.0/year for the Head Start, Learning Readiness and Early Childhood Family Education programs. Distribution of these funds between programs would be determined at the discretion of the Commissioner of Children, Families and Learning, depending on capacity of the programs involved and family and community needs.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0410: LEARNING READINESS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	9,507	9,504	9,506	9,505
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	9,507	9,504	9,506	9,505
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	9,507	9,504	9,506	9,505
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	9,507	9,504	9,506	9,505
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			9,506	9,505
a. Increase Funding			900	900
b. Head Start/ECFE/Learning Readiness Block Grant			2,500	2,500
Recommended Aid Entitlement			12,906	12,905
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			12,906	12,905

APPROPRIATIONS BASIS:(a)

Prior Year	1,424	1,425	949	1,039
Current Year	8,082	8,080	9,367	9,366
Current Year Adj. to 90%, per M.S. 124.904		475		
Transfers per M.S. 124.14, subd. 7				
Learning Readiness Total	9,506	9,980	10,316	10,405
Head Start/ECFE/Learning Readiness Block Grant			2,500	2,500
Total State General Funds	9,506	9,980	12,816	12,905

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Education Aids
 0411 HEAD START
 (Information Only)
CITATION: M.S. 268.912 (P.L. 97-35)
MDCFL ADMIN: 1404 Self-Sufficiency/Lifelong Learning
FEDERAL: Head Start Federal (Not a flow through program)

Note: This narrative is for information only. For financial information, refer to narrative 0322.

PURPOSE:

Head Start was designed to help break the cycle of poverty by providing preschool children of low income families with a comprehensive program to meet their emotional, social, health, nutritional and psychological needs. The overall goal of the program is to bring about a greater degree of social competence in the children and to promote economic self-sufficiency for the parents.

DESCRIPTION:

Every child receives a comprehensive health care program including medical, dental, mental health and nutrition services as well as a variety of individualized learning experiences. Every parent is encouraged to become involved in parent education, program planning and operation. Parents have a voice in administrative and managerial decisions. The social services component represents an organized method of assisting families to assess their needs and then providing those services or linking them with appropriate community services that will build upon the individual strengths of families to meet their own needs.

State Head start funds, authorized under M.S. 268.912, are allocated to all 34 federal Head Start grantees in the State to provide services to additional low-income children and their families. Money is allocated based equally on the grantees' share of federal funds and on the proportion of eligible children in the grantee service area who are not currently being served. In the state, 23 community action agencies and 3 single purpose agencies, 1 school district and 7 Indian Reservation Governments deliver the program.

Up to 11% of the state Head Start funds appropriated annually may be used to provide grants to local Head Start agencies for innovative programming designed either to target Head Start resources to particular at-risk groups of children or to provide services in addition to those currently allowable under federal Head Start regulations. Innovative grants are awarded on a competitive basis. Since F.Y. 1994, the major portion of state Head Start innovative funding has gone to fund Head Start collaboration projects.

The bonding initiative, in addition to helping programs meet the pressing need for additional space and the rehabilitation of facilities to comply with licensing standards, also makes possible the leveraging of additional dollars from public and private resources in communities.

PROGRAM STATUS:

Because the cost of delivering the program increases annually, funding must grow to maintain the current level of services. Only about 40% of eligible children and their families are currently served by Head Start. For the program year 1995-1996, 12,112 children were funded at a cost per child of \$4,660.

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of Grantees	34	34	34	34	34
Number of Eligible Children	29,831	29,831	29,831	29,831	29,831
Number of Children Served	12,097	12,112	12,145	12,100	12,050
Percentage of Eligible Children Served	41	41	41	41	40

In the 1994-1995 Minnesota Head Start program year:

- 20% were funded by state funds
- 100% of enrolled children were medically screened
- 82% of enrolled children were enrolled in Child and Teen Checkups/Medicaid
- 15% of enrolled children were professionally diagnosed as disabled and requiring special services
- 96% of enrolled children received dental examinations
- 94% of enrolled children had up-to-date immunizations
- 40% of paid staff were current or former Head Start parents
- 832,580 hours were volunteered in Head Start programs
- 100% of families identified as needing social services received them

BUDGET ISSUES:

A. CHALLENGES:

- Most Head Start programs currently operate on a half-day basis. As more and more Head Start parents are working full-time, there will be an increased demand for full-day, full-year services.
- Research has shown the importance of the first months and years of life for human growth and development. Head Start has typically served the preschool population. Efforts to bring Head Start's comprehensive services to infants and toddlers need to be expanded in order to meet the needs of low-income families with children age 0 - 3.

B. STRATEGIES:

- Increased funding to the Head Start program will help address the changing needs of low income families in Minnesota. Parent involvement in the governance of Head Start will continue to promote communication, coordination and collaboration at the state and local level to improve and integrate service delivery.

For further information, refer to program 0322, Head Start.

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids

0412 FAMILY SERVICE COLLABORATIVES

CITATION: Laws 1995X, Ch. 3, Art. 4, Sec. 29, Subd. 10
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: None

PURPOSE:

Family Services Collaboratives are intended to foster local cooperation and collaboration and help communities work together to improve results for Minnesota's children and families. Participating partners agree to provide comprehensive family services and to commit resources toward broad systemic change in the service delivery system. By providing incentives for better coordination of services, Minnesota hopes to increase the number and percentage of children who are healthy and come to school ready to learn whose families are able to provide a stable environment for their children.

DESCRIPTION:

Communities that establish family services collaboratives must have a comprehensive plan for serving children ages 0 to 18 and their families that coordinates funding streams, commits resources to an integrated fund, and contains clear goals and outcome-based indicators to measure progress toward achieving the goals. In addition collaborative grantees must: 1) coordinate services to avoid duplication and overlapping assessment and intake procedures; 2) assure accessibility to services; and 3) identify federal, state and institutional barriers to service integration and recommend solutions.

Currently, a total of 245 school districts and 56 counties participate in family services collaborative initiatives. Family Services Collaborative grants offer services in areas consisting of both school district and county boundaries. The collaboratives enhance the services provided to 87% of the children from birth to age 18 across the state of Minnesota. Collaboratives include partners representing counties, school districts, public health entities and other local units of governments, as well as private organizations such as business and non-profit organizations. Collaboratives establish outcomes and indicators as measures of performance and report to the state on an annual basis.

PROGRAM STATUS:

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	Current Law	
				F.Y. 1998	F.Y. 1999
State Funding	--	\$6,000.0	\$7,500.0*	\$7,500.0*	\$7,500.0*
Expenditures	--	\$3,972.0	--	--	--
Balance Forward	--	(\$2,028.0)	\$2,028.0	--	--
Total	--	\$3,972.0	\$9,528.0	\$7,500.0	\$7,500.0

* Includes \$1.5 million transferred from the Department of Human Services (Laws 1995, Ch. 207, Art. 1, Sec. 4(c)).

BUDGET ISSUES:

A. CHALLENGES:

- As funds for direct services to families become more scarce, service providers may begin to protect programs even though programs may not meet performance standards. The family services collaborative initiative offers local governments an opportunity to partner with other entities in designing more effective services for families and their children. These incentive grants allow the creation of a community-wide collaboration that promotes the sharing of resources, a reduction in the duplication of services and results in streamlined services that meet performance goals. This could result in cost savings to the state and local government involved in the collaborative initiative.
- This innovative service redesign effort presents its challenges. These include the usual obstacles to change, including the reluctance of organizations to give up funds or areas of responsibility. Each distinct professional field has developed its own body of work and principles that guide provision of services and involves usage of a particular jargon or unique methods of organization and analyzing work. Working within and among each of these organizations and encouraging collaboration, cooperation and coordination requires a significant amount of trust-building and time.

B. STRATEGIES:

- Continue to promote Family Services Collaboratives as an entity that can serve local communities by coordinating services under one governance structure.
- Continue to "go to scale" statewide and promote the development of Family Services Collaboratives in all counties across the state.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$7,500 for F.Y. 1998 and \$7,500 for F.Y. 1999.

Of these amounts, \$1,500 annually is from the family collaborative programs, transferred into the Department of Children, Families & Learning from the Department of Human Services. Of the remaining \$6,000 each year, no more than 2.5% is available for administration and for an evaluation of the program.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0412: FAMILY COLLABORATIVES

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid (a)	3,972	7,500	7,500	7,500
2. Statutory Excess / (Shortfall)	2,028			
3. Appropriated Entitlement	<u>6,000</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
b. Balance Forward	(2,028)	2,028		
5. Current Law Aid	<u>3,972</u>	<u>9,528</u>	<u>7,500</u>	<u>7,500</u>
6. Excess / (Shortfall) After Adjustments				
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>3,972</u>	<u>9,528</u>	<u>7,500</u>	<u>7,500</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			7,500	7,500
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			7,500	7,500
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	3,972	9,528	7,500	7,500
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	<u>3,972</u>	<u>9,528</u>	<u>7,500</u>	<u>7,500</u>

a) Includes \$1,500 transfer from DHS Family Collaboratives in FYs 1997, 1998 and 1999.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids

0413 CHILD CARE ASSISTANCE

CITATION: M.S. 256H; 119B
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: 0417 Child Care Assistance

Note: Child Care Assistance is funded from state and federal funds. To provide a complete picture of the Child Care Assistance, this State Aid Program references the federal funding from Federal Program 0417 and includes a breakdown of the budget by state, federal and total funding. MDCFL's costs of supervising and administering the Child Care Assistance and the Child Care Development (Programs 0417 and 0418) are also included here.

PURPOSE:

The purpose of Child Care Assistance is to help low income families pay for child care so that parents may pursue employment or education leading to employment.

DESCRIPTION:

The Personal Responsibilities and Work Opportunity Reconciliation Act of 1996 (federal welfare reform) replaced the AFDC Cash Assistance Entitlement with the Temporary Assistance to Needy Families (TANF) Block Grant. The TANF Block Grant includes strong work requirements and incentives, which will result in a significant increase in the number of low income families needing child care assistance. Effective October 1, 1996, federal welfare reform also eliminated the AFDC Child Care Entitlement, consolidating this former funding source with the Child Care and Development Block Grant (CCDBG) and At-Risk Grant into a single capped Child Care and Development Fund (CCDF). Federal reporting requirements have increased substantially under the CCDF.

Child Care Assistance is composed of two programs: 1) Aid to Families with Dependent Children (AFDC) Child Care, and 2) Basic Sliding Fee (BSF) Child Care. The 2 programs transferred to MDCFL from the Department of Human Services, effective July 1996. County social services agencies administer the 2 programs.

AFDC Child Care Program: The AFDC Child Care Program helps AFDC Cash Assistance families and AFDC Transition Year families pay for child care. Most of the AFDC Cash Assistance families participate in Minnesota's JOBS/STRIDE Program, but a limited number (up to two thousand statewide) participate in self-initiated education or training programs and are referred to as "ACCESS" families. The program also serves employed AFDC Cash Assistance families and AFDC Transition Year families (families in the twelve month transition period after leaving AFDC Cash Assistance, e.g. due to higher earnings). The program is designed to maximize federal funding and support the AFDC Cash Assistance Program goals. State funding for the program fulfills the matching requirement necessary to draw down federal funding. AFDC Cash Assistance families participate in the program without a copayment requirement. AFDC Transition Year families are required to make a copayment based on income and family size. The copayments are compatible with the requirements of the BSF Child Care Program.

Note: Minnesota Family Investment Plan (MFIP) Child Care has replaced portions of the AFDC Child Care Program in eight counties. MFIP Child Care is included in the Department of Human Services budget.

BSF Child Care Program: The BSF Child Care Program helps pay the child care costs of low income families who are not receiving AFDC cash assistance in their AFDC transition year. Families with income below 75% of the state median income and who have children under age 13 are eligible for the program. All families are required to make a copayment based on income and family size. Funding for the program is capped; so county social service agencies maintain waiting lists. The program is a combination of federal, state and county funds. State funding for the program fulfills the matching requirement necessary to draw down the federal funding.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
State Funds:					
AFDC Child Care* (1)	\$15,159.0	\$16,009.0	\$15,888.0	\$24,331.0	\$24,838.0
BSF Child Care	9,526.0	15,526.0	24,751.0	24,751.0	24,751.0
MDCFL Admin	<u>210.0</u>	<u>209.0</u>	<u>232.0</u>	<u>232.0</u>	<u>232.0</u>
Total	\$24,895.0	\$31,744.0	\$40,871.0	\$49,314.0	\$49,821.0
Federal Funds (From Fed Program 0415)					
AFDC Child Care	\$17,131.0	\$17,085.0	\$23,388.0	\$28,915.0	\$30,650.0
BSF Child Care	16,250.0	16,302.0	16,749.0	16,749.0	16,749.0
MDCFL Admin	<u>584.0</u>	<u>759.0</u>	<u>914.0</u>	<u>1,130.0</u>	<u>1,130.0</u>
Total	\$33,965.0	\$34,146.0	\$41,051.0	\$46,794.0	\$48,529.0
Total State and Federal Funds					
AFDC Child Care	\$32,290.0	\$33,094.0	\$39,276.0	\$53,246.0	\$55,488.0
BSF Child Care	25,776.0	31,828.0	41,500.0	41,500.0	41,500.0
MDCFL Admin	<u>794.0</u>	<u>968.0</u>	<u>1,146.0</u>	<u>1,362.0</u>	<u>1,362.0</u>
Total	\$58,860.0	\$65,890.0	\$82,372.0	\$96,108.0	\$98,350.0

Note: Funding levels shown in this table may differ from the expenditures shown on the federal program fiscal summary page due to carryover provisions and statewide accounting period closing requirements.

(1) The base for F.Y. 1998 includes a transfer from DHS of \$6,322.0 and F.Y. 1999 includes a transfer of \$4,416.0. For additional information see the Governor's recommendation.

F.Y. 1996 Quarterly Averages	Children Served	Families Served	Waiting List
AFDC Child Care	12,760	8,310	NA
BSF Child Care	14,624	8,774	5,634*

* as of 12/31/96

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
 AGENCY: Children, Families & Learning Aids
 0413 CHILD CARE ASSISTANCE
 (Continuation)

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

BUDGET ISSUES:

A. CHALLENGES:

- Prior to federal welfare reform, the AFDC Child Care Program was funded from federal entitlement funds. The challenge will be to identify sufficient funds, through both public and private resources, to meet the increasing child care assistance costs created by the increased demand from families on Cash Assistance, while continuing progress toward elimination of the child care assistance waiting lists for low income families not on Cash Assistance (BSF Child Care Program). It may be necessary to develop a statewide automated child care reporting system in order for Minnesota to comply with the new federal reporting requirements.

B. STRATEGIES:

- Maximize private pay funds through required cooperation with Child Support Enforcement, for all families receiving child care assistance.
- Initiate study of child care assistance copayments.
- Study need for automated child care assistance reporting system.
- Develop financial management processes that allow more movement of funds between child care assistance programs and allocation periods.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$77,111 for F.Y. 1998 and \$116,618 for F.Y. 1999. This includes an increase of \$10,000 in F.Y. 1998 and \$40,000 in F.Y. 1999 in the AFDC Child Care Program and an increase of \$17,000 in F.Y. 1998 and \$26,000 in F.Y. 1999 for the Basic Sliding Fee Program.

(\$ in 000s)	Current Law	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
AFDC Child Care	\$34,331.0	\$64,838.0
Basic Sliding Fee	\$41,751.0	\$50,751.0
Administration	<u>\$1,029.0</u>	<u>\$1,029.0</u>
Total	\$76,314.0	\$115,821.0

The Governor recommends transferring the duties and authority for administering the Minnesota Family Investment Plan (MFIP) child care grant from the commissioner of Human Services to the Commissioner of Children, Families & Learning (CFL) and has proposed legislation to accomplish this transfer. As a result, the Governor recommends a corresponding increase in the Department of Children, Families and Learning budget base of \$6,322 in F.Y. 1998 and \$4,416 in F.Y. 1999.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0413: CHILD CARE ASSISTANCE

(Includes AFDC/TANF Child Care, Basic Sliding Fee Child Care)

	Estimated		Governor's Rec.	
	F.Y. 1996 (b)	F.Y. 1997	F.Y. 1998	F.Y. 1999
1a. Statutory Funding - AFDC/TANF Child Care (a)	16,009	15,888	24,331	24,838
1b. Statutory Funding - Basic Sliding Fee Child Care	15,526	24,751	24,751	24,751
1c. Administrative Funding	209	232	232	232
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	31,744	40,871	49,314	49,821
4. Adjustments				
5. Current Law Aid	31,744	40,871	49,314	49,821
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	31,744	40,871	49,314	49,821
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			49,314	49,821
a. Increase in AFDC Child Care Funds			10,000	40,000
b. Increase in Basic Sliding Fee Child Care			17,000	26,000
c. Correct base/Increase Administrative Funds			797	797
Recommended Aid Entitlement			77,111	116,618
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			77,111	116,618

APPROPRIATIONS BASIS:

Direct Appropriated Funds	31,744	40,871	77,111	116,618
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	31,744	40,871	77,111	116,618
AFDC/TANF Child Care	16,009	15,888	34,331	64,838
Basic Sliding Fee Child Care	15,526	24,751	41,751	50,751
Administration	209	232	1,029	1,029

(a) Includes F.Y. 1998 transfer of \$6,322 and F.Y. 1999 transfer of \$4,416 for MFIP. For comparison purposes, MFIP funding totaled \$4,402 in FY 1996 and \$6,532 in FY 1997.

(b) 1996 spending shown for historical perspective only. Program did not transfer to CFL until F.Y. 1997.

1998-99 Biennial Budget

PROGRAM: 04 Children and Family Support
AGENCY: Children, Families & Learning Aids

0414 CHILD CARE DEVELOPMENT

CITATION: M.S. 256H; 119B
MDCFL ADMIN: 1401 Early Childhood and Family Support
FEDERAL: 0416 Child Care Development

Note: Child Care Development is funded from state and federal funds. To provide a complete picture of Child Care Development, this State Aid Program includes the federal funding from Federal Program 0418 and a breakdown of the budget by state, federal and total funding.

PURPOSE:

Child Care Development funds services that improve the quality, availability and affordability of child care to Minnesota families.

DESCRIPTION:

Public and private agencies receive grants to:

- help families access appropriate child care;
- improve the quality of early childhood care and education systems;
- improve child care facilities and provide interim financing;
- train child care staff and family child care providers;
- develop special child care services such as care for infants, school-age children, sick children and children with special needs; and
- provide comprehensive, culturally relevant early childhood care and education services to children.

These grants transferred to MDCFL, from the Department of Human Services, effective July 1996.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
State funds	\$1,310	\$1,633	\$1,930	\$1,865	\$1,865
Federal Funds					
(From Federal Program 0416)	3,491.0	3,471.0	4,586.0	4,586.0	4,586.0
Total Funds	\$4,801.0	\$5,104.0	\$6,516.0	\$6,451.0	\$6,451.0

Note: Funding levels shown in this table may differ from the expenditures shown on the federal program fiscal summary page due to carryover provisions and statewide accounting period closing requirements.

BUDGET ISSUES:

A. CHALLENGES:

- The changes in federal law significantly impact the current child care system. The increase of mothers working due to welfare reform will put pressure on the capacity of the current child care system. Enough child care is not available to accommodate this increased need,

particularly for those hours outside the traditional work hours (nonstandard hour care), for example, evenings, nights and weekends. We also predict an increased need for infant and toddler care, school age care and care for children with special needs.

- Due to low wages and lack of accessible training, the turnover rate for child care providers averages 40%. The lack of consistent care for young children directly impacts their developmental progress and ability to enter school ready to learn.
- Changing demographics in Minnesota have resulted in a more culturally diverse population and has increased the need for a more culturally responsive child care system.
- Minimum health and safety standards are needed to ensure protection for children. Current standards for early childhood care and education programs are complicated and often confusing. Varying state and federal requirements for programs, personnel and facilities have been caused by categorical funding and differing levels of public support. While it is evident that the standards vary greatly, the needs of children do not.

B. STRATEGIES:

- Requests for proposals for grant funds will be published for communities to address child care capacity focused on the needs of families at the local level. The State will continue funding of child care resource and referral agencies as the infrastructure of Minnesota's child care system to provide consumer education to assist families in finding quality child care arrangements and to give technical assistance to child care providers.
- Requests for proposals for grant funds will be published and awarded to continue development of comprehensive and coordinated career development opportunities for child care providers. The apprenticeship programs will continue statewide expansion to increase the pool of qualified providers and to stabilize the workforce, linking increased compensation with improved provider competency. Support will continue for accreditation and credential processes that improve the quality of available child care. Collaboration will continue with private foundations to fund community initiatives.
- Requests for proposals for grant funds will be published and awarded to community organizations building culturally competent programs. Programs such as Cultural Beginnings, Project Impact and Early Childhood Professionals of Color have been working in partnership with culturally diverse families in meeting their child care needs. Cultural dynamics training will be available to family child care providers and child care center staff.
- An interagency team representing health, head start, child care, learning readiness, early childhood special education and early childhood family education programs is working to establish core standards for all early childhood programs. The proposed standards will be a partnership between early childhood programs and families to ensure a quality learning environment for young children using public and private resources in an effective and efficient way to meet the needs of young children.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$4,865 for F.Y. 1998 and \$1,865 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0414: CHILD CARE DEVELOPMENT

	Estimated		Governor's Rec.	
	F.Y. 1996 (a)	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	1,633	1,930	1,865	1,865
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	1,633	1,930	1,865	1,865
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	1,633	1,930	1,865	1,865
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	1,633	1,930	1,865	1,865
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			1,865	1,865
a. Expand Child Care Service Grant			3,000	0
Recommended Aid Entitlement			4,865	1,865
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			4,865	1,865
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	1,633	1,930	4,865	1,865
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	1,633	1,930	4,865	1,865

a) 1996 spending shown for historical perspective only. Program did not transfer to CFL until F.Y. 1997.

1998-99 Biennial Budget

PROGRAM: 04 Community and Family Education
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0415 INFANTS AND TODDLERS

CITATION: Part H (IDEA)
MDCFL ADMIN: 1401 Early Childhood and Family and Community Support

See Program 0408 for state funding information.

PURPOSE:

To provide eligible young children with disabilities, from birth through age 2 and their families with interagency services in their local communities developed through the Individualized Family Service Plan (IFSP) process. This is accomplished through the implementation of a comprehensive, coordinated, collaborative, interagency, multi-disciplinary, early intervention system throughout Minnesota. The Part H Interagency Early Childhood Intervention Project is an interagency effort of the Minnesota Departments of Children, Families & Learning and Health and Human Services.

Appropriate services include family education and counseling, home visits, occupational and physical therapy, speech pathology, audiology, psychological services, special instruction, nursing, respite, nutrition, assistive technology, transportation and related costs, social work, vision services, case management including service coordination under subdivision 8, medical services for diagnostic and evaluation purposes, early identification, and screening, assessment, and health services necessary to enable children with disabilities to benefit from early intervention services.

DESCRIPTION:

Minnesota receives an annual federal grant (Part H) based on the number of annual live births in Minnesota. The Part H Interagency Early Childhood Intervention Project program assists and provides funds to the 94 local Interagency Early Childhood Intervention committees (IEICs) established under M.S. 120.1701 for the development, coordination and implementation of a comprehensive system of interagency early childhood intervention services for young children with disabilities and their families.

Interagency early childhood intervention services for eligible young children with disabilities and their families are provided in conformity with an IFSP in the home, child care setting, or in a center based program including Early Childhood Family Education and Early Childhood Special Education.

A major focus under the Federal Part H program is to enhance systems capacity and create an infrastructure through interagency collaboration and coordination. Funds for interagency cooperation/coordination provide for the following interagency state and local infrastructure components as required under Part H:

- service coordination and a family centered service document - the IFSP;
- training and technical assistance including personnel development;
- outreach activities such as child identification, a central directory, parent support and public awareness;

- data collection including state and local information capacity building;
- quality review involving procedural safeguards, mediation, complaints, dispute resolution and the quality assurance project; and the
- activities of the Governor's Interagency Coordinating Council on Early Childhood Intervention.

Minnesota is in its third year of full implementation.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Children Served (birth through age 2)	2,563	2,620	2,780	2,728	2,700
Aid to Districts, Agencies, Private Organizations	\$3,600.0	\$3,600.0	\$3,600.0	\$3,600.0	\$3,600.0
Funds for Interagency Cooperation/Coordination	<u>\$1,500.0</u>	<u>\$1,300.0</u>	<u>\$1,300.0</u>	<u>\$1,300.0</u>	<u>\$1,200.0</u>
TOTAL FUNDING	\$5,100.0	\$4,900.0	\$4,900.0	\$4,900.0	\$4,900.0

Note: Funding levels shown in the statistical table may differ from the expenditures shown on the federal program fiscal summary page, due to fund carryover provisions and statewide accounting period closing requirements.

BUDGET ISSUES:

A. CHALLENGES:

- The number of infants and toddlers eligible to receive special education services has increased in recent years, but at a slower pace than previously. The number is expected to begin decreasing in F.Y. 1998. Issues currently under discussion by state agencies, the Governor's Interagency Council on Early Childhood Intervention (ICC), and the IEICs include the responsibility for providing services, data collection, managed care and procedural safeguards.

B. STRATEGIES:

- The Part H Infants and Toddlers program provides the resources for the development and implementation of statewide policies to ensure the availability of appropriate early intervention services for young children with disabilities and their families. The Minnesota Department of Children, Families & Learning has the responsibility as lead agency for the fiscal administration, and supervision and monitoring of the various programs and services provided to young children with disabilities and their families. CFL, along with representatives from Health and Human Services and the ICC define, develop, and implement interagency policies regarding definition, child identification, IFSPs, service coordination, comprehensive system of personnel development (CSPD), monitoring, financial responsibility, procedural safeguards for families and dispute resolution procedures through a state interagency agreement. The 94 local IEICs identify and coordinate resources to assure the development of individual family service plans (IFSPs) and services for eligible young children and their families.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0501: SECONDARY VOCATIONAL

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	12,917	13,321	13,374	13,551
2. Statutory Excess / (Shortfall)	(1,321)	(1,519)	(1,778)	(1,955)
3. Appropriated Entitlement	11,596	11,802	11,596	11,596
4. Adjustments				
a. Excess Funds Transferred In / (Out)	1,344	140		
b. Payment of Prior Year Claims	(23)	(6)		
5. Current Law Aid	12,917	11,936	11,596	11,596
6. Excess / (Shortfall) After Adjustments	0	(1,385)		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	12,917	11,936	11,596	11,596
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			11,596	11,596
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			11,596	11,596

APPROPRIATIONS BASIS:(a)

Prior Year	2,017	1,739	1,180	1,159
Current Year	9,857	10,032	10,437	10,437
Current Year Adj. to 90%, per M.S. 124.904		590		
Subtotal before Transfers	11,874	12,361	11,617	11,596
Transfers per M.S. 124.14, subd. 7	1,344	140		
Total State General Funds	13,218	12,501	11,617	11,596

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

This page intentionally left blank.

EDUCATION ORGANIZATION/COOPERATION (06)

State Aid Programs

	<u>Page</u>
0601 Cooperation and Combination Revenue	A-388
0602 District Cooperation Revenue	A-390
0603 Consolidation Transition Aid	A-393
0604 Cooperation/Consolidation Levies	A-396
0605 Special Consolidation Aid	A-398
0606 Interagency Collaboration Grants	A-400

1998-99 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Children, Families & Learning Aids

 0601 COOPERATION AND COMBINATION

CITATION: M.S. 124.2725
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide incentives for groups of school districts to provide improved conditions for learning and instruction that will better ensure the success of all learners. Through expanded curriculum programs and support services for students, enlarged teaching staffs with fewer teaching preparations, and more cost efficient combined operations, educational opportunities for learners will be increased and curriculum and learner outcomes will be more systematically developed.

DESCRIPTION:

Interested school districts must meet qualifying criteria outlined below and prepare a Cooperation and Combination Plan. The plan is submitted to the State Board of Education for review and comment, and the State Board must approve the proposed plan for cooperation and combination revenues to be received. Criteria and requirements for approval of the Cooperation and Combination Plan include the following:

- Two or more school districts with a combined enrollment of 400 or more students in Grades 7-12, or two school districts who qualify for sparsity revenue before or after the proposed combination, or two districts any of which is located on a state border, or three or more school districts;
- School boards must pass a resolution to provide at least secondary instruction cooperatively for one or two years, and to combine into one district after cooperating;
- School boards develop a Cooperation and Combination Plan that includes the following:
 - a. description of academic program improvements such as secondary course offerings and the development of learner outcomes;
 - b. a plan to involve school staff and community in the development and implementation of plan, with time lines;
 - c. a plan for a new combined district school board, including election districts and elementary advisory board, if desired;
 - d. procedures to combine teacher and other collective bargaining units, and to select one superintendent;
 - e. early retirement, severance pay, and health insurance benefits to be offered to licensed and non-licensed staff, if desired;
 - f. procedures for a referendum on combining the districts prior to or in year one or two of cooperation;
 - g. estimated Cooperation and Combination revenue budgets for five years; and
 - h. if less than 400 students in Grades 7-12, provide rationale that the proposed combination is educationally sound and will enable them to meet requirements of rule and law.
- If the required public referendum(s) on the question of combination fail or the plan is not implemented, there is a provision for the recapture of cooperation and combination revenues received in excess of \$60 per pupil unit a year;

- School districts with an approved Cooperation and Combination Plan may receive revenue equal to \$100 per pupil unit served up to a maximum of \$200,000 for each of the first four years of the program. The revenue is equalized at \$9,415 for the first year of combination and cooperation, \$7,061.25 for the second, \$4,707.50 for the third, and at \$2,353.75 for the fourth year. In addition to the equalized revenue, school districts also receive \$100 per pupil unit served in additional aid in the first year of cooperation and in the first year of combination; and
- In addition to cooperation and combination revenue, school districts levy for transition expenses, operating debt, and severance or early retirement incentives as desired. (For further information, see Program 0604.)

PROGRAM STATUS:

The 1995 legislative session limited participation in the program to districts that had a Pay 1995 levy. No new districts have participated since this change. The program will phase out after F.Y. 1999.

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
New C & C Plans	9	5	0	0	0
Total Active C & C Plans	30	27	21	14	5
Member School Districts*	69	66	45	27	12
Pupil Units Served (WADM)	40,995.0	37,676.0	27,026.0	18,551.0	8,162.3
Total Revenue	\$6,072.0	\$5,412.2	\$3,476.1	\$1,855.1	\$816.2
Levy	\$1,847.8	\$2,000.3	\$1,696.1	\$1,428.7	\$816.2
State Aid Entitlement	\$4,224.2	\$3,411.9	\$1,780.0	\$426.4	\$0.0
Proration Factor	.9620	.9827	1	1	1
Prorated Entitlement	\$4,064.1	\$3,354.0	\$1,780.0	\$426.4	\$0.0

BUDGET ISSUES:

A. CHALLENGES:

- The state needs to keep its commitment to the districts which recognized the need to begin the cooperation and combination process.

B. STRATEGIES:

- Districts which in the future determine that they are unable to provide quality programs for their students will need to initiate collaborative efforts using other revenue sources. Districts seeking financial assistance in consolidating are able to use the Consolidation Transition Aid Program (0603).

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$ 426 for F.Y. 1998 and \$ 0 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$562 in F.Y. 1998 (\$ 178 for F.Y. 1997 and \$ 384 for F.Y. 1998), and \$42 in F.Y. 1999 (\$42 for F.Y. 1998 and \$0 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0601: COOPERATION AND COMBINATION REVENUE

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	3,412	1,780	426	0
2. Statutory Excess / (Shortfall)	(58)	32	48	27
3. Appropriated Entitlement	3,354	1,812	474	27
4. Adjustments				
a. Excess Funds Transferred In / (Out)	58	(29)		
b. Portion of Final 15 % Not Requested		(3)		
5. Current Law Aid	3,412	1,780	474	27
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	2,000	1,696	1,429	816
8. Current Law Funding: Aid & Levy	5,412	3,476	1,903	843
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			474	27
a. Eliminate Excess			(48)	(27)
Recommended Aid Entitlement			426	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			1,429	816
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,855	816

APPROPRIATIONS BASIS:(a)

Prior Year	542	503	178 (b)	42
Current Year	2,851	1,541	384	0
Current Year Adj. to 90%, per M.S. 124.904		90		
Subtotal before Transfers	3,393	2,134	562	42
Transfers per M.S. 124.14, subd. 7	58	(29)		
Total State General Funds	3,451	2,105	562	42

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) The \$181 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

1998-99 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Children, Families & Learning Aids

0602 DISTRICT COOPERATION REVENUE

CITATION: M.S. 124.2727
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide revenue to schools to purchase goods and services from entities formed for cooperative purposes or to provide educational services in a cooperative manner for students enrolled in special education and secondary vocational education classes. The intent of this program is to move school districts toward a market-driven system of purchasing goods and services, and to increase cooperative ventures between school districts so that operating efficiency increases and quality services are available to students participating in special education and secondary vocational courses and services.

DESCRIPTION:

District Cooperation revenue is equal to the greater of \$67 times the district's actual pupil units or \$25,000.

To receive district cooperation revenue, a district may levy an amount equal to the district's cooperation revenue multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable to \$3,500.

District Cooperation Aid is the difference between its district cooperation revenue and its district cooperation levy. If a district does not levy the entire amount permitted, aid must be reduced in proportion to the actual amount levied. If the appropriation is insufficient to pay all districts the full amount of aid earned, the Department must proportionately reduce the \$67 allowance and the \$25,000 minimum to the level that spends the amount available. The reduction is made first from the district's aid and then from levy.

Districts must place the district cooperation revenue in a reserved account and may only use the revenue for purposes set forth in this statute. The districts that were members of an intermediate district on July 1, 1994 are required to place in a reserve account an amount equal to the product of the intermediate district's Pay 94 special education/secondary vocational levy per pupil unit times the district's F.Y. 1995 pupil units. 5/11th of the reserved revenue must be used for special education and 6/11th must be used for secondary vocational programs. The district must demonstrate that revenue is being used to provide the full range of special education and secondary vocational services available to each child served by the intermediate district. Districts that were not members of an intermediate district on July 1, 1994 are required to spend at least \$9 per pupil unit of their district cooperation revenue on secondary vocational education.

BUDGET ISSUES:

A. CHALLENGES:

- Minnesota districts face differing challenges. Priorities in districts vary based on their needs.
- Districts face challenges in terms of how to provide efficient, high quality services for students and their families.
- Districts have utilized this program in providing cooperative services for special education students. No changes regarding district responsibility are being proposed.
- With the implementation of Graduation Standards, the continuing need for cost-effective means of developing, implementing, and maintaining programs and services will increase, not lessen.

B. STRATEGIES:

- Districts need enhanced flexibility to be able to address the needs of learners.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this program in F.Y. 1999 and including this program in the General Education program. See program 0101 for additional information.

The Governor recommends an aid entitlement of \$9,548 for F.Y. 1998 and \$0 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$9,766 in F.Y. 1998 (\$1,172 for F.Y. 1997 and \$8,594 for 1998), and \$954 in F.Y. 1999 (\$ 954 for F.Y. 1998 and \$0 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0602: DISTRICT COOPERATION REVENUE

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	12,720	11,724	9,548	8,194
2. Statutory Excess / (Shortfall)	656	201	2,378	3,732
3. Appropriated Entitlement	13,376	11,925	11,926	11,926
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(656)	(181)		
b. Portion of Final 10% Not Requested		(20)		
5. Current Law Aid	12,720	11,724	11,926	11,926
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	49,727	52,102	55,115	56,980
8. Current Law Funding: Aid & Levy	62,447	63,826	67,041	68,906
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			11,926	11,926
a. Eliminate Excess			(2,378)	(3,732)
c. Fold into General Education in F.Y. 1999			0	(8,194)
Recommended Aid Entitlement			9,548	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			55,115	56,980
b. Fold into General Education in F.Y. 1999			0	(56,980)
Recommended Levy			55,115	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			64,663	0

APPROPRIATIONS BASIS:(a)

Prior Year	2,115	2,006	1,172 (b)	954
Current Year	11,370	10,137	8,594	0
Current Year Adj. to 90%, per M.S. 124.904		596		
Subtotal before Transfers	13,485	12,739	9,766	954
Transfers per M.S. 124.14, subd. 7	(656)	(181)		
Total State General Funds	12,829	12,558	9,766	954

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) The \$1,192 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

REVISED 2/28/97
PAGE A-391

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Children, Families & Learning Aids
 0603 CONSOLIDATION TRANSITION AID
CITATION: M.S. 124.2726
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide incentives for school districts that have been reorganized to improve conditions for learning and instruction that will better ensure the success of all learners. The Consolidation Transition Aid program also ensures that reorganized school districts have sufficient resources for other costs incurred in the reorganization. This program provides alternative means of dealing with fiscal issues that often prevent permanent school district reorganization such as staff reduction due to increased staff utilization and operational debt.

DESCRIPTION:

A school district that has been reorganized under the consolidation statute (M.S. 122.23) after June 30, 1994, and has not received revenue under the Cooperation and Combination Program (M.S. 124.2725) for at least six years, is eligible to participate in this program.

Revenue is equal to the sum of state aid plus authorized levy authority. State aid is equal to \$200 times the number of actual pupil units in the newly created district in the year of consolidation and \$100 times the number of actual pupil units in the second year. The number of pupil units used in the calculation of state in either year can neither exceed 1,000 for districts which consolidated July 1, 1994 nor 1,500 for districts which consolidated July 1, 1995 and thereafter. If the state aid provided is insufficient to cover the early retirement incentive costs of the district under M.S. 122.23, Subd. 20, the district may levy the difference over a period of time not to exceed three years.

Revenue may be used to cover district costs for the early retirement incentives granted by the district under M.S. 122.23, Subdivision 20, to reduce operating debt as defined in M.S. 121.915, to enhance learning opportunities for students in the reorganized district and to cover any other costs incurred in the reorganization. This revenue is not included in the determination of the general fund operating fund balance reduction in M.S. 124A.26.

Retirement incentives allowable for funding under this program are for both licensed and unlicensed staff and may include:

- payment of employer pension plan contributions for a specific period of time for individuals with at least ten years of allowable service;
- extended leaves of absences under M.S. 125.60;
- severance payment incentives; and
- employer payment of premiums for continued health insurance coverage up to age 65 or until the employee is eligible for health insurance coverage from a new employer.

Eligible school districts may offer these incentives beginning on the day the consolidation is approved under M.S. 122.23 subdivision, or, if an election is called under section M.S.122.23, Subdivision 9

or 10, on the day the plat is approved by the commissioner of education. A school board may offer these incentives until June 30 following the effective date of the consolidation.

If a district consolidates with another district that has received consolidation transition aid within six years of the effective date of the new consolidation, only the pupil units in the district not previously reorganized are counted for aid purposes. If two districts consolidate and both districts had previously received transition aid within six years of the effective date of the consolidation, only one quarter of the pupil units in the newly created district are used to determine consolidation transition aid.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
A. Groups of Districts	3	8	7	8	9
B. Unprorated Aid Entitlement	\$532.0	\$1,082.1	\$669.4	\$1,317.6	\$1,166.0
C. Estimated Proration*	1	.995	1	.8849	1
D. Entitlement	\$505.0	\$1,082.1	\$669.4	\$1,166.0	\$1,166.0
E. Levy(a)	\$37.6	\$156.0	\$156.0	\$450.0	\$450.0
F. Districts using levy authority(b)	1	2	2	2	5
G. Total Revenue D+E	\$542.6	\$1,238.0	\$825.4	\$1,616.0	\$1,616.0

* F.Y. 1996 and F.Y. 1997 prorated per Laws '93, Chap. 224, Art. 15, Sec. 3

(a) 94 Pay 95 Levy - first levy year for this program.

(b) ISD #2171 - \$37.6 levy each year for three years

F.Y. 1995 was the first year for this program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$1,318 for F.Y. 1998 and \$1,133 for F.Y. 1999.

Based on these entitlements, the Governor recommends and appropriation of \$1,254 in F.Y. 1998 (\$67 for F.Y. 1997 and \$1,187 for F.Y. 1998), and \$1,151 in F.Y. 1999 (\$131 for F.Y. 1998 and \$1,020 for F.Y. 1999).

0603.d1

03-01-97 12:15 pm jms

1998-99 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Children, Families & Learning Aids
 0603 CONSOLIDATION TRANSITION AID
 (Continuation)

Group	F.Y. 1995	F. Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1	2170 Motley-Staples 2171 Hallock-Kennedy 2176 Oslo-Warren	2170 Motley-Staples 2171 Hallock-Kennedy 2176 Oslo-Warren			
2		2215 Norman Cty E 2683 Greenbush-Middle River 2758 Redwood Falls-Marton 2759 Clarissa-Eagle Bend 2754 Cedar Mountain	2215 Norman Cty E 2683 Greenbush-Middle River 2758 Redwood Falls-Marton 2759 Clarissa Eagle Bend 2754 Cedar Mountain		
3			2854 Ada-Borup 2856 Angle Stephen	2854 Ada-Borup 2856 Angle-Stephen	
4				4 new groups	4 new groups
5					4 new groups
Total	3	8	7	6	8

BUDGET ISSUES:

A. CHALLENGES:

- The Consolidation Transition Aid program provides needed incentives for school districts to create improved conditions for the success of learners and for more effective instruction. The more equitable and improved programs and services for students that result from such cooperative efforts are well documented by participating districts. Small districts have great difficulty in maintaining or expanding educational programs and services without excess levy referendums which are frequently difficult to pass.
- The local cost of expanding programs and services to provide equal educational opportunities for all students in Greater Minnesota school districts as presently organized would be prohibitive. A realistic option is to encourage voluntary school district reorganization to help achieve the same.

B. STRATEGIES:

- With the recommended funding of cooperation and combination in F.Y. 1996 and F.Y. 1997 and the Consolidation Transition Aid program, school districts in Greater Minnesota will continue to expand, maintain and enhance educational programs and services for students as outlined in their approved consolidation plan and budget.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$1,318 for F.Y. 1998 and \$1,133 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$1,254 in F.Y. 1998 (\$67 for F.Y. 1997 and \$1,187 for F.Y. 1998), and \$1,151 in F.Y. 1999 (\$131 for F.Y. 1998 and \$1,020 for F.Y. 1999).

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

The Governor recommends the following modification in the consolidation transition program, beginning in F.Y. 1999:

1. To adjust for the change in pupil unit weights, increase the allowance for the first year of consolidation to \$208, and the allowance for the second year of consolidation to \$104.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0603: CONSOLIDATION TRANSITION REVENUE

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	1,082	670	1,318	1,166
2. Statutory Excess / (Shortfall)	(4)	495	(152)	0
3. Appropriated Entitlement	1,078	1,165	1,166	1,166
4. Adjustments				
a. Excess Funds Transferred In / (Out)	4	(446)		
b. Portion of Final 10% Not Requested		(49)		
5. Current Law Aid	1,082	670	1,166	1,166
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	156	156	450	450
8. Current Law Funding: Aid & Levy	1,238	826	1,616	1,616

GOVERNOR'S RECOMMENDATION: AID

Current Law Aid (from Line 5)			1,166	1,166
a. Eliminate Aid Proration			152	0
c. Adjust Formula for New Pupil Weights in F.Y. 1999			0	(33)
Recommended Aid Entitlement			1,318	1,133

GOVERNOR'S RECOMMENDATION: LEVY

Current Law Levy (from Line 7)			450	450
--------------------------------	--	--	-----	-----

TOTAL RECOMMENDED FUNDING: AID & LEVY

1,768 1,583

APPROPRIATIONS BASIS:(a)

Prior Year	75	162	67 (b)	131
Current Year	916	991	1,187	1,020
Current Year Adj. to 90%, per M.S. 124.904		58		
Subtotal before Transfers	991	1,211	1,254	1,151
Transfers per M.S. 124.14, subd. 7	4	(446)		
Total State General Funds	995	765	1,254	1,151

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) The \$116 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

REVISED 2/28/97
PAGE A-395

1996-97 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Children, Families & Learning Aids

0604 COOPERATION/CONSOLIDATION LEVIES

CITATION: M.S. 121.915; 122.531, Subd. 4a; 120.08, Subd. 3; 122.531, Subd. 9; 122.535, Subd. 6; 124.4945; 124.2725, Subd. 15; 122.247, Subd. 3; 122.533; Laws 1992, Ch. 499, Art. 6, Sec. 35

MDE ADMIN: 1501 Education and Management Assistance
FEDERAL: None

PURPOSE:

To provide additional property tax levy revenue to school districts to fund obligations of the district general fund, including unemployment insurance, past operating debt, the cost of judgments, state audits, and retirement, health insurance and severance for certain districts.

DESCRIPTION:

1. **Reorganization Operating Debt Levy** (M.S. 121.915 and 122.531, Subd. 4a). A school district that reorganizes under consolidation, dissolution and attachment, or cooperation and combination may levy to retire the net negative undesignated fund balance in the operating funds. The levy must be spread over five years.
2. **Severance Levies** (M.S. 120.08, Subd. 3, 122.531, Subd. 9, 122.535, Subd. 6, 124.4945, and 124.2725, Subd. 15). A school district that reorganizes under dissolution and attachment, or cooperation and combination may levy for the costs of severance pay or early retirement incentives for licensed and nonlicensed employees who resign or retire early as a result of the reorganization. A school district with a secondary agreement with another district must pay severance to licensed employees placed on unrequested leave and may levy for the expenses.
3. **Consolidation/Transition Levies** (M.S. 122.247, Subd. 3, 122.533, and Laws of 1992, Chap. 499, Art. 6, Sec. 35). A school district that reorganizes under dissolution and attachment, or cooperation and combination may levy for transition expenses associated with the reorganization.

PROGRAM STATUS:

	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
	<u>93 PAY 94</u>	<u>94 PAY 95</u>	<u>95 PAY 96</u>	<u>96 PAY 97</u>	<u>97 PAY 98</u>
1. Reorganization Operating Debt Levy					
Certified Levy	\$414.6	\$621.9	\$776.6	\$813.9	\$820.0
Number of Districts	8	12	15	14	14
2. Severance Levies					
Certified Levy	\$852.1	\$1,083.6	\$847.9	\$720.5	\$720.5
Number of Districts	13	13	13	8	8

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
	<u>93 PAY 94</u>	<u>94 PAY 95</u>	<u>95 PAY 96</u>	<u>96 PAY 97</u>	<u>97 PAY 98</u>
3. Consolidation/Transition Levies					
Certified Levy	\$0.0	\$37.5	\$156.1	\$156.1	\$450.0
Number of Districts	0	1	2	4	4
TOTAL					

BUDGET ISSUES:

A. CHALLENGES:

- The miscellaneous general levies continue to serve varied needs for Minnesota school districts. All funds generated through these levies are anticipated to be fully utilized.

B. STRATEGIES:

- Minnesota school districts will generate revenue to the extent needed for various general fund obligations in F.Y. 1998 and F.Y. 1999, thereby contributing to their overall financial health. School districts will not need to allocate general education formula funding to these identified costs. The amount received from levy will be substantially equal to the expenditure as shown on annual financial reports.

GOVERNOR'S RECOMMENDATION:

The Governor recommends continuation of these levies.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0605: SPECIAL CONSOLIDATION AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	95	48	0	0
2. Statutory Excess / (Shortfall)	(23)	(12)		
3. Appropriated Entitlement	<u>72</u>	<u>36</u>	<u>0</u>	<u>0</u>
4. Adjustments				
a. Excess Funds Transferred In / (Out)	<u>23</u>	<u>1</u>		
5. Current Law Aid	95	37	0	0
6. Excess / (Shortfall) After Adjustments	0	(11)		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	<u>95</u>	<u>37</u>	<u>0</u>	<u>0</u>
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			0	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			<u>0</u>	<u>0</u>
TOTAL RECOMMENDED FUNDING: AID & LEVY			<u>0</u>	<u>0</u>

APPROPRIATIONS BASIS:(a)

Prior Year	12	9	3	0
Current Year	63	31	0	0
Current Year Adj. to 90%, per M.S. 124.904		2		
Subtotal before Transfers	<u>75</u>	<u>42</u>	<u>3</u>	<u>0</u>
Transfers per M.S. 124.14, subd. 7	<u>23</u>	<u>1</u>		
Total State General Funds	<u>98</u>	<u>43</u>	<u>3</u>	<u>0</u>

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 06 Education Organization/Cooperation
AGENCY: Children, Families & Learning Aids

0606 INTERAGENCY COLLABORATION GRANT

CITATION:
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide funding for planning activities to merge governance and administrative services of local agencies to change structures and systems at the local level between school districts, cities and counties.

DESCRIPTION:

Local units of government often provide redundant services in administrative areas and in governance. The administrative areas include, but are not limited to, business offices, food and nutrition services, transportation services, facility maintenance and library services. Governance includes elected officials as well as top management positions.

As example of the merging of administrative and governance services and structures could be where school districts and a county or counties could agree how the governance structure could be changes to assure service delivery in a more efficient manner. Some specific projects could be to plan and operate bus services. School busses equipped to transport disabled students could be used by the county during times the districts(s) did not need the busses for transporting disabled persons. Bus garages and maintenance staff could be shared. A hospital or other care facilities could collaborate in the employment of highly trained professionals to provide leadership in managing the food service programs. Equipment and expertise required to maintain facilities could be shared by school districts, cities, and counties. A county or city administrator could also serve as the school superintendent, business manager or director of special education for the school district. A group could ask for legislation to allow the county and school boards to be merged into a single board. Bringing these services together may well improve opportunities to collaborate on direct services.

In recent years, with the legislation to provide additional funding to cover some of the costs of reorganization and to provide for additional education improvement, the number of school districts have declined. Between F.Y. 1989 and F.Y. 1997, the number of school districts in the state has declined by 78, from 433 school districts to 355.

BUDGET ISSUES:

A. CHALLENGES:

- Opponents may include individuals with a vested interest in the status quo.
- Because of the manner in which school districts were required to consolidate in the 1950's and 1960's, landowners were allowed to choose their school district. As a result, school districts boundaries often do not make any sense.
- Many school districts are located in more than one county.

B. STRATEGIES:

- Experiences show, that as school districts begin sharing superintendents and holding joint school board meetings, the likelihood of formal reorganization increases. Until top administration and their boards work together successfully, there is reluctance to collaborate on service or to reorganize permanently.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$500 for F.Y. 1998 and \$0 for F.Y. 1999.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0606: INTERAGENCY COLLABORATION GRANTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	0	0	0	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	0	0	0	0
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	0	0	0	0
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	0	0	0	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			0	0
a. New Initiative			500	0
Recommended Aid Entitlement			500	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			500	0
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	0	0	500	0
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	0	0	500	0

EDUCATION EXCELLENCE (07)

State Aid Programs

	<u>Page</u>
0701 Advanced Placement and International Baccalaureate Program	A-403
0702 School Restructuring Grant	A-406
0703 Science - Mathematics Grants (SciMath MN)	A-409
0704 Family Connections Aid	A-412
0705 Education Performance Improvement Grants	A-414
0706 School Enrichment Partnerships	A-416
0707 Teacher Education Improvement (Board of Teaching)	A-418
0708 Community Based Charter School Grant (Wilder Foundation)	A-420
0709 Charter School Building Lease Aid	A-422
0710 Charter School Start-Up	A-424
0711 Laboratory Schools	A-426
0712 Site Performance Pay	A-429
0713 State Accountability System	A-432
0721 Homework Helpline	A-440a NEW

Federal Flow-Through Programs

0714 Foreign Language Assistance	A-434
0715 NEH Articulate Language/Instruction - FIPS	A-435
0716 Byrd Scholarship Program	A-436
0717 Teacher Inservice Training	A-437
0718 Innovative Education Program Strategies: Consolidated Federal Programs (Block Grants)	A-438
0719 Charter School Project	A-439
0720 Internet into Sci/Math; Internet into Classrooms	A-440

1998-99 Biennial Budget

PROGRAM: 07 Education Excellence
AGENCY: Children, Families & Learning Aids

0701 ADVANCED PLACEMENT (AP) AND INTERNATIONAL BACCALAUREATE (IB)

CITATION: M.S. 126.239
MDCFL ADMIN: 1301 Learner Improvement
FEDERAL: None

PURPOSE:

To provide financial incentives for schools to begin or expand their Advanced Placement and International Baccalaureate offerings and to promote rigorous, challenging courses of study as part of the regular offerings for students in secondary schools. This program increases the ability of some schools to provide Advanced Placement or International Baccalaureate courses by providing funding for teacher training, new courses, all exam fees for economically disadvantaged students, and some exam fee assistance for all other students.

The Advanced Placement and International Baccalaureate Programs support the Graduation Standards and Goals 2000, which promote demonstrated competency in challenging subject matter and academic excellence to enable the state to take its place as a leader in the global economy in the following ways:

DESCRIPTION:

The Advanced Placement and international Baccalaureate Program funding was increased to \$875,000 in F.Y. 1996. Of this amount, \$675,000 is used for examination fee subsidies. The remaining \$200,000 is used for teacher training and the support of new and existing Advanced Placement and International Baccalaureate Programs throughout the state. The program has three major components:

1. Teacher Training

This component provides for information dissemination and preparation of teachers to offer Advanced Placement and International Baccalaureate courses to secondary students interested in challenging, in-depth learning opportunities. The funding will pay tuition, room, and board for Advanced Placement and International Baccalaureate training offered by the College Board, and International Baccalaureate of North America, at qualified higher education institutions.

2. Teacher Support

The intent of this activity is to provide support during the school year for teachers who are working with advanced learners and teaching Advanced Placement or International Baccalaureate courses. Funding will provide for costs related to the support activities, e.g., new course offerings, follow-up training/seminars, site visits.

3. Subsidies for Student Exam Fees

The intent of this activity is to assist public and nonpublic students pay the costs for exam fees related to AP/IB courses. This involves development of a fee schedule for payment of a major portion of exam fees for the first exam for all students and the entire fee for students of low-income families. Regardless of the statute, the F.Y. 1995 appropriations indicates, "the Commissioner shall pay for the fee for one AP/IB examination for the first exam each student takes," and to the extent possible a percent of the fee for each additional exam. However, with the considerable rate of increase in students testing in F.Y. 1995 (AP 49% , IB 27%) it was not possible to project whether \$675,000 would be sufficient to pay the entire exam fee.

PROGRAM STATUS:

All areas of growth in both the AP and IB programs are a result of the change in the funding policy for exam fee subsidies. Program growth is indicated in the following ways for:

Advanced Placement:

- In Minnesota, 8,465 students took 11,169 exams. Of the 8,465 students, 1,252 were in grades 9 and 10, 2,541 were in grade 11, and 4,523 were in grade 12. The number of AP students testing increased by 16.3% and exams taken increased by 19%.
- Ethnic students represent 9% of all Minnesota students testing in Advanced Placement. The following chart illustrates the distribution by ethnic group:

Ethnic Group	F.Y. 1994	F. Y.1995	F.Y. 1996	% Change
American Indian/ Alaskan	12	29	28	(4)
Black/Afro-American	40	50	73	46
Mexican American	15	28	47	4
Asian American	274	355	392	10
Puerto Rican	4	6	8	33
Other Hispanic	15	26	45	73
White	4,132	6,222	7,227	16
Other	45	75	94	25
Not Stated	353	487	551	13
Total	4,890	7,278	8,465	

- The number of teachers receiving scholarships increased by 34% for AP. All teachers who applied were able to receive scholarships.
- Carlton College provided 23 AP course offerings for teacher training.
- General statewide conferences with follow-up training or networking opportunities in all content areas were attended by 501 AP teachers an increase of 16%.
- Of the 460 high schools in MN, 201 schools participated in AP representing an increase of 44% of secondary schools, up 4% from last year.
- Nonpublic schools participating in AP increased by 33%.

International Baccalaureate:

- In Minnesota, 693 students took 1,329 exams. The number of IB students testing increased by 22% and exams taken increased by 30%.
- The greatest gains in exams taken were made by economically disadvantaged students with an increase of 46%.
- The number of diplomas received increased by 57%.
- Although the number of teachers participating in training decreased, the numbers for F.Y. 1997 reflect one year rather than 1.5 years. All teachers who applied where able to receive scholarships.

1998-99 Biennial Budget

PROGRAM: 07 Education Excellence
AGENCY: Children, Families & Learning Aids

(Continuation)
 0701 ADVANCED PLACEMENT (AP) AND INTERNATIONAL

The following chart illustrates growth or changes in program participation.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>% Change</u>
Advanced Placement				
Public Schools Funded	86	169	169	0
Nonpublic Schools Funded	4	24	32	33
Total AP Schools	167	193	201	4.1
Students Taking Exams	4,890	7,278	8,465	16.3
Exams Taken	6,491	9,401	11,169	19
Low Income Exams	220	354	307	(15)
Exams Per Student	1.3	1.3	1.3	0.0
% of Grades 3 or above		58.2	60.6	4.1
Teachers Scholarships	129	107	143	34
Teacher Follow-up Training	325	432	501	16
New Courses Offered	81	66	67	2
International Baccalaureate				
Schools Funded	10	9	9	
Students Taking Exams	449	568	693	22
Exams Taken	813	1,024	1,329	30
Diplomas Earned	26	30	47	57
Low Income Exams	26	57	83	46
Student	1.6	1.8	1.9	5
Teacher Scholarships	47	135	78	(42)
Teacher Follow-up Training	112	100	65	(35)
New Courses Offered	28	11	15	36

(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Teacher Training and Admin	\$286.9	\$183.0	\$217.1	\$200.0	\$200.0
Student Exam Subsidies	<u>\$437.0</u>	<u>\$555.6</u>	<u>\$794.3</u>	<u>\$675.0</u>	<u>\$675.0</u>
TOTAL	\$723.9	\$738.6	\$1,011.4	\$875.0	\$875.0

BUDGET ISSUES:

A. CHALLENGES:

As the AP and IB programs continue to grow, there is an ongoing need to provide services for advanced learners who are underserved and for support of teachers working with this level of student and for support of schools initiating or expanding these programs. Challenging, rigorous learning opportunities are essential to an effective system that is setting standards for learning and for graduation. Specific challenges include:

Fiscal Planning

- *AP/IB Program Timelines.* The major program activities, student testing in May and teacher training in June, occur the last two months of the fiscal year. This impacts budgeting for other activities throughout the year in order to allow ample monies for these two major activities, resulting in a conservative approach to program implementation.
- *Specific Allocations for Exam Fee Subsidies.* Limited flexibility in use of funds between major program components makes it difficult to maximize use of funds particularly if monies remain after the year-end accounting when it is too late to adjust the exam fee schedule.

Setting the Exam Fee Subsidy Schedule

- *Making Projections for Payment Schedule.* It is difficult to set an exam fee subsidy schedule for amounts to be paid when it is not possible to project the number of students testing. Inadequate projections impact payment options and amounts for school students.
- Consequently, the first exam is prorated to assure sufficient funding for all students qualifying for fee subsidies.

B. STRATEGIES:

- Provide for flexibility in use of the funds between the three program components to reduce possibility of monies not being used due to specific allocation of monies for exam fee subsidies or teacher training.
- Encourage more students to take the exams. (Some student fear advanced placement in college courses, not realizing that the rigor of their high school AP/IB course has well prepared them for higher level courses.)
- Assure that teachers are well trained to teach the challenging AP/IB courses and to prepare students for the rigorous exams so they don't back out in May.
- Provide support for curriculum resources needed for new courses and to update curriculum materials for existing courses.
- Continue promotion of the AP/IB Program to increase the number of schools participating in the program, the number and variety of courses being offered, and the number of students participating in the courses.
- Continue working with Minnesota's post-secondary institutions to develop placement and credit policies to assist students in making more informed choices about the college they wish to attend and in receiving credit for exams taken.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$875 for F.Y. 1998 and \$875 for F.Y. 1999.

The Governor also recommends \$250.0 in F.Y. 1998 for a study to explore ways to better coordinate the advanced placement program with post-secondary institutions.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0701: ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE PROGRAM

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	875	875	875	875
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	875	875	875	875
4. Adjustments				
a. Balance Forward	(136)	136		
5. Current Law Aid	739	1,011	875	875
6. Excess / (Shortfall) After Adjustments				
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	739	1,011	875	875
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			875	875
a. One-time funds for advanced placement study			250	0
Recommended Aid Entitlement			1,125	875
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			1,125	875
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	739	1,011	1,125	875
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	739	1,011	1,125	875

1998-99 Biennial Budget

PROGRAM: 07 Education Excellence
AGENCY: Children, Families & Learning Aids

0702 SCHOOL RESTRUCTURING GRANT

CITATION: M.S. 126.019
MDCFL ADMIN: 1301 Learner Improvement
FEDERAL: None

PURPOSE:

To develop and implement systemic site decision-making in school districts by providing funding to Shared Decisions Minnesota (SDMN).

DESCRIPTION:

Shared Decisions Minnesota (SDMN) is a nonprofit organization whose goal is to implement state-wide, systemic reform in Minnesota's schools through site shared decision-making. SDMN is funded through a combination of funds allocated by the Legislature and enrollment fees from the participating districts and in-kind contributions from the founding organizations.

SDMN's founders represent seven educational organizations (Minnesota Association of School Administrators; Minnesota Association of Secondary School Principals; Minnesota Congress of Parents, Teachers, and Students; Minnesota Education Association; Minnesota Elementary School Principals' Association; Minnesota Federation of Teachers; Minnesota School Boards Association) who are committed to improved education for the learner. The Department of Children, Families & Learning is also represented on the governing board. Significant reform is made possible when the education system moves from a short-term, top-down, quantitative system to one that is long-term, bottom-up and qualitative. This change requires a shift in attitudes and relationships. SDMN provides the leadership and acts as a catalyst for this change. Networks of school districts are assisted in creating, practicing and implementing strategies to restructure education through the training, facilitation and coaching provided by SDMN.

District Design Teams are established representing three anchor groups (policy, administration, staff) and parents, community and students. This team participates in a three stage training model. Each participating district identifies the pace at which they will implement the concepts extending the training over a two or three year period.

PROGRAM STATUS:

The 23 SDMN School Districts have been configured into two networks: Network A, which works at a normal pace, and network B, which works at an accelerated pace. Participation includes:

	Districts	Sites	Teachers	Students
A	11	101	4,583	64,484
B	12	163	8,963	93,533

Support is provided by a Shared Decisions Minnesota office with a state coordinator and administrative assistant and 6 facilitators and purchased consultative services. External facilitators provide phone consultation, facilitation within the district, workshops and training tailored to meet the needs of the district. In addition, 60 facilitators from member districts were trained to provide services within the district.

Shared Decisions Minnesota contracted with an independent evaluator to survey participating districts

regarding program implementation. Three main themes emerged from the interview data:

1. There was substantial support for the SDMN model as a process for change in schools. Respondents identified the capacity of the process to bring all stakeholders to the table as a major contribution.
2. All respondents identified "time" as a major issue in the SDMN process. Those who were familiar with system school change tended to be more understanding about the deliberate pace of share decision-making processes; however, there was a general belief on the part of those interview that the process itself was moving slowly.
3. There was a specific observation that the SDMN organization needs to make policy makers aware of its successes, especially about results related to students achievement and parental involvement.

BUDGET ISSUES:

A. CHALLENGES:

- This model encourages systemic reform within the organization which research indicates will require 5 to 7 years for significant change. Long term commitment from the districts is needed at a time when they must function within a state-wide culture which demands short term, simple solutions to complex, inter-related issues and problems.

B. STRATEGIES:

- The Executive Board of Shared Decisions Minnesota in the process of seeking funding from both private and other governmental sources. Success will allow the model to expand without an increase in state funds.
- SDMN is moving from a model which requires a constant level of participation to one which recognizes the need for districts to complete a two year curriculum and then allows a district to select, select the services needed to support the desired pace of change. Change usually takes a predictable cycle in which the high demand for outside facilitation and training is reduced for a period of time while the change is being institutionalized and before the next big initiative is introduced.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$300 for F.Y. 1998 and \$300 for F.Y. 1999. This appropriation is for a grant to a non-state organization to develop systemic site decision-making models and implement systemic decision-making in school districts.

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

1998-99 Biennial Budget

PROGRAM: 07 Education Excellence
AGENCY: Children, Families & Learning Aids

0721 HOMEWORK HELPLINE

CITATION:
MDCFL ADMIN: 1301 Learner Improvement
FEDERAL:

PURPOSE:

To continue operation of the Minnesota Homework Helpline.

DESCRIPTION:

The Minnesota Homework Helpline provides homework assistance to elementary and secondary students in all subjects. The toll free number (1-800-657-5787) operates 5 afternoons and evenings a week, employing 35 licensed teachers on a part-time basis. The Helpline is administered by the Minnesota Service Cooperatives.

PROGRAM STATUS:

Since the beginning of the 1996-97 school year, the Helpline has received more than 19,000 calls from students of all ages throughout the state.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding of \$250 in F.Y. 1998 and F.Y. 1999 to continue operation of the Minnesota Homework Helpline.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM STATUS:

PROGRAM: 08 Nutrition and Other Education Programs
AGENCY: Children, Families & Learning Aids

0801 ABATEMENT AID AND LEVY

CITATION: M.S. 124.214, Subd. 2; 124.912, Subd. 9; Laws 95 First Special Session, Ch. 3, Art. 8; Sec. 2

MDCFL ADMIN: 1501 Finance and Management Assistance

FEDERAL: None

PURPOSE:

To replace the net revenue loss incurred by school districts as a result of court-ordered abatements or net reductions in the tax capacity of the district after taxes have been spread by the county auditor. Part of the net revenue loss is replaced with state aid, and part is replaced with levy authority. The intent is to pay approximately the same amount in abatement aid as would have been paid to the district in general education, transportation, community education, and capital expenditure aid, if the adjusted net tax capacity could have been adjusted to the lower level.

DESCRIPTION:

The entitlement for abatement aid is determined from data on net revenue losses as certified by the county auditors. A district's aid entitlement is equal to its net revenue loss multiplied by the ratio of: a) the amount certified by the district in equalized general education, transportation, community education and capital expenditure levies for which it received corresponding state aid in the second preceding year to, b) its total certified levy in the preceding fall, pursuant to M.S. 124, 124A and 124A.03, plus or minus auditor's adjustments.

Abatement levy authority is the total of three components:

1. the net revenue loss minus abatement aid after any proration is deducted;
2. the net revenue loss for the first six months of the following calendar year, less any amount certified for the first six months of the prior calendar year; and
3. an amount for any interest paid by the district on abatement refunds.

The abatement levy may be spread over a three year period beginning with the taxes payable in 1995.

The railroad aid payments as a result of Soo Line Railroad Company vs. Commissioner of Revenue and related litigation have been deducted from the abatement aid and levy authority of school districts. Due to the size and timing of the railroad aid payments, a portion of the railroad aid has not yet been deducted. The railroad aid balance to be recovered has been carried forward each year, and deducted from current year abatement aid and levy authority. Laws 1995 gave authority to recover any residual railroad aid balances from state aid payments due to districts in F.Y. 1997.

(\$ in 000s)

Current Law
 F.Y. 1995 F.Y. 1996 F.Y. 1997 F.Y. 1998 F.Y. 1999

1. Total Abatement Funding					
a. Calendar Year	1993	1994	1995	1996	1997
b. Net Reduction in School Taxes	\$61,248.5	\$44,983.0	\$26,968.6	\$30,240.6	\$28,209.1
c. Railroad Aid Balance To Be Recovered	\$29.6	\$20.3	\$18.4	\$0.0 ^c	\$0.0
d. Railroad Aid Subtraction - Current Year	\$9.3	\$1.9	\$15.1	\$0.0	\$0.0
e. Railroad Aid Balance Carried Forward (1c less 1d)	\$20.3	\$18.4	\$3.3	\$0.0	\$0.0
f. Total Abatement Formula Funding (1b less 1d)	\$61,239.2	\$44,981.1	\$26,953.5	\$30,240.6	\$28,209.1
g. Levy for Interest Costs	\$2,731.0	\$590.1	\$774.3	\$697.0	\$662.0
h. Total Abatement Funding	\$63,970.2	\$45,571.2	\$27,727.8	\$30,937.6	\$28,871.1
i. Number of Districts	329	284	287	287	287
2. Abatement Aid Entitlement by Fund					
a. General Fund	\$33,582.5	\$21,615.4	\$16,328.0	\$17,265.5	\$16,158.4
b. Transportation Fund	\$2,184.5	\$1,618.7	\$0.0	\$0.0	\$0.0
c. Community Service Fund	\$364.0	\$307.7	\$194.7	\$153.6	\$144.2
d. Capital Expenditure Fund	\$1,859.8	\$1,300.7	\$0.0	\$0.0	\$0.0
e. General Debt Service Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
f. Total Gross Abatement Aid	\$37,990.8	\$24,842.5	\$16,522.7	\$17,419.1	\$16,302.6
g. Direct Aid Appropriation	\$10,067.0 ^a	\$24,843.0 ^b	\$6,843.0	\$6,844.0	\$6,844.0
h. Transfer From Excess/Deficiency ^d	\$22,428.9	\$0.0	\$889.7	\$0.0	\$0.0
i. Net Prorated Abatement Aid	\$32,495.9	\$24,842.5	\$7,732.7	\$6,844.0	\$6,844.0
j. Proration Factor	85.54%	100.00%	46.80%	39.21%	41.98%
k. Number of Districts	321	273	279	279	279
3. Abatement Levy Authority by (after aud proration)					
a. Certified Levy - Taxes Payable In:	1995	1996	1997	1998	1999
b. Levy Implied by Entitlement	\$23,248.4	\$20,138.6	\$10,430.8	\$12,821.5	\$11,906.5
c. Levy Due to Proration of State Aid	\$5,494.9	\$0.0	\$8,790.0	\$10,575.1	\$9,458.6
d. Levy for Interest Costs	\$2,731.0	\$590.4	\$774.3	\$697.0	\$662.0
e. Total Levy Authority	\$31,474.3	\$20,728.7	\$19,995.1	\$24,093.6	\$22,027.1
f. Authority Adjusted for Underlevies	\$31,328.0	\$20,140.5	\$19,326.2	\$23,491.3	\$21,476.4
g. Number of Districts	329	284	287	287	287

1998-99 Biennial Budget

PROGRAM: 08 Nutrition and Other Education Programs
AGENCY: Children, Families & Learning Aids

0801 ABATEMENT AID AND LEVY
 (Continuation)

(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
4. Certified Levy					
a. Certified Levy - Taxes Payable In:	1995	1996	1997	1998	1999
b. Current Year Levy	\$26,748.2	\$16,574.8	\$17,434.9	\$20,508.0	\$18,643.4
c. Levy Adjustment Year	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
d. Levy Adjustment Amount	(\$8,723.0)	(\$3,248.1)	(\$15,036.8)	\$0.0	\$1,120.1
e. Levy for Interest Costs	\$2,731.0	\$587.4	\$774.3	\$697.0	\$662.0
f. Advanced Levy	\$14,571.1	(\$1,232.5)	\$868.0	\$781.4	\$742.4
g. Carryover Levy	N/A	\$10,633.4	\$2,410.5	\$1,758.2	\$2,612.2
h. Total Certified Levy	\$32,447.6	\$23,314.9	\$6,450.9	\$23,744.6	\$23,780.1

- ^a Includes \$2,500 deficiency appropriation from Laws of 1994, Ch.587
^b Includes reduction of \$2,340 moved to F.Y. 1997 program funding per Laws of 1996, Ch. 412.
^c See program narrative.
^d According to M.S. 124.14, subd. 7

	Current Law				
(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
<u>PROGRAM FUNDING</u>					
A. Statutory Formula REVENUE:	\$61,239.2	\$44,981.1	\$26,953.5	\$30,240.6	\$28,209.1
Current Law Revenue					
(Line 8 on Fiscal Page)					
B. Statutory Formula LEVY:	\$23,248.4	\$20,138.6	\$10,430.8	\$12,821.5	\$11,906.5
Levy Change Due to Insufficient					
Appropriation	\$5,494.9	\$0.0	\$8,790.0	\$10,575.1	\$9,458.6
Current Law Levy					
(Line 7 on Fiscal Page)	\$28,743.3	\$20,138.6	\$19,220.8	\$23,396.6	\$21,365.1
C. Statutory Formula AID:					
Aid Reduction Due To Insufficient					
Appropriation	\$5,494.9	\$0.0	\$8,790.0	\$10,575.1	\$9,458.6
Current Law Aid Entitlement					
(Line 5 on Fiscal Page)	\$32,495.9	\$24,842.5	\$7,732.7	\$6,844.0	\$6,844.0
Proration Factor	85.54%	100.00%	46.80%	39.29%	41.98%

BUDGET ISSUES:

A. CHALLENGES:

- Abatement funding will continue to be needed by school districts. Each year there are court-ordered abatements or net reductions in the tax capacity of districts after taxes have been spread by the county auditor.

B. STRATEGIES:

- This program contributes to the goals of equity for students and taxpayers by replacing revenue to which the district was entitled but which was not received due to abatements. The objective is to replace the revenue in the same proportion of aid and levy as the original entitlement.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$9,545 for F.Y. 1998 and \$13,702 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$9,275 in F.Y. 1998 (\$684 for F.Y. 1997 and \$8,591 for F.Y. 1998), and \$13,287 in F.Y. 1999 (\$954 for F.Y. 1998 and \$12,333 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0801: ABATEMENT REVENUE

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	24,843	16,523	17,419	16,303
2. Statutory Excess / (Shortfall)		(9,680)	(10,575)	(9,459)
3. Appropriated Entitlement	24,843	6,843	6,844	6,844
4. Adjustments				
a. Excess Funds Transferred In / (Out)		890		
5. Current Law Aid	24,843	7,733	6,844	6,844
6. Excess / (Shortfall) After Adjustments	0	(8,790)		
7. Current Law Levy	20,138	19,221	23,397	21,365
8. Current Law Funding: Aid & Levy	44,981	26,954	30,241	28,209
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			6,844	6,844
a. Reduce Aid Proration			2,701	6,858
Recommended Aid Entitlement			9,545	13,702
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			23,397	21,365
a. Reduce Aid Proration			(2,701)	(6,858)
Recommended Levy			20,696	14,507
TOTAL RECOMMENDED FUNDING: AID & LEVY			30,241	28,209

APPROPRIATIONS BASIS:(a)

Prior Year	1,135	3,726	684	954
Current Year	21,117	5,817	8,591	12,333
Current Year Adj. to 90%, per M.S. 124.904		342		
Subtotal before Transfers	22,252	9,885	9,275	13,287
Transfers per M.S. 124.14, subd. 7	10,331 (b)	890		
Total State General Funds	32,583	10,775	9,275	13,287

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) Transfer is in the prior year final account

REVISED 2/28/97
PAGE A-445

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: 08 Nutrition and Other Education Programs
AGENCY: Children, Families & Learning Aids

0802 NONPUBLIC PUPIL AID

CITATION: M.S. 123.931 - 947
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide every school pupil in the state equitable access to secular study materials and pupil support services that complement the program of study the pupil regularly attends. Program funds are used to reimburse school districts for the costs incurred in obtaining the educational materials that are loaned to the nonpublic pupil (textbooks, individualized instructional materials, and standardized tests) or for the costs incurred in providing pupil support services (health services and secondary guidance and counseling services) to the nonpublic pupil.

DESCRIPTION:

There are three basic categories of nonpublic pupil aid provided under Minnesota law:

1. Textbooks, Individualized Instructional Materials, and Standardized Tests. Public school districts, upon formal request, must make available to nonpublic pupils instructional materials that are secular, neutral, nonideological and not able to be diverted to religious use. Items purchased are loaned to the nonpublic pupil and remain the property of the district.

The districts are reimbursed the cost of purchase and distribution of eligible materials up to an amount equal to the statewide average expenditure per public school pupil for similar materials in the second preceding school year, adjusted by the percent of increase in the General Education formula allowance from the second preceding school year to the current school year, multiplied by the number of nonpublic pupils served, with Kindergarten pupils weighted at 0.5.

The formula for computing the per pupil rate is as follows for F.Y. 1997:

$$\begin{array}{lcl} \text{F.Y. 1997} & & \text{F.Y. 1995 Avg. Expend.} \\ \text{Per Pupil} & = & \text{per Public Pupil} \times \\ \text{Rate} & & \text{for like materials} \end{array} \times \frac{\text{F.Y. 1997 Gen'l Ed. Form. Allow.}}{\text{F.Y. 1995 Gen'l Ed. Form. Allow.}}$$

2. Health Services. Public school districts, upon formal request, must make available to nonpublic pupils the student health services provided to public pupils. Health services may be provided to nonpublic students at a public school, a neutral site, the nonpublic school, or any other suitable location.

Each participating district is reimbursed for the cost of providing these services up to an amount equal to the statewide average expenditure per public school pupil for similar services in the second preceding school year, times the number of nonpublic pupils served.

3. Guidance and Counseling Services. Public school districts, upon formal request, must make available to nonpublic secondary pupils, the guidance and counseling services provided to public secondary pupils, except guidance or counseling in the planning or selection of particular courses

or classroom activities of the nonpublic school. Eligible services must be provided either at the public school or at a neutral site. Each participating district is reimbursed for the cost incurred in providing eligible services up to an amount equal to the statewide average expenditure per public secondary pupil for similar services in the second preceding school year, times the number of nonpublic secondary pupils served.

In addition to the three aid reimbursement components described above, school districts are provided an amount equal to 5% of their total aid reimbursement amount to offset the cost of administering the program.

All nonpublic students requesting materials or services by the statutory deadline date have been and are being accommodated. The number of nonpublic students is estimated to increase from 80,653 in F.Y. 1992 to 88,968 in F.Y. 1996. Current projections anticipate that this rate of increase in nonpublic students will continue through F.Y. 1999. In addition, the percentage of these students participating in the Nonpublic Pupil Aid program continues to increase. Also, the number of pupils being instructed by parents in a home school that are requesting to participate in the program is increasing significantly. Since 1987-88, the number of students attending home schools has grown from 2,322 students in 1987-88 to 10,519 in 1995-96. Together these factors are increasing the number of pupils participating in the program.

Reimbursement rates for each current year are based on district expenditures in the second prior year for similar materials and services in the public schools.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Textbooks, individualized instructional materials and standardized tests					
a. Nonpublic Grade K-12 enrollment statewide*	87,221	88,968	90,589	91,884	92,830
b. Districts Participating	231	294	255	258	262
c. Pupils Requesting Services*	77,665	79,696	82,436	83,614	84,475
d. State Aid Rate Per Pupil Unit	52.54	51.08	46.90	48.74	49.46
e. Maximum Aid Entitlement (c times d)	\$4,080.5	\$4,109.2	\$3,866.2	\$4,075.3	\$4,178.1
f. Entitlement Per District Expenditure	\$3,906.1	\$3,974.9	\$3,823.7	\$3,953.1	\$4,052.8
Average Aid Per Pupil Unit (f divided by c)	50.29	49.88	46.38	47.28	47.98
2. Health Services					
a. Nonpublic Grade K-12 enrollment statewide*	87,221	88,968	90,589	91,884	92,830
b. Districts Participating	204	202	208	211	215
c. Pupils Requesting Services*	74,062	75,425	77,907	78,986	79,834
d. State Aid Rate Per Pupil Unit	30.31	31.58	33.21	35.11	35.63
e. Maximum Aid Entitlement (c times d)	\$2,244.8	\$2,406.9	\$2,587.3	\$2,773.2	\$2,844.5

1998-99 Biennial Budget

PROGRAM: 08 Nutrition and Other Education Programs
AGENCY: Children, Families & Learning Aids

0802 NONPUBLIC PUPIL AID
 (Continuation)

(\$ in 000s)	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
f. Entitlement Per District Expenditure	\$1,890.7	\$1,985.3	\$2,261.6	\$2,385.0	\$2,446.3
Average Aid Per Pupil Unit (f divided by c)	25.53	26.32	29.03	30.20	30.64
3. Guidance & Counseling					
a. Nonpublic Secondary Enrollment					
Statewide	27,831	28,451	29,176	29,811	30,060
b. Districts Participating	142	152	158	162	166
c. Pupils Requesting Services*	22,360	23,320	24,216	24,743	24,950
d. State Aid Rate Per Pupil Unit	125.91	121.00	118.03	126.32	128.19
e. Maximum Aid Entitlement (c times d)	\$2,815.3	\$2,825.5	\$2,858.2	\$3,125.5	\$3,198.3
f. Entitlement Per District Expenditure	\$2,363.8	\$2,428.7	\$2,494.6	\$2,688.0	\$2,750.6
Average Aid Per Pupil Unit (f divided by c)	105.72	104.15	103.01	108.64	110.24
4. Total Aid Entitlement					
a. Services and Materials	\$8,160.6	\$8,388.9	\$8,579.9	\$9,026.1	\$9,249.7
b. Administrative Costs	\$408.0	\$419.5	\$429.0	\$451.3	\$462.5
c. Total Funding Requirement	\$8,568.6	\$8,808.4	\$9,008.9	\$9,477.4	\$9,712.2

* Expressed in pupil units (K=0.5, Grades 1-12=1.0)

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$9,477 for F.Y. 1998 and \$9,712 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$9,430 in F.Y. 1998 (\$900 for F.Y. 1997 and \$8,530 for F.Y. 1998), and \$9,688 in F.Y. 1999 (\$947 for F.Y. 1998 and \$8,741 for F.Y. 1999).

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0802: NONPUBLIC PUPIL AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	8,808	9,009	9,477	9,712
2. Statutory Excess / (Shortfall)	878	677	210	(25)
3. Appropriated Entitlement	9,686	9,686	9,687	9,687
4. Adjustments				
a. Excess Funds Transferred In / (Out)	(878)	(609)		
b. Final 10% Not Requested		(68)		
5. Current Law Aid	8,808	9,009	9,687	9,687
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	8,808	9,009	9,687	9,687
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			9,687	9,687
a. Eliminate Excess			(210)	25
Recommended Aid Entitlement			9,477	9,712
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			9,477	9,712

APPROPRIATIONS BASIS:(a)

Prior Year	1,452	1,452	900 (c)	947
Current Year	8,234	8,234	8,530	8,741
Current Year Adj. to 90%, per M.S. 124.904		484		
Subtotal before Transfers	9,686	10,170	9,430	9,688
Transfers per M.S. 124.14, subd. 7	(1,361)(b)	(609)		
Total State General Funds	8,325	9,561	9,430	9,688

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) Includes \$483 for the prior year final account and \$878 in the current year account

c) The \$968 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

REVISED 2/28/97
PAGE A-449

1998-99 Biennial Budget

PROGRAM:	08	Nutrition and Other Education Programs
AGENCY:		Children, Families & Learning Aids
	0803	NONPUBLIC PUPIL PROGRAM SUMMARY (Information Only)
CITATION:		M.S. 123.246; 123.76 - 123.79; 123.931 - 123.947; 124.252; 124.646; 124.648; 124A.034; 126.031 and 290.001
MDCFL ADMIN:	1501	Finance and Management Assistance
FEDERAL:		Various

PURPOSE:

In Minnesota, nonpublic pupils and staff receive services under 10 programs. For purposes of discussion, these programs are categorized by state or federal funding source. The state funded programs include programs that provide either state aid or state income tax deductions. Additional information for each program is provided in the appropriate program budget narrative.

DESCRIPTION:

State Programs:

1. Nonpublic Pupil Aid (M.S. 123.931-123.947; also see Program 0802)

School districts are required to provide every school pupil in the state equitable access to secular study materials and pupil support services that complement the program of study the pupil regularly attends.

Under this program, districts are reimbursed for the costs incurred in obtaining the educational materials that are loaned to the nonpublic pupil or for the costs incurred in providing pupil support services to the nonpublic pupil. The maximum reimbursement is limited to an amount equal to the statewide average expenditure per public pupil in the second prior school year multiplied by the number of nonpublic pupils served. A 2 year inflation adjustment is included in the rate for the textbook, individualized instructional materials and standardized tests component. Districts are provided an additional 5% of the reimbursed amount to offset the cost of administering the program. School districts are not required to expend an amount for nonpublic pupils which exceeds the amount of the state aid payments.

2. Shared Time Program (M.S. 124A.034; also see Program 0101)

Nonpublic school pupils may be admitted by school districts to public school programs for part of the school day. These pupils earn a shared-time portion of General Education aid for the district.

School districts are required to provide special education programs for disabled children. These programs must be made available to disabled nonpublic school pupils, and the district receives a shared-time portion of General Education aid for these pupils.

3. Transportation Program (M.S. 123.76-123.79; also see Program 0104)

School districts are required to provide "equal transportation" to nonpublic school pupils. This means that the district within which a non-disabled pupil resides must provide transportation for the nonpublic pupil within the district in like manner as that provided to the public school student residing in the district. Public schools are also permitted to transport nonpublic school pupils to regular shared-time programs and must transport disabled nonpublic school pupils to and from the facility where special education is provided. Public schools must also provide nonpublic school pupils with transportation within the district boundaries between the private school and public school or neutral site for the purpose of receiving health and secondary guidance and counseling services provided to nonpublic school pupils.

4. School Lunch Program (M.S. 124.646; also see Program 0306)

State funds are used to meet matching requirements of the United States Department of Agriculture National School Lunch Program.

5. School Milk Program (M.S.124.648; also see Program 0306)

State funds are provided to schools to pay, in part or in total, the cost of serving ½ pint of milk per day to kindergarten students. Eligibility is coordinated with the federal school milk program.

6. School Breakfast Program (M.S. 124.6472, also see Program 0308)

State funds are provided to schools to pay, in part or in total, the cost of serving breakfast to students.

7. State Income Tax Deductions (M.S. 290.01, Subd. 19b, [3])

Taxpayers who itemize deductions may deduct from gross income the amounts they spend for tuition, secular textbooks, and transportation of dependents attending public or nonpublic elementary or secondary schools in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin. The maximum deductions are \$650 per dependent in Grades K-6 and \$1,000 per dependent in Grades 7-12.

Federal Programs:

1. School Lunch Act and Child Nutrition Act (see Programs 0328-0334)

The state receives federal funds from the United States Department of Agriculture to provide better nutrition for students.

2. Innovative Program Strategies (also see Program 0715)

The Federal Block Grant program replaced several smaller categorical grant programs. Federal funds are available to schools to support educational program improvement in 6 targeted areas.

3. Teacher In-service (also see Program 0714)

Title 2 of the Elementary and Secondary Education Act (P.L. 98-377), and the Math & Science Act (P.L. 100-297) provide funds to school districts for training and retraining of teachers to improve instruction in the areas of mathematics and science. Nonpublic school teachers must be ensured equitable participation in the program.

1998-99 Biennial Budget

PROGRAM: 08 Nutrition and Other Education Programs
AGENCY: Children, Families & Learning Aids

0803 NONPUBLIC PUPIL PROGRAM SUMMARY
 (Continuation)

This estimate is based on the conversion of the number of nonpublic students to pupil units multiplied times the F.Y. 1996 General Education allowance of \$3,205. Taking into consideration that only three districts receive no General Education aid, all increased revenue is estimated to come in the form of aid.

4. Educationally Disadvantaged (ECIA) Chapter 1, Basic (also see Program 0233)

The state receives federal funds to encourage the participation of nonpublic students in Chapter 1, which provides supplemental services to educationally disadvantaged students who live in areas of high concentrations of poverty.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
A. <u>State Programs</u>					
1. Nonpublic Public Aids					
Texts/Instructional materials	\$3,906.1	\$3,974.9	\$3,823.7	\$3,953.1	\$4,052.8
Health services	\$1,890.7	\$1,985.3	\$2,261.6	\$2,385.0	\$2,446.3
Guidance/ Counseling					
Services	\$2,363.8	\$2,428.7	\$2,494.6	\$2,688.0	\$2,750.6
Administration	\$408.0	\$419.5	\$429.0	\$451.3	\$462.5
Subtotal	\$8,568.6	\$8,808.4	\$9,008.9	\$9,477.4	\$9,712.2
2. Shared-time Program	\$2,350.8	\$2,647.8	\$2,647.8	\$2,541.4	\$2,497.2
3. Pupil Transportation	\$17,426.0	\$18,126.0	\$16,955.4	\$17,179.3	\$21,426.0
4. School Lunch Program	\$326.2	\$328.0	\$328.0	\$328.0	\$328.0
5. School Milk Program	\$80.8	\$82.0	\$85.0	\$85.0	\$85.0
6. School Breakfast	\$9.2	\$12.0	\$14.0	\$14.0	\$14.0
7. State Income Tax					
Deduction	\$2,500.0	\$2,500.0	\$2,500.0	\$2,500.0	\$2,500.0
State Total	\$37,479.4	\$38,701.5	\$37,746.5	\$39,061.1	\$43,777.4
B. <u>Federal Programs</u>					
1. School Lunch Act and					
Child Nutrition Act	\$2,863.2	\$4,203.7	\$4,750.0	\$4,750.0	\$4,750.0
2. Block Grant	\$306.3	\$306.3	\$309.6	\$309.6	\$309.6
3. Teacher In-service Training	\$132.8	\$137.8	\$140.8	\$140.8	\$140.8
4. Educationally Disadvantaged					
Ch. 1	\$7,641.3	\$8,330.0	\$8,240.0	\$8,240.0	\$8,240.0
Federal Total					
GRAND TOTAL	\$10,943.6	\$12,977.8	\$13,440.4	\$13,440.4	\$13,440.4
C. <u>Number of Nonpublic Students</u>					
	87,221	88,968	90,589	91,884	92,830

The total amount of state funding for nonpublic pupils for F.Y. 1996 equals \$38,701,500. If the 101,134 nonpublic pupils in the State of Minnesota during F.Y. 1996 were to enroll in the public school system, the amount of state funding required under current law would be approximately \$324,134,470.

1998-99 Biennial Budget

PROGRAM: 08 Nutrition and Other Education Programs
AGENCY: Children, Families & Learning Aids

0804 PSEO REPLACEMENT AID

CITATION: M.S. 124.177
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

The purpose of this program is to replace lost revenue for districts with declining enrollments whose average daily memberships are significantly reduced by the Post-secondary Enrollment Options Program.

DESCRIPTION:

A school district that meets the following criteria is eligible for PSEO replacement aid:

- the number of pupils or portions of pupils in average daily membership using the post-secondary enrollment options program exceeds 4% of the district's enrollment in grades 11 and 12;
- the enrollment in average daily membership in the district is less in the current year than it was five years previous; and
- the district is adjacent to at least two districts that are eligible for elementary or secondary sparsity revenue.

PSEO replacement aid equals:

- the number of pupils or portions of pupils in average daily membership using the post-secondary enrollment options program for the portion of time not attending the school district, minus
- the number of pupils in average daily membership in grades 11 and 12 in the district multiplied by 4%, multiplied by
- the secondary pupil weighting of 1.3, multiplied by
- the basic formula allowance for the fiscal year.

The PSEO replacement aid is no less than zero.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Intl. Falls	N/A	\$97.6	\$106.7	\$106.7	\$106.7
Crookston	N/A	\$106.8	\$116.7	\$116.7	\$116.7
Chisholm	N/A	\$0.0	\$0.0	\$0.0	\$0.0
Virginia	N/A	\$39.2	\$42.9	\$42.9	\$42.9
Eveleth-Gilbert	<u>N/A</u>	<u>\$7.1</u>	<u>\$7.8</u>	<u>\$7.8</u>	<u>\$7.8</u>
Total		\$250.7	\$274.1	\$274.1	\$274.1
Funds Available		\$250.7	\$135.0	\$121.0	\$121.0
Proration Factor		1.000000	0.492520	0.44144	0.44144

BUDGET ISSUES:**A. CHALLENGES:**

- Districts' eligibility for this program must be checked annually. Eligibility can be changed by a district's enrollment patterns or by a neighboring district's sparsity revenue.

B. STRATEGIES:

- The department will continue to monitor district's eligibility for the program and continue to pay districts the aid required by law.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this program.

The Governor recommends an appropriation of \$12 in F.Y. 1998 for the final portion of the F.Y. 1997 entitlement.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0804: PSEO REPLACEMENT AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	251	274	274	274
2. Statutory Excess / (Shortfall)	(128)	(153)	(153)	(153)
3. Appropriated Entitlement	123	121	121	121
4. Adjustments				
a. Excess Funds Transferred In / (Out)	128	14		
5. Current Law Aid	251	135	121	121
6. Excess / (Shortfall) After Adjustments	0	(139)		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	251	135	121	121
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			121	121
a. Reallocate Funds			(121)	(121)
Recommended Aid Entitlement			0	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			0	0

APPROPRIATIONS BASIS:(a)

Prior Year	0	19	12	0
Current Year	104	103	0	0
Current Year Adj. to 90%, per M.S. 124.904		6		
Subtotal before Transfers	104	128	12	0
Transfers per M.S. 124.14, subd. 7	128	14		
Total State General Funds	232	142	12	0

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

1998-99 Biennial Budget

PROGRAM: 08 Nutrition Other Education Programs
AGENCY: Children, Families & Learning Aids

0805 MISCELLANEOUS GENERAL LEVIES

CITATION: See individual levies.
MDE ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide additional property tax levy revenue to school districts to fund obligations of the district general fund, including unemployment insurance, past operating debt, the cost of judgments, state audits, and retirement, health insurance and severance for certain districts.

DESCRIPTION:

1. **Reemployment Insurance** (M.S. 124.912, Subd. 1). A school district may levy the amounts necessary to pay the district's obligations for unemployment insurance under M.S. 268.06, Subd. 25, and for job placement services offered to employees who may become eligible for benefits under M.S. 268.08. If the unemployment insurance fund balance exceeds \$10 per pupil unit, the levy authority is reduced by the amount of the excess.
2. **Statutory Operating Debt** (M.S. 124.914, Subd. 1). A school district must levy the lesser of:
 - a. 1.66% of the adjusted net tax capacity of the district; or
 - b. the amount needed to retire the district's statutory operating debt as of June 30, 1977.
3. **Operating Debt** (M.S. 124.914, Subd. 2, 3 and 4, and Laws of 1992, Chap. 499, Art. 7, Sec. 16 and 17). Under the 1983 and 1985 operating debt levies, a school district may levy the lesser of:
 - a. 1.85% of the adjusted net tax capacity of the district (4.21% for I.S.D. 712, Buhl-Mountain Iron); or
 - b. the greater of: the amount needed to retire the deficit in the district's operating funds as of June 30, 1983, not to exceed the district's state aid reductions in F.Y. 1983; or the amount needed to retire the deficit in the district's general fund as of June 30, 1985.

Under the 1992 operating debt levy, a school district that has filed a statutory operating debt plan and has received approval by the commissioner of education may levy the lesser of:

- a. 1.0% of the adjusted net tax capacity of the district;
- b. \$100,000; or
- c. the amount needed to retire the deficit in the district's operating funds as of June 30, 1992, reduced by any referendum revenue in the statutory operating debt plan.

I.S.D. 316 and 381 also may levy over a five year period to retire the unreserved undesignated fund balance in the operating funds as of June 30, 1992. The 1996 payable 1997 levy is the final year of this authority.

4. **Judgment** (M.S. 124.912, Subd. 1). A school district may levy the amounts necessary to pay the district's obligations for judgments under M.S. 127.05, including interest.
5. **State Audit** (M.S. 124.912, Subd. 1). A school district may levy the amounts necessary to pay the district's obligations for post audits by the state auditor under M.S. 6.62, if the audit is performed at the discretion of the state auditor pursuant to M.S. 6.51, or if the audit has been requested through a petition by eligible voters pursuant to M.S. 6.54. A school district may not levy for post audits requested by the school board under M.S. 6.55.
6. **Health Insurance Levy** (M.S. 124.916, Subd. 1 and Laws of 1993, Chap. 224, Art. 8, Sec. 18). A school district may levy as an early retirement incentive for health, medical, and dental expenses for certain eligible employees who retired between May 15, 1992 and July 21, 1992 and between May 17, 1993 and August 1, 1993. The levy is authorized for expenses of the retiree up to age 65.
7. **Health Benefit Levy** (M.S. 124.916, Subd. 2). A school district may levy for the district's obligations under the collective bargaining agreement in effect on March 30, 1992 for health insurance and unreimbursed medical expenses of retirees who retired before July 1, 1992. The district levy authority, which may not exceed \$300,000, is available for taxes payable in 1996, 1997, 1998 and 1999.
8. **Minneapolis Civil Service Retirement** (M.S. 124.916, Subd. 3, paragraphs 1, 2 and 3). The Minneapolis school district may levy the amount levied for retirement in 1978, reduced each year by 10% of the difference between the amount levied for retirement in 1971 and the amount levied for retirement in 1975. Beginning in 1991, the Minneapolis school district may also levy an additional amount required for contributions to the Minneapolis Employees Retirement fund as a result of the maximum dollar amount limitation on state contributions to the fund.
9. **Minneapolis and St. Paul Additional Retirement** (M.S. 124.916, Subd. 3, paragraphs 4, 5 and 6). The Minneapolis and St. Paul school districts may levy for the increased costs of TRA contributions due to changes in the contribution rates. The entire amount levied is recognized as revenue in the fiscal year in which the levy is certified. This levy is not considered in computing the aid reduction for the tax levy revenue recognition change under M.S. 124.155.
10. **Minneapolis Health Insurance Subsidy** (M.S. 124.916, Subd. 4). The Minneapolis school district may levy 0.10% of the district's adjusted net tax capacity to subsidize health insurance costs for retired teachers who were basic members of the Minneapolis Teachers Retirement Fund Association, who retired before May 1, 1974, and who are not eligible to receive the hospital insurance benefits of the federal Medicare program without payment of a monthly premium.
11. **St. Paul Severance** (Laws of 1989, Chap. 329, Art. 13, Sec. 18). The St. Paul school district may levy 0.21% of the district's adjusted net tax capacity.
12. **Crime Levy** (M.S. 124.912, Subd. 6). A school district may levy up to \$1.00 per capita to provide a drug abuse prevention program in the elementary schools, and/or to provide liaison services in the middle and secondary schools.
13. **Ice Arena Levy** (M.S. 124.912, Subd. 7). A school district that operates and maintains an ice arena may levy for the net operational costs of the ice arena for the previous year. The school district must demonstrate that it will offer equal sports opportunities for male and female students to use its ice arena.

1998-99 Biennial Budget

PROGRAM: 08 Nutrition Other Education Programs
AGENCY: Children, Families & Learning Aids

0805 MISCELLANEOUS GENERAL LEVIES
 (Continuation)

PROGRAM STATUS:

	Current Law Estimate				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
	<u>93 PAY 94</u>	<u>94 PAY 95</u>	<u>95 PAY 96</u>	<u>96 PAY 97</u>	<u>97 PAY 98</u>
1. Reemployment Insurance					
Net Amount Certified ^(a)	\$5,759.1	\$5,068.0	\$5,170.3	\$5,987.8	\$5,800.0
Number of Districts	273	256	221	241	241
2. Statutory Operating Debt					
Certified Levy	\$131.9	\$53.6	\$37.0	\$38.0	\$40.5
Number of Districts	5	3	2	2	2
3. Operating Debt					
Certified Levy	\$1,176.6	\$1,172.3	\$1,225.9	\$1,103.0	\$658.0
Number of Districts	30	28	27	25	22
4. Certified Levy					
Certified Levy	\$259.3	\$326.2	\$856.8	\$685.5	\$700.0
Number of Districts	6	9	7	10	12
5. State Audit					
Certified Levy	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Number of Districts	0	0	0	0	0
6. Health Insurance Levy					
Certified Levy	\$5,826.4	\$5,899.0	\$5,618.1	\$5,141.2	\$5,141.2
Number of Districts	244	240	222	217	217
7. Health Benefit Levy					
Certified Levy	\$8,190.4	\$7,761.1	\$6,895.9	\$5,978.4	\$5,201.2
Number of Districts	119	118	120	112	110
8. Minneapolis Retirement					
Certified Levy	\$2,364.1	\$1,159.2	\$959.1	\$759.0	\$558.9
9. Additional Retirement					
Certified Levy	\$1,600.0	\$2,350.0	\$3,600.0	\$3,962.0	\$3,962.0
Number of Districts	2	2	2	2	2
10. Minneapolis Health Insurance					
Certified Levy	\$266.4	\$0.0	\$0.0	\$0.0	\$0.0
11. St. Paul Severance					
Certified Levy	\$0.0	\$0.0	\$374.5	\$391.0	\$415.0
12. Crime Levy					
Certified Levy	\$3,382.3	\$3,638.5	\$3,712.8	\$3,806.0	\$3,882.1
Number of Districts	192	209	200	205	205
13. Ice Arena Levy					
Certified Levy	\$205.0	\$188.4	\$182.1	\$292.1	\$292.1
Number of Districts	3	3	3	5	5

^(a) Net levy authority after reductions made for excess fund balances of \$2.6 million for F.Y. 1995, \$2.8 million for F.Y. 1996, and \$2.2 million (est.) for F.Y. 1997, 1998 and 1999.

BUDGET ISSUES:

A. CHALLENGES:

- The miscellaneous general levies continue to serve varied needs for Minnesota school districts. All funds generated through these levies are anticipated to be fully utilized.

B. STRATEGIES:

- Minnesota school districts will generate revenue to the extent needed for various general fund obligations in F.Y. 1998 and F.Y. 1999, thereby contributing to their overall financial health. School districts will not need to allocate general education formula funding to these identified costs. The amount received from levy will be substantially equal to the expenditure as shown on annual financial reports.

GOVERNOR'S RECOMMENDATION:

Governor recommends changing the definition of pupils units consistent with changes in the General Education program. See Program 0101 for further information.

The Governor recommends the following modification in miscellaneous general levies:

Beginning with taxes payable in 1998, compute the reemployment insurance levy based on expenditures through the fiscal year the levy is certified, instead of expenditures through the fiscal year after the year the levy is certified. Permit school districts to recognize 100 percent of the levy in the fiscal year the levy is certified, and exempt this levy from the tax shift aid reduction.

1998-99 Biennial Budget

PROGRAM:	08	Nutrition and Other Education Programs
AGENCY:		Children, Families & Learning Aids
	0806	SCHOOL LUNCH, KINDERGARTEN MILK AND FOOD STORAGE PROGRAM
	0807	SUMMER FOOD SERVICE
	0808	SCHOOL BREAKFAST
CITATION:		M.S. 124.646, 124.6469, 124.6472, 124.124648; Laws 1995X, Ch. 3, Art. 8, Sec. 25, Subd. 5 and 6
MDCFL ADMIN:	1402	Prevention
FEDERAL:	0329	School Lunch
	0330	Special Milk
	0331	School Breakfast
	0332	Child Care Food
	0333	Summer Food Service
	0334	Food Distribution

PURPOSE:

To safeguard the health and well-being of Minnesota children by reimbursing school food authorities that provide breakfast, lunch and milk to children.

- School Breakfast:** To provide additional reimbursement to schools beyond the reimbursement available through the federal School Breakfast Program to encourage more schools to offer nutritious breakfasts to children.
- School Lunch:** To provide required state matching funds to school food authorities to assure continuance of federal assistance through the National School Lunch Program. Additional state funds, beyond the match, help to keep lunch prices affordable.
- Minnesota Kindergarten Milk:** To provide milk reimbursement to schools so that kindergarten children have access to a milk break each school day to improve their health and meet daily nutritional needs.
- Summer Food Service:** To provide funding incentives so more children from low income areas and groups will have access to meals during the summer when school is not in session.
- Food Distribution:** To provide handling, storage, delivery and processing of USDA donated commodities to schools and other eligible agencies using state school lunch revenue match funds.

DESCRIPTION:

The Food and Nutrition activity administers six U. S. Department of Agriculture (Federal) programs (School Breakfast and National School Lunch, Special Milk, Summer Food Service, Child and Adult Care Food, Food Distribution Program). State funds complement several of the USDA sources and fund the Minnesota Kindergarten Milk Program. Combined federal and state funding of about \$170 million is distributed to approximately 1,600 organizational customers.

School Breakfast Program: The state provides an appropriation that is paid to schools on a per breakfast rate because federal reimbursement is not always sufficient to cover local costs, nor to keep

the charge to the paying students at an affordable price. Federal reimbursement rates are structured so that a "severe need" school (one that served 40% or more of its lunches free or at reduced price during the second preceding year) receives greater average reimbursement per breakfast than other schools. State legislation requires schools to offer a breakfast program if 33% or more of their lunches served during the second preceding year were served free or at reduced price.

The FY 97 appropriation of \$456,000 enables two categories of state reimbursement: 1) up to 5.1 cents per breakfast served except for free and reduced price breakfasts served at "severe need" sites, and 2) up to an additional 10.5 cents per free and reduced price breakfast served at schools mandated to offer a breakfast program, but not eligible for federal "severe need" reimbursement (between 33% and 40% of lunches served during the second preceding year were served free or at reduced price).

School Lunch Program: The State Revenue Matching (SRM) requirement for the National School Lunch Program (NSLP) is fixed at \$4,625,000. If the state fails to meet the SRM requirement for any school year, the federal assistance funds used by the state during that school year are subject to recall and repayment to the U. S. Department of Agriculture (USDA). For school years 1996 and 1997 \$6,404,000 and \$6,454,000 have been appropriated.

SRM funding is used for reimbursement of lunches served in participating schools and for commodity handling, storage and delivery costs. Payment is made to schools on a per lunch rate (approximately 5 cents per meal). At the end of each school year, the rate of reimbursement is adjusted, based on total claims and the state appropriation.

Minnesota Kindergarten Milk Program: Public and nonpublic schools participating in the program are initially reimbursed at approximately 14 cents per estimated number of half-pints of milk for kindergarten students. For milk claimed both through this program and the federal milk program, the initial state reimbursement rate is approximately 6 cents per estimated number of half-pints of milk for kindergarten students. \$800,000 has been appropriated annually.

Summer Food Service Program: Beginning in FY 1994, incentive funding of \$1,000 was provided to each new sponsor of the federal SFSP. Funds are used for start up costs at the discretion of the sponsor. This strategy increases program access of the federal SFSP by providing operating and administrative funds.

Food Distribution Program: School lunch SRM funds are used to pay for handling, storage and delivery of USDA donated commodities to schools. Estimated annual distribution costs are subtracted from SRM funds before the remaining balance is paid to schools on a per lunch basis. M.S. 121.11, subd. 14 provides for the establishment of a revolving fund for which SRM funds can be used for the further processing of USDA commodities and for the establishment of a revolving fund for the deposit and payment of commodity distribution charges of non school agencies.

1998-99 Biennial Budget

PROGRAM:	08	Nutrition and Other Education Programs
AGENCY:		Children, Families & Learning Aids
	0806	SCHOOL LUNCH, KINDERGARTEN MILK AND FOOD STORAGE PROGRAM
	0807	SUMMER FOOD SERVICE
(Continuation)	0808	SCHOOL BREAKFAST

PROGRAM STATUS:

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
School Breakfast Program:					
A. Number of School Breakfast Programs					
1. Public School District	300	293	288	285	283
Sites	953	996	1,010	1,025	1,035
2. Nonpublic Schools	29	25	26	25	25
Sites	33	26	27	26	26
3. Residential Institutions	43	45	45	45	45
Sites	86	89	89	89	89
B. State Funding					
1. Total Breakfast Eligible for State Funding (000s)					
a. Non-Severe Need Sites and Paid Breakfasts	5,008	5,334	5,500	5,700	5,850
b. Mandated Sites (33%-40%) Free and Reduced Price Breakfasts	936	1,006	1,050	1,075	1,100
2. Reimbursement per Breakfast (cents)					
a. Non-Severe Need Sites and Paid Breakfasts	5	5	5	5	5
b. Mandated Sites (33%-40%) Free and Reduced Breakfasts	11	11	11	11	11
3. Total State Aid Available	\$354	\$381	\$456	\$456	\$456
School Lunch Program					
A. Number of School Food Authorities					
1. Public School Districts(a)	381	363	357	355	353
2. Private Schools and Residential Child Care Institutions	248	244	244	244	244
B. State Revenue Matching (SRM)					
1. Total Number of Lunches Served (000s)	84,267	84,227	84,300	84,300	84,300
2. State Reimbursement per lunch (cents)(b)	6	6	6	6	6
3. State Cash Assistance	\$5,017	\$5,639	\$5,054	\$5,054	\$5,054
4. Total State Aid Available for Lunch Payments, Storage, & Trans Costs(c)	\$5,772	\$6,442	\$6,454	\$6,454	\$6,454

(a) Due to Pairing and Cooperating agreements, not all school districts have individual food service agreements.

- (b) The rounded reimbursement per meal shown on tables is decreased or increased to distribute available funding.
- (c) The SRM remains at \$4,625,000. Beginning in F.Y. 1997 state funding provided \$7,254,000. Of this amount, \$800,000 is for the Minnesota Kindergarten Milk Program and approximately \$1,400,000 will be used for commodity storage and transportation costs. Storage and transportation funding is also listed below in the Food Distribution Program.

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Minnesota Kindergarten Milk Program					
A. Public Schools					
Number of SFAs Participating	329	326	323	320	320
Number of Kindergarten Students	62,391	62,908	63,500	64,000	64,500
Number of Kindergarten Students with Access	51,468	52,674	53,500	54,500	55,500
State Aid Received	\$719	\$718	\$715	\$715	\$715
B. Private Schools					
Number of SFAs Participating	194	194	194	194	194
Number of Kindergarten Students	8,676	8,828	8,950	9,000	9,050
Number of Kindergarten Students with Access	5,086	5,311	5,500	5,650	5,650
State Aid Received	\$81	\$82	\$85	\$85	\$85
C. Total State Aid Available	\$800	\$800	\$800	\$800	\$800
Summer Food Service Program					
Funding For Incentive	\$19	\$15	\$15	\$15	\$15
Number of New Sponsors	19	15	15	15	15

Food Distribution Program					
Warehouse storage, handling and distribution costs	\$755	\$800(d)	\$1,400	\$1,400	\$1,400
Revolving Fund Processing Activity	\$1,000	\$1,000	\$1,000	\$2,000	\$2,000

(d) In addition, on a one-time basis, \$500,000 of federal funds were expended.

BUDGET ISSUES:

A. CHALLENGES:

- **School Breakfast Program:** At a time when more schools are required to offer breakfast programs and the number of breakfasts served continues to increase, the amount of federal reimbursement received is inadequate to meet the actual cost of preparing a nutritious breakfast. Schools are asked to promote the relationships between good nutrition, health and learning. However, it is increasingly difficult for schools to provide breakfasts that meet the dietary guidelines for Americans, allow all children to eat for a reasonable fee and provide enough income to maintain a breakfast program.
- **School Lunch Program:** School lunch participation and the cost of each meal continues to rise each year. The federal reimbursement has not covered the direct costs incurred by many schools to produce the lunches. With price increases, additional children choose not to eat lunch at school and may not get a nutritious meal.
- **Minnesota Kindergarten Milk Program:** Not all students have access yet.

1998-99 Biennial Budget

PROGRAM:	08	Nutrition and Other Education Programs
AGENCY:		Children, Families & Learning Aids
	0806	SCHOOL LUNCH, KINDERGARTEN MILK AND FOOD STORAGE PROGRAM
	0807	SUMMER FOOD SERVICE
(Continuation)	0808	SCHOOL BREAKFAST

- **Summer Food Service Program:** The federally funded SFSP is not available to children in every qualifying area of the state. Some municipalities with significant numbers of eligible children have never had a program. With recent federal reimbursement cuts (effective in 1997) program expansion into those communities will be challenging. Expansion into primarily rural areas will be even more difficult.
- **Food Distribution Program:** Commodity distribution costs will increase due to inflation and an increase in the amount of processed commodity end products. This will reduce the amount of funds available for reimbursement to school food authorities. The amount of commodities that will be further processed will increase as a result of higher labor costs and desirability of end products. However, the limited amount of SRM funds available for use as a revolving fund for processing may limit the volume of commodities that can be processed.

B. STRATEGIES:

- **School Breakfast Program:** Minnesota Children is promoting the School Breakfast Program along with existing state legislation which provides complementary state aid to USDA funding. The funding combination has made it possible for more schools to operate in the black and continue to offer the program. The link between breakfast and educational achievement makes it important for schools to increase the participation rates of all students in the SBP.
- **School Lunch Program:** In addition to state aid that complements USDA funding, Minnesota Children provides local consultation on program management including roles and qualifications of leadership staff, menu planning and purchasing, pricing strategies and cost reduction strategies.
- **Minnesota Kindergarten Milk Program:** Program outreach continues.
- **Summer Food Service Program:** Recruitment of new sponsors will be concentrated in areas that have a significant population base for long term viability and those who have access to other food resources (e.g. surplus, salvage, dated and donated foods) to supplement the loss of federal funds. Collaborations are also being developed within communities to promote the program through local service agencies, obtain equipment funding and build stronger volunteer networks.
- **Food Distribution Program:** The food distribution program will continue the practice of Just In Time to hold down distribution costs. More commodities will be processed into desirable end products for school food authority labor savings and convenience.

GOVERNOR'S RECOMMENDATION:

School Lunch/Milk/Storage Program

The Governor recommends an aid entitlement and 100% current appropriation of \$7,254 for F.Y. 1998 and \$7,254 for F.Y. 1999.

The Governor recommends continuation of authority for the following:

- Any unexpended balance remaining from the appropriations in this subdivision shall be prorated among participating schools based on the number of free, reduced and fully paid federally reimbursable student lunches served during that school year.
- If the appropriation amount attributable to either year is insufficient, the rate of payment for each fully paid student lunch shall be reduced and the aid for that year shall be prorated among participating schools so as not to exceed the total authorized appropriation for that year.
- Any temporary transfer processed in accordance with this subdivision to the commodity processing fund will be returned by June 30 in each year so school lunch aid and food storage costs can be fully paid as scheduled.
- Not more than \$800,000 of the amount appropriated each year may be used for school milk aid.

Summer Food Service

The Governor recommends an aid entitlement and 100% appropriation of \$15 for F.Y. 1998 and \$15 for F.Y. 1999.

School Breakfast

The Governor recommends an aid entitlement and 100% current appropriation of \$456 for F.Y. 1998 and \$456 for F.Y. 1999.

The Governor recommends continuation of authority for the following:

- If the appropriation amount attributable to either year is insufficient, the rate of payment for each fully paid student breakfast shall be reduced and the aid for that year shall be prorated among participating schools so as not to exceed the total authorized appropriation for that year. Any unexpected balance remaining shall be used to subsidize the payments made for school lunch aid per M.S. 124.646.
- Up to one percent of the program funding can be used by the Department of Children, Families & Learning for technical and administrative assistance.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0806: SCHOOL-LUNCH, KINDERGARTEN MILK AND FOOD STORAGE AID

0807: SUMMER FOOD SERVICE

0808: SCHOOL BREAKFAST AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1a. Statutory Formula Aid - School Lunch, Kindergarten Milk and Food Storage Aid	7,204	7,254	7,254	7,254
1b. Statutory Formula Aid - Summer Food Service	15	15	15	15
1c. Statutory Formula Aid - School Breakfast Aid	419	456	456	456
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	7,638	7,725	7,725	7,725
4. Adjustments				
a. Payment of Prior Year Claims	(3)			
5. Current Law Aid	7,635	7,725	7,725	7,725
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	7,635	7,725	7,725	7,725
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			7,725	7,725
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			7,725	7,725

APPROPRIATIONS BASIS:

Direct Appropriated Funds - School Lunch and Food Storage Aid	7,242 (a)	7,254	7,254	7,254
Direct Appropriated Funds - Summer Food Service	15	15	15	15
Direct Appropriated Funds - School Breakfast Aid	381 (a)	456	456	456
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	7,638	7,725	7,725	7,725

a) Laws 1995, First Special Session, Chapter 3 authorizes the transfer and use of excess school breakfast appropriation for school lunch aid.

1998-99 Biennial Budget

PROGRAM: 08 Education and Other Education Programs
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0809 FEDERAL IMPACT AID
(Information Only)

CITATION: P.L. 81-874, Titles I and IV as amended; P.L. 81-915, as amended
MDCFL ADMIN: 1209 Education Finance

PURPOSE:

Federal Impact Aid was established to assist school districts that are financially burdened as a result of existing, new, or expanded federal activities. Federal Impact Aid is designed to compensate school districts for the costs of educating children when enrollments and/or the availability of revenues from local sources have been adversely affected by federal ownership or federal activity.

DESCRIPTION:

For fiscal year ending 1996, 20 Local Education Agencies (LEAs) in Minnesota qualified and received approximately \$4.1 million in funding for Federal Impact Aid.

The federal government is the nation's largest landowner and employer, with military installations, civilian government agencies, Indian reservations, and public housing. The federal government does not pay property taxes, the traditional source of financial support for schools. Since federal property is not subject to property tax, it does not provide financial support for the schools, even though the dependents of federal employees and residents of federal lands add to the cost of providing public education. When P.L. 81-874 and P.L. 81-815 were originally enacted in 1950, the primary focus was to respond to the impact of increased populations in centers of defense production and near military installations. Since that time, P.L. 103-382 has expanded the provisions of the program to recognize the impact represented by children residing on certain Indian lands. Additional Impact Aid is available for disabled children who reside on Indian land and disabled children who have a parent in the uniformed services. The definition of federal property has been broadened to include certain low-rent housing properties as well as tax-exempt properties owned by foreign governments.

Federal Impact Aid provides assistance to LEAs under one broad program with four components that is a recurring, current funded program requiring an annual application filed with the U.S. Department of Education by January 31.

1. Public Law 103-382

Public Law 103-382 provides financial assistance for current operations. Impact aid payments are made directly to school districts for the current fiscal year where they are usually commingled with state, local, and other funds used for any purpose benefiting all students enrolled in the district. Funds for this program are available from October 1 through September 30. The level of funding is dependent upon the availability of appropriations. Significant sections of this law are described below.

2. Section 8002 (of P.L. 103-382)

Authorizes assistance to school districts having a partial loss of tax base as a result of the acquisition of real property by the United States. An LEA may be eligible if 1) the property was acquired by

transfer since 1938; 2) was not acquired by exchange for other federal property in the LEA agency which the United States owned before 1939; 3) the assessed valuation of such property represents 10% or more of the total assessed valuation of all realty in the LEA at the time or times of transfer; 4) the acquisition has placed a substantial and continuing financial burden on the LEA; and 5) the LEA is not being substantially compensated by increases in revenue from federal activities with respect to the Federal property.

3. Basic Support Payments (Section 8003)

Basic support payments constitute the major part of the Impact Aid program. Section 8003 establishes several broad categories of school children who may generate payments for their LEAs and requires the determination of the number in each category. Eligible school districts provide education for federally connected children who:

1. reside on federal property *and* live with a parent employed on Federal property, or
2. reside on federal property with a parent who is an official of a foreign government and is a foreign military officer,
3. reside on federal property *and* have a parent on active duty in the uniformed forces,
4. reside on Indian lands,
5. had a parent on active duty in the uniformed services but did not reside on federal property,
6. had a parent who is an official of and has been accredited by a foreign government and is a foreign military officer but did not reside on federal property,
7. resided in low-rent housing, or
8. resided with a parent employed on federal property.

A school district may be eligible for payments if the total number of Section 8003 children in average daily attendance (ADA) is 3% of the total average daily attendance or 400, whichever is the lesser.

The maximum amount the LEA is eligible to receive under Section 8003 for any fiscal year is the sum of its total weighted student units multiplied by one-half of the average per-pupil expenditure for all of the states for the third fiscal year preceding the fiscal year for which the determination is made.

4. Payments for Children with Disabilities (Section 8003 (d))

The new legislation includes a new formula and authorization for a separate appropriation for payments for children with disabilities. Revenues for children with disabilities shall be used to provide a free public education to children in accordance with the Individuals with Disabilities Education Act.

For children with disabilities who reside on Indian land and children with disabilities who are military dependents residing on federal property, the revenue weighting is 1.0 and it is estimated that the payment per child will be approximately \$900. For military dependent children with disabilities not residing on Federal property, the revenue weighting is .50 and it is estimated that payment will be approximately \$450 per child.

Payments to Heavily Impacted Districts (Section 8003 (f))

Additional revenue is to be provided for LEAs which meet one or more of the following eligibility:

1. has an enrollment of federally connected children which is at least 50% of total enrollment of the LEA if the LEA receives Basic Support Payments (Section 8003); or
2. has an enrollment of federally connected children which is at least 40% of total enrollment of the LEA if the LEA does NOT receive Basic Support Payments (Section 8003) *and* has a tax rate for general fund purposes which is at least 95% of the average tax rate for general fund purposes of comparable LEAs; or
3. has an enrollment of federally connected children which is at least 35% of total enrollment of the LEA *and* has a tax rate for general fund purposes which is at least 125% of the average tax rate for general fund purposes of comparable LEAs in the state.

1998-99 Biennial Budget

PROGRAM: 08 Education and Other Education Programs
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0809 FEDERAL IMPACT AID
 (Continuation)

Policies and Procedures for Children Residing on Indian Lands (Section 8004)

Districts claiming assistance under Section 8003 for children residing on Indian lands must establish policies and procedures to ensure that:

1. the Indian children claimed participate on an equal basis in the school program with other children educated by the district;
2. the tribes and parents of the Indian children must receive copies of the applications and evaluations;
3. parents and tribes are consulted and involved in planning and developing such program and activities;
4. relevant applications, evaluation and program plans are disseminated to the parents and tribes; and
5. parents and tribes are afforded an opportunity to present their views on the education programs of the district.

PROGRAM STATUS:

I.S.D.	District Name	Current Law				
		F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1	Minneapolis	\$75.8	\$64.4	\$0.0	*	*
4	McGregor	28.4	28.2	22.3		
11	Anoka-Hennepin	22.1	0.0	0.0		
25	Pine Point	91.2	77.5	131.0		
31	Bemidji	73.2	0.0	0.0		
32	Blackduck	21.5	18.3	4.4		
36	Kelliher	31.4	26.7	0.0		
38	Red Lake	2,276.1	1,934.7	2,710.7		
93	Carlton	53.9	45.8	40.4		
94	Cloquet	155.9	132.5	0.0		
113	Walker	65.9	56.0	67.5		
115	Cass Lake	466.6	396.6	256.5		
118	Remer	37.6	31.9	18.8		
162	Bagley	68.5	55.0	13.4		
166	Cook County	0.0	0.0	32.3		
192	Farmington	3.1	0.0	0.0		
280	Richfield	10.0	0.0	0.0		
317	Deer River	123.3	102.4	102.0		
381	Lake Superior	5.0	0.0	0.0		
432	Mahnomen	476.9	405.4	312.5		
435	Waubun	\$210.6	\$179.0	\$0.0	*	*
473	Isle	22.6	0.0	0.0		
480	Onamia	162.3	138.0	60.5		
625	St Paul	123.6	105.1	0.0		
652	Morton	119.7	0.0	0.0		
696	Ely	2.6	0.0	0.0		

I.S.D.	District Name	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
700	Hermantown	18.8	0.0	0.0		
707	Nett Lake	180.5	153.5	198.1		
709	Duluth	17.9	0.0	0.0		
742	St Cloud	20.9	0.0	0.0		
2142	St Louis County	82.3	69.9	0.0		
2165	Hinckley-Finlayson	25.4	0.0	0.0		
2580	East Central	34.6	0.0	4.8		
2758	Redwood Falls	0.0	91.6	0.0		
	TOTAL	\$5,108.2	\$4,108.5	\$3,975.2		

BUDGET ISSUES:

A. CHALLENGES:

- Revenue reductions targeted for F.Y. 1998 have made it difficult to determine how many Minnesota LEAs will retain Impact Aid revenue. It is projected that 700 of the nation's 2,700 LEAs currently receiving Impact Aid will lose funding.

B. STRATEGIES:

- Federal Impact Aid will continue to provide direct aid payments to Minnesota school districts which are financially burdened as a result of federal activities or ownership. Although nationwide, Impact Aid is primarily a program for military and other federal activities, LEAs which include Indian lands are the main benefactors in Minnesota. The amount of Impact Aid received by Minnesota LEAs makes a significant impact in providing programs and services to students. The Minnesota Department of Children, Families & Learning will continue to provide assistance to LEAs in their application for Federal Impact Aid.

1998-99 Biennial Budget

PROGRAM: 08 Nutrition and Other Education Programs
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

0811 SCHOOL LUNCH PROGRAM
 0812 SPECIAL MILK PROGRAM
 0813 SCHOOL BREAKFAST PROGRAM
 0814 CHILD AND ADULT CARE PROGRAM
 0815 SUMMER FOOD SERVICE PROGRAM
 0816 FOOD DISTRIBUTION PROGRAM

CITATION: National School Lunch Act, Sections 4, 9, 11, 13, 14, and 17
MDCFL ADMIN: 1303 Food and Nutrition Service

PURPOSE:

To safeguard the health and well-being of Minnesota children by reimbursing school food authorities that provide breakfast, lunch, and milk to children and that participate in the following United States Department of Agriculture (USDA) nutrition programs:

Child and Adult Care, School Breakfast, National School Lunch, Special Milk, Summer Food Service, and Food Distribution

DESCRIPTION:

The Food and Nutrition activity is to effectively deliver six U. S. Department of Agriculture (Federal) nutrition programs (Child and Adult Care Food, School Breakfast, National School Lunch, Special Milk, Summer Food Service and Food Distribution Programs) through leadership, service and administration.

Child and Adult Care Program: Eligible organizations are licensed or approved child care centers, outside-school-hours care centers, sponsoring organizations, and family day care homes. USDA reimbursement is available for breakfast, lunches, suppers, and snacks that meet guidelines. Up to two meals and one snack per day per participant may be claimed for reimbursement. Rates of reimbursement for center and for family day care homes are established by USDA. For centers, the amount of reimbursement also depends on household size and income. Sponsors of family day care home organizations receive administrative payments in relation to the number of homes sponsored.

School Breakfast Program and National School Lunch Program: Public and nonpublic schools and residential child care institutions are eligible to participate in these programs and receive reimbursement at rates that are established annually. Free and reduced price breakfasts and lunches are available to children who qualify based on family size and income. Low cost meals are available to other children. A basic federal rate of reimbursement for breakfasts, and a basic rate for lunches, is paid for all meals served. All sites receive reimbursement in addition to the basic rate for meals served free or at reduced price. For "severe need" breakfast sites (those sites with free and reduced price lunch participation of at least 40%) free and reduced price breakfasts are eligible for higher rates of reimbursement if justified by actual costs. Sites with at least 60% free and reduced price lunch participation receive slightly higher rates of reimbursement for all lunches served.

Special Milk Program: This program serves children who do not have access to school breakfast or lunch. Agencies are reimbursed for ½ pints of milk at a rate that is adjusted annually. Agencies which serve milk free to eligible needy are reimbursed at their average cost of milk.

Summer Food Service Program: Agencies in federally defined low-income areas receive reimbursement and donated commodities for meals served to eligible needy when the school meal programs are not operating. Agencies in low-income areas are recruited to participate in this program. Agencies receive administrative aid as well as operating reimbursement.

Food Distribution Program: The department contracts with one or more providers to receive, store and distribute USDA donated commodities to eligible schools, charitable institutions, summer camps and summer food service program sites. Based on availability, desirable commodities are requested from the USDA on behalf of eligible agencies and equitably allocated and delivered to program participants. Many less-desirable commodities are processed into more desirable end products.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Child and Adult Care Program					
1. Public Institutions					
Total Institutions Participating	53	65	65	65	65
Sites	172	159	160	160	160
Average Daily Participants	4,423	4,550	4,550	4,550	4,550
USDA Funding	\$620.0	\$640.0	\$700.0	\$650.0	\$640.0
2. Private Institutions					
Total Institutions Participating	242	230	230	230	230
Sites	14,552	14,659	14,700	14,700	14,700
Average Daily Participants	92,600	92,500	92,500	92,500	92,500
USDA Funding	<u>\$62,354.0</u>	<u>\$64,537.0</u>	<u>\$66,800.0</u>	<u>\$64,350.0</u>	<u>\$63,360.0</u>
3. Total Federal Aid	<u>\$62,974.0</u>	<u>\$65,177.0</u>	<u>\$67,500.0</u>	<u>\$65,000.0</u>	<u>\$64,000.0</u>
School Breakfast Program					
1. Public School Districts					
School Food Authorities Participating	300	293	288	285	283
Sites	953	996	1,010	1,025	1,035
Breakfast Served (000s)					
Paid	2,187	2,574	2,900	3,100	3,300
Reduced Price	777	853	900	950	1,000
Free	<u>6,645</u>	<u>6,861</u>	<u>7,000</u>	<u>7,100</u>	<u>7,200</u>
Total Breakfasts	<u>9,609</u>	<u>10,288</u>	<u>10,800</u>	<u>11,150</u>	<u>11,500</u>
2. USDA Funding	<u>\$8,250.0</u>	<u>\$8,730.0</u>	<u>\$9,000.0</u>	<u>\$9,300.0</u>	<u>\$9,500.0</u>
School Food Authorities/Institutions	72	70	71	70	70
Sites	119	115	116	115	115
Breakfast Served (000s)					
Paid	94	95	94	94	94
Reduced Price	14	14	14	14	14
Free	<u>879</u>	<u>907</u>	<u>930</u>	<u>955</u>	<u>980</u>
Total Breakfasts	<u>987</u>	<u>1,016</u>	<u>1,038</u>	<u>1,063</u>	<u>1,088</u>
USDA Funding	<u>\$1,032.0</u>	<u>\$1,087.0</u>	<u>\$1,125.0</u>	<u>\$1,175.0</u>	<u>\$1,200.0</u>
3. Total Federal Aid	<u>\$9,413.0</u>	<u>\$9,903.0</u>	<u>\$10,249.0</u>	<u>\$10,475.0</u>	<u>\$10,700.0</u>

1998-99 Biennial Budget

PROGRAM: 10 Libraries
AGENCY: Children, Families & Learning Aids

FEDERAL PROGRAMS

1005 PUBLIC LIBRARY AID
 (Continuation)

(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998*	F.Y. 1999*
4. Public Library Construction Grants					
Number of Grants	3	3	3	3	3
Expenditures	\$310.0	\$310.0	\$200.0	\$200.0	\$200.0
5. Multi-regional or state level capacity building projects					
Number of Grants	7	7	1	1	1
Expenditures	\$338.0	\$404.0	\$185.0	\$185.0	\$185.0
TOTALS					
Number of Grants	27	28	21	21	21
Expenditures	\$2,058.4	\$2,124.4	\$1,985.0	\$1,985.0	\$1,985.0

* The figures in the latter two columns may not be valid. Actual projections will not be available until the new state plan has been completed and approved.

Note: Funding levels shown in the statistical table may differ from the expenditures shown on the federal program fiscal summary page, due to fund carryover provisions and statewide accounting period closing requirements.

Beginning in F.Y. 1997, P.L. 101-254 was replaced with P.L. 104-208.

BUDGET ISSUES:

A. CHALLENGES:

- Final rules and regulations for allowable expenditures under LSTA will not be ready until late F.Y. 1997.
- The commitment and ability of the state institutions to maintain support for library services may preclude their receiving grants in future years.
- It is unknown whether historical uses of federal funds will be valid and affordable.

B. STRATEGIES:

- For almost forty years, federal funds have come to Minnesota under successive reauthorizing of this program, assisting in supporting statewide library development and cooperation. Transition to a new act will mean working with many of the same grant recipients as in the past to work out ways to phase in the new priorities.

- Although all Minnesotans have access to public library service and use of Minnesota public libraries has steadily increased since 1980, not all segments of the population share equally in this use. Library Development and Services must work with eligible grant applicants in effectively reaching these new targeted populations.
- To clarify which programs should be more appropriately funded at the state level to achieve equity and economy and which should be supported with federal funds.
- In January through March of 1997, a new five-year plan will be developed in partnership with local city and county governmental officials; school, library and other community and general public stake holders which will determine priorities for F.Y. 1998 - 1999 grants.

This page intentionally left blank.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

1102: REGIONAL LIBRARY TELECOMMUNICATIONS AID

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	800	0	800	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	800	0	800	0
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	800	0	800	0
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	800	0	800	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			800	0
a. Reallocate Funds			(800)	
Recommended Aid Entitlement			0	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			0	0
<hr/>				
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	800	0	0	0
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	800	0	0	0

1998-99 Biennial Budget

PROGRAM: 11 Technology
AGENCY: Children, Families & Learning Aids

1103 INTERACTIVE TELEVISION (ITV) AID AND LEVY

CITATION: M.S. 124.91, Subd. 5
MDCFL ADMIN: 1501 Finance and Management Assistance
FEDERAL: None

PURPOSE:

To provide funds for the construction, maintenance, and lease costs of an interactive television system for instructional purposes so districts have more program offerings for students.

DESCRIPTION:

A school district located outside economic development region 11 may apply for revenue up to the greater of 0.5% of the adjusted net tax capacity or \$25,000. There is a statutory provision for a revenue adjustment for ITV lease costs incurred by component districts and a revenue adjustment in the first year following consolidation. A district maximum levy equals the product of the maximum revenue times the lesser of one or the ratio of the district's adjusted net tax capacity per actual pupil unit to the equalizing factor. A district's maximum aid equals the maximum revenue minus the maximum levy. If a district levies less than the maximum amount, the state aid is reduced proportionately. If capital expenditure ITV aid is prorated, there is no adjustment to the levy for the proration.

PROGRAM STATUS:

	Current Law				
(\$ in 000s)	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Total Revenue					
Amount (Gross)	\$4,896.8	\$5,667.6	\$5,858.6	\$7,109.3	\$7,300.0
Amount (Net)	\$4,557.0	\$4,164.3	\$5,858.6	\$6,398.6	\$6,529.5
Districts	188	196	192	218	220
Levy					
Amount	\$1,403.0	\$1,694.3	\$2,011.9	\$2,485.6	\$2,591.5
Districts	188	196	192	218	220
State Aids					
Amount (Gross)	\$3,493.8	\$3,973.3	\$3,846.7	\$4,623.7	\$4,708.5
Amount (Net)	\$3,154.0	\$2,470.0	\$3,846.7	\$3,913.0	\$3,938.0
Districts	186	195	190	216	218

Not included in the table above would be additional payable 1996 (F.Y. 1997) ITV levy revenue of \$50,000 each for District, 95 - Cromwell, and 698 - Floodwood. With this additional levy, each district qualified for a matching grant of \$125,000 for F.Y. 1997.

BUDGET ISSUES:

A. CHALLENGES:

- Small schools continue to have fewer program offerings than larger school districts.
- Network technology will continue to provide opportunities for all schools to benefit from this program.
- The Minnesota Department of Children, Families & Learning will continue to provide technical assistance to participating districts.

B. STRATEGIES:

- Broaden this program to allow districts greater flexibility in the purchase and maintenance of instructional technology.
- Districts need revenue to wire buildings to create local area and wide area networks that can allow teachers and students to communicate with each other within school buildings, between school buildings, and throughout the state and country. A broader program will allow for shared learning and professional development to ensure the development and implementation of the best teaching and learning practices and materials.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement of \$4,051 for F.Y. 1998 and \$6,152 for F.Y. 1999.

Based on these entitlements, the Governor recommends an appropriation of \$4,030 in F.Y. 1998 (\$384 for F.Y. 1997 and \$3,646 for F.Y. 1998), and \$5,942 in F.Y. 1999 (\$405 for F.Y. 1998 and \$5,537 for F.Y. 1999).

The Governor recommends the following modification in the interactive television program:

1. To stabilize aid and levy computations as changes are made in pupil unit weightings and the general education formula, set the equalizing factor for the interactive television program at \$10,447, beginning in F.Y. 1999.
2. Permit interactive television revenue to be used for telecommunication access grants.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

1103: INTERACTIVE TELEVISION (ITV) REVENUE

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	3,973	3,847	4,624	6,636
2. Statutory Excess / (Shortfall)	(1,503)	204	(711)	(2,698)
3. Appropriated Entitlement	2,470	4,051	3,913	3,938
4. Adjustments				
a. Excess Funds Transferred In / (Out)	1,503	(183)		
b. Portion of Final 15% Not Requested		(21)		
5. Current Law Aid	3,973	3,847	3,913	3,938
6. Excess / (Shortfall) After Adjustments	0	0		
7. Current Law Levy	1,660	1,992	2,486	2,592
8. Current Law Funding: Aid & Levy	5,633	5,839	6,399	6,530

GOVERNOR'S RECOMMENDATION: AID

Current Law Aid (from Line 5)	3,913	3,938
a. Adjust Base Funding	138	113
b. Change in Levy Requirement	0	2,101
Recommended Aid Entitlement	4,051	6,152

GOVERNOR'S RECOMMENDATION: LEVY

Current Law Levy (from Line 7)	2,486	2,592
a. Change Eligible Uses of Revenue	0	1,060
Recommended Levy	2,486	3,652

TOTAL RECOMMENDED FUNDING: AID & LEVY

6,537 9,804

APPROPRIATIONS BASIS:(a)

Prior Year	473	370	384 (c)	405
Current Year	2,100	3,444	3,646	5,537
Current Year Adj. to 90%, per M.S. 124.904		202		
Subtotal before Transfers	2,573	4,016	4,030	5,942
Transfers per M.S. 124.14, subd. 7	1,465	(145) (b)		
Total State General Funds	4,038	3,871	4,030	5,942

a) For FY 1996, appropriations are composed of 15% of the prior year's entitlement and 85% of the current year's entitlement. In F.Y. 1997, the provisions of M.S. 124.904, subd. 4d were triggered by the November forecast surplus, increasing the current 85% amount to 90%. In F.Y. 1998, F.Y. 1999 and later years, appropriations include 10% of the prior year's entitlement and 90% of the current year's entitlement.

b) Includes \$38 for the prior year final account and \$(183) in the current year account.

c) The \$405 prior year amount based on the F.Y. 1997 appropriated entitlement has been reduced to 10% of the estimated statutory formula aid.

REVISED 2/28/97
PAGE A-485

1998-99 Biennial Budget

PROGRAM: 11 Technology
AGENCY: Children, Families & Learning Aids
 1104 TELECOMMUNICATION ACCESS GRANTS
CITATION: M.S. 124C.74
MDCFL ADMIN: 1503 Informational Technologies
FEDERAL: None

PURPOSE:

This program provides funding for K - 12 and public libraries to establish a high speed telecommunications highway known as the Learning Network of Minnesota, which links K - 12 education, libraries and higher education to provide access to distance learning opportunities and information resources such as the Internet. The Minnesota Education Telecommunications council, composed of members from higher education, K - 12 education and public libraries, is responsible for establishing criteria and policy direction for the network. The high-speed network, which will be completed during the F.Y. 1998 - 99 biennium, will provide for Internet access, data transmission and two-way video capacity for all Minnesota school districts, libraries and higher education institutions.

DESCRIPTION:

This effort, known as the Learning Network of Minnesota, provides for the implementation of a telecommunications highway linking K - 12 education, libraries and higher education. This project also establishes data connectivity between public libraries and regional public library systems. This effort is accomplished through the establishment of nine clusters of K - 12 school districts and public libraries, working together with the higher education telecommunications regions. Each cluster receives a portion of grant dollars to build the network. The grant dollars provide for high speed (T1 and 56KB) telecommunications lines to each school district and library in the state. School districts and libraries must provide for their own internal equipment and local area networking. This project is being implemented in a phased approach with completion scheduled for the 1998-1999 biennium.

This program will provide teachers and students with access to information resources such as Internet and distance learning opportunities through two way interactive video. It will also serve as a conduit for transferring data between and among school districts, libraries and the state.

PROGRAM STATUS:

(\$ in 000s)	Current Law				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Number of Districts Participating	--	0	100	379	379
Number of Regional Libraries Participating	--	0	10	12	12
Sites with Network Internet Access	--	0	100	500	800
Number of Sites using Learning Network for two Interactive television	--	0	150	300	375
Number of Conferences	--	0	100	150	300
Funding	--	\$5,500.0*	\$10,000.0	\$5,250.0	\$5,250.0

* F.Y. 1996 was the first year for this program, although no grant funds were paid to school districts until F.Y. 1997. This time was needed to appoint and establish the Minnesota Education Telecommunications Council, which then worked to establish policy direction and criteria and a grant application process for the Learning Network of Minnesota.

BUDGET ISSUES:

A. CHALLENGES:

- While the telecommunications access grant program provides connectivity to the school district and public library systems, school districts and libraries must allocate local resources for purchase of district and library internal equipment and networking to make the connection to the Learning Network of Minnesota complete for their schools and local libraries.

B. STRATEGIES:

- This program provides school districts and libraries with high speed connections to the state's Learning Network of Minnesota, which will ultimately enable them to share distance learning applications across networks, enhance their capacity for connecting to Internet and other information resources, and to provide for data transmission.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an aid entitlement and 100% current appropriation of \$13,000 for F.Y. 1998 and \$5,250 for F.Y. 1999.

The Governor also recommends a one-time increase of \$7,750 in funding for F.Y. 1998. It is estimated \$3,000 of the increase is to complete the implementation of the high speed telecommunications network (Learning Network of Minnesota). The remaining funds are for costs such as lease costs for data and video transmission lines.

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

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

1104: TELECOMMUNICATION ACCESS GRANTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	5,500	10,000	5,250	5,250
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	5,500	10,000	5,250	5,250
4. Adjustments				
a. Balance Forward	0	0		
5. Current Law Aid	5,500	10,000	5,250	5,250
6. Excess / (Shortfall) After Adjustments				
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	5,500	10,000	5,250	5,250
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			5,250	5,250
a. Learning Network Initiative			7,750	0
Recommended Aid Entitlement			13,000	5,250
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			13,000	5,250
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	5,500	10,000	13,000	5,250
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	5,500	10,000	13,000	5,250
State General Funds - Aid	5,350	9,850	12,850	5,100
State General Funds - Administration	150	150	150	150

1998-99 Biennial Budget

PROGRAM:	11	Technology
AGENCY:		Children, Families & Learning Aids
	1105	INSTRUCTIONAL TRANSFORMATION THROUGH TECHNOLOGY
CITATION:		Laws 1995, First Special Session, Ch. 3, Art. 12, Sec. 8
MDCFL ADMIN:	1501	Informational Technologies
FEDERAL:		None

PURPOSE:

The Instructional Transformation Through Technology program provides the opportunity for districts to compete for special technology project funding. The focus of these grants is to promote creative and new approaches to use technology in support of instruction. A primary aspect of these grants includes development of an individual learning plan for students.

DESCRIPTION:

This grant program was established to help school districts work with higher education institutions, businesses, local government units, libraries and community organizations in order to facilitate individualized learning and manage information by employing technological advances, especially computers and related products. Recipients shall use grant proceeds to:

- enhance teaching and learning productivity through the use of technology;
- develop individual learner classroom-based teaching and learning systems that can be aggregated into site, district and state frameworks;
- Develop personalized learning plans designed to give learners more responsibility for their learning success and change the role of teacher to learning facilitator;
- match and allocate resources;
- create a curriculum environment that is multi-platform;
- provide user and contributor access to electronic libraries;
- schedule activities;
- automate progress reports;
- increase collaboration between school districts, sites, businesses, higher education institutions, libraries and local government units;
- correlate state-defined outcomes to curriculum units for each student;
- increase accountability through a reporting system; and
- provide technical support, project evaluation, dissemination services and replication.

A grant applicant must be a school district or a group of school districts and must demonstrate collaboration with libraries, businesses and higher education institutions. Community organizations and local government units may also be involved. The commissioner of children, families & learning shall prescribe the form and manner of applications. The commissioner may award grants to applicants likely to meet the outcomes above. The commissioner shall ensure that business partners do not participate in more than one grant award in each round of grants.

PROGRAM STATUS

Four grants were awarded in F.Y. 1995 and 1996. Eight grants were awarded in F.Y. 1997.

BUDGET ISSUES:

A. CHALLENGES:

- Teachers need tools to aid in developing individual learning plans for students that are responsive to the requirements of the graduation standards.
- Schools acknowledge the benefits of technology and have begun to expend resources on technology but need assistance in learning to effectively integrate the technology as a tool for enhancing instruction.
- Teachers need tools that enable them to effectively assess and track student progress and which provide information needed to communicate with parents and administrators.
- Technology needs to be integrated with curriculum as a tool for instruction and can no longer be viewed as a subject in and of itself.
- The program is limited to model projects in a few school districts. While projects are successful in these districts, strategies need to be developed for replication of successful programs and best practices across the state.

B. STRATEGIES:

- This program provides for development of systems that help teachers develop individual learning plans for students.
- Several model projects have been implemented that could be replicated in other school districts if the districts allocate resources towards the technology.
- This program provides for development of systems that help teachers assess and track student progress and which provide them with the information needed to communicate with parents and administrators.

GOVERNOR'S RECOMMENDATION:

The Governor recommends discontinuing this activity. The learning site technology grants will accomplish the same objective as this activity.

CHILDREN, FAMILIES AND LEARNING AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

1110: TECHNOLOGY SITE GRANTS

	Estimated		Governor's Rec.	
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
1. Statutory Formula Aid	0	0	0	0
2. Statutory Excess / (Shortfall)				
3. Appropriated Entitlement	0	0	0	0
4. Adjustments				
a. Excess Funds Transferred In / (Out)				
5. Current Law Aid	0	0	0	0
6. Excess / (Shortfall) After Adjustments				
7. Current Law Levy				
8. Current Law Funding: Aid & Levy	0	0	0	0
GOVERNOR'S RECOMMENDATION: AID				
Current Law Aid (from Line 5)			0	0
a. New Initiative			50,000	0
Recommended Aid Entitlement			50,000	0
GOVERNOR'S RECOMMENDATION: LEVY				
Current Law Levy (from Line 7)			0	0
TOTAL RECOMMENDED FUNDING: AID & LEVY			50,000	0
APPROPRIATIONS BASIS:				
Direct Appropriated Funds	0	0	50,000	0
Transfers per M.S. 124.14, subd. 7				
Total State General Funds	0	0	50,000	0

1998-99 Biennial Budget

PROGRAM: 11 Discontinued/Nonrecurring Programs
AGENCY: Education Aids
 1200 DISCONTINUED STATE AND FEDERAL CATEGORICAL AID PROGRAMS

PURPOSE:

The budget process requires a report of discontinued education aids or grants if there is any expenditure in F.Y. 1995, F.Y. 1996 or F.Y. 1997

DESCRIPTION:

State Programs Discontinued	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
1201 Additional General Education Aid	15,580.7		
1202 Burnsville Facility Grant	500.0		
1203 Richfield Grant	500.0		
1204 Area Learning Centers	142.4		
1205 ECSU Aid	110.0		
1206 Vocational Coop Aid	24.0		
1207 Metro Deaf Transportation	6.0		
1208 Special Education/Abatement Deficiency Tax Bill	20,000.0		
1209 Student Survey	135.9		
1210 Truancy Project	100.0		
1211 Task Force on Disabilities	25.0		
1212 Sexuality and Family Life Survey	17.4		
1213 ASL Proficiency Evaluation	9.6		
1214 Violence Prevention-High Risk Youth	2,108.9		
1215 Violence Prevention Education	999.2		
1216 Youth Apprenticeship (Demo Sites)	630.4		
1217 Cross Cultural Initiatives	111.0		
1218 Local Grass Roots Collaboratives	100.0		
1219 Learning Readiness	1,500.0		
1220 Agricultural Specialist	34.7		
1221 Agricultural Leadership	29.0		
1222 Multicultural Grant - Red Lake	26.4		
1223 Nett Lake Youth Program Grant	25.0		
1224 ITV - Scott and Carver County	189.0		
1225 Time and Technology	0.0		
1226 Mountain Iron - Buhl Grant	75.0		
1227 Collaboration Planning #2580	49.9		
1228 Planning Grant - North St. Paul, etal	25.1		
1229 School Improvement Incentive Grant	125.0		
1230 Technology Grant	1,600.0		
1231 Teacher Exchange	0.0		
1232 Coalition for Education Reform & Accountability	39.1		

State Programs Discontinued

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Violence Prevention Laws 96-408		0.0	100.0
1233 Capital Facilities for C & C	500.0	0.0	408.0
1234 Student Suspension and Expulsion	6.9	13.6	19.5
1235 Free Breakfast Pilot	161.4	86.0	106.0
1236 Planning Grant-Lakefield, etal	36.9	20.9	19.1
1237 Angle Inlet One Room School	50.0	30.0	25.0
1238 Special Education Summer School	4,866.6	4,291.0	2,610.0
1239 Nett Lake Liability and Unemployment	22.5	25.0	62.0
1240 Violence Prevention Councils	205.1	75.0	75.0
1241 Capital Expenditures - Facilities	74,292.3	75,642.0	11,530.0
1242 Capital Expenditures - Equipment	38,281.1	43,547.0	6,748.0
1243 ITV Grant Cromwell		125.0	
1245 Rural Computerized Transportation Routing		25.0	
1246 Comprehensive Early Intervention Grants		390.0	
1247 MN ENABLE (See Program 0307)			
1248 Montevideo Grant		100.0	
1249 Multicultural Continuing Education		69.0	
1250 Aquila Community Together		50.0	
1251 New Moon Girls Program		20.0	
1252 ITV Grant Floodwood		125.0	
1253 Milan Operating Debt		36.0	36.0
1254 Preston-Harmony - Fountain Grant		70.0	70.0
1255 Vocational School Planning		34.9	65.1
1256 Year-Round School, Extended Week or Day Pilot		948.5	851.5
1257 School Interpreters		135.9	114.1
1258 Mankato Truancy Project		15.0	15.0
1260 Joint Program Start-up & Implementation			200.0
1261 After School Technology			1,000.0
1262 Electronic Curriculum			860.0
1263 Crow River - Meeker & Wright Special Educ. Coops			100.0
1264 St. Paul Accountability			100.0
1265 Nett Lake Community Center			74.0
1266 West St. Paul Grant			20.0
1267 Technology Integration Grants			3,500.0
Subtotal	163,241.5	125,874.8	28,708.3
State Programs Moved to Agency Budget			
1268 Academic Excellence	537.9		
1269 Education Effectiveness	811.1		
1270 Environmental Education	25.4		
1271 Graduation Rule - Health	0.0		
1272 Transition Aid for Information Support	624.8		
1273 Mentorship Site Coops	35.0		
1274 GED Coordination	57.4		
1275 Graduation Rule	4,505.8		
1276 Fire Marshal	60.0		
1277 Health & Safety Management Assistance	400.0		
Subtotal	7,057.4	0.0	0.0

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Higher Education Services Office (HESO) Fund: General - Direct Appropriations

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$120,343	\$120,343	\$240,686
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(150)	(150)	(300)
Transfers Between Agencies	373	373	746
1998-99 Compensation Inflation	37	75	112
DOC Space Rent/Lease Incr/Decreases	<u>8</u>	<u>10</u>	<u>18</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$120,611	\$120,651	\$241,262
<u>AGENCY REQUEST ITEMS</u>			
State Grant Program	4,700	33,300	38,000
Child Care Assistance	740	740	1,480
Summer Scholarships	60	60	120
Work Study	675	675	1,350
Interstate Tuition Reciprocity	600	900	1,500
Student/Parent Information	275	315	590
Learning Network of Minnesota	5,628	3,338	8,966
Library Planning Task Force	6,380	6,380	12,760
MINITEX	750	750	1,500
Instructional Technology	<u>55</u>	<u>55</u>	<u>110</u>
<u>AGENCY REQUEST (for 1998 and 1999)</u>	\$140,474	\$167,164	\$307,638
<u>GOVERNOR'S RECOMMENDATIONS</u>			
State Grant Program, Current Law Forecast	(15,400)	(15,500)	(30,900)
Increase LME, Tuition, Private Maxima	5,400	10,700	16,100
Fourth Quarter State Grant Awards	1,000	1,000	2,000
Minnesota Education Savings Allowance	300	3,000	3,300
Reduced Reciprocity Payment Obligations	(500)	(500)	(1,000)
Increase Work Study	600	600	1,200
MINITEX On-Line Journals	500	500	1,000
Minnesota Library Information Network	12,000	-0-	12,000
Learning Network of Minnesota	1,000	1,000	2,000
Childcare Grants	700	700	1,400
<u>GOVERNOR'S RECOMMENDATIONS</u> (for 1998 and 1999)	126,211	122,151	248,362

Brief Explanation of Agency Request:

The plan calls for increased funding to help ensure access to educational opportunities for Minnesota residents, particularly those of low and moderate economic backgrounds. The plan recommends an increased state investment to help ensure:

- access to financial resources to help families contain and pay for the increasing costs of post-secondary education. Increases are proposed in the State Grant, State Work Study, Non-AFDC Child Care Grant, and Summer Scholarships for Academic Enrichment Programs;
- access to information about academic and financial preparation, particularly for families of color, low incomes, or no previous post-secondary education; and
- access to technology as a conduit to instruction, knowledge, and information about post-secondary education. Funding is recommended to develop a statewide, automated library information system, to enhance the quality and capacity of the Learning Network of Minnesota, and to provide on-line access through MINITEX to science and technology journals.

Revenue Summary:

Dedicated receipts in federal accounts, the Loan Capital Fund, and special revenue fund are expected to remain level over the next biennium. General Fund non-dedicated receipts will continue to follow the historical pattern of higher receipts in the even-numbered fiscal year of the biennium. HESO is not recommending any fee changes for the Private Institution Registration and Private Trade School Licensure Programs at this time.

Affected Statutes:

- M.S. 136A.121, subd. 5 and 136A.125, subd. 4.

GOVERNOR'S RECOMMENDATION:

The Governor recommends appropriations of \$126,211,000 in F.Y. 1998 and \$122,151,000 in F.Y. 1999 for the Higher Education Services Office, including the statewide library and telecommunications programs for which HESO is fiscal agent.

The Governor's budget recommendations provide adjustments to the State Grant Program formula that recognize increases of 2.5% per year in public college and university tuition & fees, the allowance for books and living expenses, and the maximum awards for students attending private institutions. The Governor's budget also supports the implementation of a Minnesota Savings Allowance, which will remove the "savings penalty" from the financial aid formula, and full State Grant awards covering four quarters of attendance. Finally, the Governor's budget calls for the creation of Ed Vest Savings Accounts, exempt from state income tax, to encourage families to save for post-secondary education.

The Governor recommends biennial appropriations of \$15 million to support statewide library and technology programs, including \$12 million to implement the Minnesota Library Information Network (MnLINK), a single automated library information system and a statewide network, accessible through the internet and the worldwide web, that will link together library collections across the state.

1998-99 Biennial Budget

AGENCY: Higher Education Services Office (HESO)

AGENCY DESCRIPTION:

By statute, the Higher Education Services Office (HESO) is responsible for:

- state level administration of financial aid programs;
- approval, registration, licensing, and financial aid eligibility of private collegiate and career schools;
- administering the telecommunications council, the Learning Network of Minnesota, and the statewide library planning task force;
- negotiating and administering interstate tuition reciprocity agreements;
- publishing and distributing financial aid information and other materials to students and parents;
- collecting and maintaining student enrollment and financial aid data;
- administering the federal programs that affect students and institutions on a statewide basis; and,
- prescribing policies, procedures, and rules necessary to administer the programs under its supervision.

In fulfillment of its duties, HESO is dedicated to:

- strengthening student financial access to a wide array of post-secondary education;
- enhancing access to post-secondary education by preparing and distributing information on academic and financial preparation to students and parents;
- providing broad geographical access to library resources and instructional opportunities through technology;
- enhancing efficiency within higher education; and,
- providing information and data on post-secondary education to consumers and policy makers.

HESO operates as a neutral and unbiased entity, providing an independent, statewide perspective on services affecting the state's public post-secondary education systems, and a variety of private colleges, professional, and career schools. HESO's primary purpose is to serve the state and its students. It also provides services to the post-secondary systems and institutions.

AGENCY ISSUES:

Access is the central issue and theme interwoven throughout the various initiatives that the HESO plans to address during the 1998-99 biennium. Specifically, HESO plans to address the following access-related issues:

Student Financial Access to Post-secondary Education -- The Services Office recognizes that student access to post-secondary education remains, in many cases, dependent upon the availability of financial aid. As tuition, fees, and general living expenses rise, the availability of financial aid will remain essential -- particularly for low and moderate income families. Providing financial access to Minnesota higher education through State Grants, Work-Study, Child Care Grants, savings programs, and other initiatives will remain a dominant issue for the Services Office.

Access to Post-secondary Education Information -- Access to post-secondary education is facilitated effectively through academic and financial planning in the years prior to attendance. Parents and students need reliable information to guide their planning and to reinforce the fact that federal and state financial resources are available to help meet the cost of attending post-secondary institutions. Information about post-secondary education and financial aid programs available to Minnesotans is particularly important for those students and families who, historically, have not participated in post-secondary education. The Services Office remains committed to the dissemination of post-secondary education information to assist all Minnesotans in planning for education and training beyond high school.

Utilization of Technology to Provide Access to Information and Instruction -- Increasingly, technology will be a conduit to post-secondary information and instruction. Students, parents, counselors, K-12 and faculty, and others will turn in greater numbers to electronic sources of information concerning the availability of library resources, academic degree programs and other educational opportunities. Further, citizens will be able to access a broader spectrum of instruction delivered through telecommunications. Technological advances will expand significantly access to post-secondary education information resources and instruction.

AGENCY STRATEGIES:

To address the issues identified above, the Services Office budget is focused on the following outcomes:

- ***Increase access to post-secondary education for all Minnesotans, and particularly for those from low and moderate income families.*** The Services Office proposes that this be accomplished in part through measures affecting the State Grant Program. These include reducing the assigned student responsibility for meeting the cost of attending a Minnesota post-secondary institution and increasing the living and miscellaneous expense allowance to further assist students in meeting basic living needs. Further, the Office proposes that financial access to post-secondary education be expanded through increased funding for the Non-AFDC Child Care Grant Program, the State Work Study Program, and development and implementation of the Minnesota Education Savings Allowance Program.
- ***Increase access to post-secondary education information among students and families of color, low income, and no previous post-secondary education.*** The Services Office proposes dedicating resources to the support of early awareness activities and counseling for members of these populations as well as providing information on financial preparation and savings for all families.
- ***Increase the technical capacity for electronic access to educational information and post-secondary instruction.*** Proposed funding for MINITEX, the Minnesota Library Information Network, the Learning Network of Minnesota, and other technology-related initiatives are intended to increase the capacity of Minnesotans to gain access to library and instructional resources -- and information about such resources -- throughout the state.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
STUDENT FINANCIAL AID & INFO	106,904	107,070	114,387	121,437	106,487	114,275	150,265	114,275
STATE STUDENT LOANS	26,937	38,262	38,262	38,262	38,262	38,262	38,262	38,262
DATA & PROGRAMS	1,553	2,081	1,537	1,592	1,537	1,551	1,606	1,551
LIBRARIES AND TECHNOLOGY	8,179	9,039	8,860	21,618	22,360	8,862	19,330	10,362
AGENCY/LOAN ADMINISTRATION	16,596	15,366	15,378	15,378	15,378	15,395	15,395	15,395
TOTAL EXPENDITURES BY PROGRAM	160,169	171,818	178,424	198,287	184,024	178,345	224,858	179,845
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	111,904	113,542	120,611	140,474	126,211	120,651	167,164	122,151
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	117	220	195	195	195	170	170	170
FEDERAL	2,094	2,017	1,579	1,579	1,579	1,485	1,485	1,485
AGENCY	3,424	3,328	3,328	3,328	3,328	3,328	3,328	3,328
HIGHER EDUCATION SERV OFFICE LOA	42,529	52,611	52,611	52,611	52,611	52,611	52,611	52,611
CARRY FORWARD:								
GENERAL	101	100	100	100	100	100	100	100
TOTAL EXPENDITURES	160,169	171,818	178,424	198,287	184,024	178,345	224,858	179,845
FTE BY EMPLOYMENT TYPE:								
REGULAR	56.1	49.1	49.1	50.1	49.1	49.1	50.1	49.1
TOTAL FTE	56.1	49.1	49.1	50.1	49.1	49.1	50.1	49.1

**1998-99 Biennial Budget
Agency Level Revenue Summary**

Agency: Higher Education Services Office (HESO)

REVENUE SOURCES:

HESO generates dedicated revenue, non-dedicated revenue, and federal funds. Non-dedicated revenue consists primarily of refunds of state appropriated program funds received at the end of a biennium. Dedicated receipts include student loan repayments to the Loan Capital Fund, user fees collected from libraries participating in MINITEX and the on-line cataloging system, and fees collected for Private Institution Registration and Private Trade School Licensing.

At this time the office is not recommending any fee changes. Special fees will be monitored and changes recommended if necessary for the Private Institution Registration and the Private Trade School Licensing activity.

The office also receives approximately \$1.5 million per year in federal grants. Federal revenues are expected to remain level over the next biennium.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO

			FY 1998			FY 1999		
			Base	Agency	Governor	Base	Agency	Governor
			Level	Request	Recomm.	Level	Request	Recomm.
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997						
STATE GRANTS	94,685	94,569	100,646	106,146	92,646	100,646	134,746	100,546
INTERSTATE TUITION RECIPROCITY	3,460	3,122	4,500	5,100	4,000	4,500	5,400	4,000
STATE WORK STUDY	8,029	8,475	8,219	8,894	8,819	8,219	8,894	8,819
STUDENT & PARENT INFORMATION	264	335	320	595	320	295	610	295
STUDENT ASSISTANCE ADMIN	466	569	702	702	702	615	615	615
TOTAL EXPENDITURES BY ACTIVITY	106,904	107,070	114,387	121,437	106,487	114,275	150,265	114,275
AGENCY REQUEST ITEMS:			FUND					
CHILD CARE ASSISTANCE		GEN		740			740	
SUMMER SCHOLARSHIPS		GEN		60			60	
WORK STUDY		GEN		675			675	
STUDENT/PARENT INFORMATION		GEN		275			315	
INTERSTATE TUITION RECIPROCITY		GEN		600			900	
STATE GRANT PROGRAM		GEN		4,700			33,300	
TOTAL AGENCY REQUEST ITEMS				7,050			35,990	
GOV'S INITIATIVES:			FUND					
(B) STATE GRANT PROGRAM, CURRENT LAW		GEN		<15,400>			<15,500>	
(B) INCREASE LME, TUITION, PRIVATE MAXIMUMS		GEN		5,400			10,700	
(B) FOURTH QUARTER STATE GRANT AWARDS		GEN		1,000			1,000	
(B) MINNESOTA EDUCATION SAVINGS ALLOWANCE		GEN		300			3,000	
(B) REDUCED RECIPROCITY PAYMENT OBLIGATIONS		GEN		<500>			<500>	
(B) WORK STUDY		GEN		600			600	
(B) CHILDCARE GRANTS		GEN		700			700	
TOTAL GOV'S INITIATIVES				<7,900>				
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	105,400	106,119	113,333	120,383	105,433	113,340	149,330	113,340
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	4	45	30	30	30	5	5	5
FEDERAL	1,399	806	924	924	924	830	830	830

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
CARRY FORWARD:								
GENERAL	101	100	100	100	100	100	100	100
TOTAL EXPENDITURES	106,904	107,070	114,387	121,437	106,487	114,275	150,265	114,275
FTE BY EMPLOYMENT TYPE:								
REGULAR	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
TOTAL FTE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STATE GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	17	18	20	20	20	20	20	20
OPERATING EXPENSES	5	12	11	311	11	11	11	11
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	22	30	31	331	31	31	31	31
PAYMENTS TO INDIVIDUALS	94,547	94,414	100,490	105,690	92,490	100,490	134,590	100,390
LOCAL ASSISTANCE	116	125	125	125	125	125	125	125
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	94,685	94,569	100,646	106,146	92,646	100,646	134,746	100,546
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
CHILD CARE ASSISTANCE		GEN		740			740	
SUMMER SCHOLARSHIPS		GEN		60			60	
STATE GRANT PROGRAM		GEN		4,700			33,300	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				5,500			34,100	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) STATE GRANT PROGRAM, CURRENT LAW		GEN			<15,400>			<15,500>
(B) INCREASE LME, TUITION, PRIVATE MAXIMUMS		GEN			5,400			10,700
(B) FOURTH QUARTER STATE GRANT AWARDS		GEN			1,000			1,000
(B) MINNESOTA EDUCATION SAVINGS ALLOWANCE		GEN			300			3,000
(B) CHILDCARE GRANTS		GEN			700			700
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					<8,000>			<100>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	93,355	93,863	99,946	105,446	91,946	99,946	134,046	99,846
STATUTORY APPROPRIATIONS:								
FEDERAL	1,229	606	600	600	600	600	600	600

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STATE GRANTS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
CARRY FORWARD:								
GENERAL	101	100	100	100	100	100	100	100
TOTAL EXPENDITURES	94,685	94,569	100,646	106,146	92,646	100,646	134,746	100,646
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	4	606	600	600	600	600	600	600
NONDEDICATED:								
GENERAL	1,674	60	510	510	510	60	60	60
TOTAL REVENUES COLLECTED	1,678	666	1,110	1,110	1,110	660	660	660
FTE BY EMPLOYMENT TYPE:								
REGULAR	.5	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	.5	.5	.5	.5	.5	.5	.5	.5

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grant Program

ITEM TITLE: State Grant Program

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$4,700	\$33,300	\$33,300	\$33,300
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 136A.121, Subd. 5

GOVERNOR'S RECOMMENDATION:

The Governor does not concur with HESO's requests for additional appropriations above the base to lower the Assigned Student Responsibility or to provide above-inflation increases in the living and miscellaneous expense allowance. The increase in the maximum federal Pell Grant award allows the state to make the following adjustments in the State Grant Program within base-level appropriations with net reductions of \$8.7 million in F.Y. 1998 and \$800,000 in F.Y. 1999:

- Increases of 2.5% per year in the factors that comprise the student budget used to calculate State Grant awards, including the Living & Miscellaneous Expense Allowance, tuition and fees for students at public colleges and universities, and the tuition maximums for students at private institutions.
- Development and implementation of the Minnesota Savings Allowance, an adjustment to the formula for awarding financial aid that will lower the real and perceived "savings penalty" that excludes some families who have saved for college from receiving financial aid.
- Provide state grant coverage for 100% of the government share for federal Pell Grant-eligible students attending college 4 quarters a year.

AGENCY RATIONALE FOR INITIATIVE:

The purpose of the initiative is to contain increasing costs of post-secondary education and strengthen financial access to a wide array of post-secondary educational opportunities for low and moderate income Minnesota residents. The initiative asks the state to continue its historical commitment to help residents pursue opportunities that can best meet their educational needs. It builds on the effectiveness of the Design for Shared Responsibility policy in targeting State Grant funds to low income families.

Concerns about Financing Post-Secondary Education

The initiative is particularly significant in the context of several concerns that affect financing of post-secondary education:

- The relative responsibility for paying the price of post-secondary education has been shifting from taxpayers to students and families, making it more difficult for low and moderate income students to finance their education.
- Parents believe increasingly that they will not be able to send their children to college due to financial obstacles, according to several studies and opinion polls.
- The gap is widening between families that can afford to send their children to college and those that cannot, according to national studies. The Financial Aid Task Force, established by the 1993 Minnesota Legislature, concluded in 1994 that while Minnesota ranks high in support for need-based student aid, national comparisons "mask the deteriorating situation as seen from the vantage point of those for whom Minnesota's State Grant Program was designed principally to benefit: the economically disadvantaged."
- Demographic shifts have increased the proportion of high school students who are poor and poorly prepared for college classes. Research suggests that cost and financial aid are the greatest barriers to college attendance and graduation among first generation college bound students and students from low income families. Minnesota Planning studies indicate that Minnesota's minority children are economically disadvantaged compared to white children—an alarming finding in view of the projected growth in future years of children from racial and ethnic minorities.
- Despite recent increases, funding for federal student aid programs has failed to keep pace with college costs. The actual maximum federal Pell grant is far below authorized levels.
- More and more undergraduate students and families are finding it necessary and/or convenient to borrow for post-secondary education. Although grants continue to provide a significant amount of assistance in paying for post-secondary education, Minnesota undergraduate students for the first time in F.Y. 1995 received more assistance in the form of loans than grants.

Plan to Strengthen Financial Access to Post-Secondary Education

The State Grant budget initiative includes a package of items to strengthen access to post-secondary education for low and moderate income students. These include reducing the assigned student responsibility, increasing the living and miscellaneous expense allowance, providing an incentive for saving, and covering the federal Pell Grant share for 4th quarter awards rather than increasing the family burden. The initiative also includes a 2.5% per year increase for inflation to cover increases in public sector tuition and fees, private tuition maximums, and the living and miscellaneous expense allowance.

The initiative builds on state policy of working in partnership with the federal government to help low and moderate income families cover the price of attendance at the institution that can best meet their educational needs. In its F.Y. 1997 budget, Congress approved the largest increase in several years in maximum federal Pell grants, from \$2,470 this year to \$2,700 in the 1997-98 school year. Because the state bases student awards on the combination of the State Grant and federal Pell Grant, Minnesota will likely have at least \$17 million available in the next biennium to strengthen financial access. Combined with an increased investment of \$38 million in State Grant funding in the 1998-99 biennium, Minnesota will be able to help ensure reasonable post-secondary opportunities for its residents. Following is a summary of the State Grant initiative components.

Increases for Inflation

The initiative includes inflationary funding of 2.5% per year for elements that make up the cost of attendance under the Design for Shared Responsibility. These are actual tuition and fees in public post-secondary institutions, private tuition maximums, and the living and miscellaneous expense allowance. Total cost of the inflationary adjustments is \$5.4 million in F.Y. 1998 and \$10.7 million in F.Y. 1999.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grant Program

(Continuation)

State policy recognizes the link between public sector tuition and fee increases and financial aid for low income students. State policymakers have maintained this relationship by increasing State Grant funding to help offset anticipated tuition and fee increases. Thus, the 2.5% inflationary figure should be adjusted as more precise tuition estimates are determined in the appropriations process. The cost is \$1.3 million in F.Y. 1998 and \$2.7 million in F.Y. 1999.

The budget initiative would increase the private tuition maximum from \$7,665 in F.Y. 1997 to \$7,860 in F.Y. 1998 and \$8,055 in F.Y. 1999 in private 4-year institutions. During the past decade, posted tuition and fees in these institutions increased by 102% while the recognized tuition and fees in the State Grant Program went up 54%. The current tuition maximums have not changed in the past 7 years. For private 2-year institutions, the maximums would increase from \$5,990 in F.Y. 1997 to \$6,050 in F.Y. 1998 and \$6,200 in F.Y. 1999. The cost is \$1.3 million in F.Y. 1998 and \$2.6 million in F.Y. 1999.

The living and miscellaneous expense allowance, currently \$4,200, has been increased 4% since F.Y. 1993, while the Consumer Price Index increased 11%. Failure to increase the allowance in the next biennium would result in it falling below the 15th percentile of reported student spending in F.Y. 1999. Adjusting the current value for inflation, to \$4,305 in 1998 and \$4,413 in 1999, would maintain the allowance at the 16th percentile of reported student spending. The cost is \$2.8 million in F.Y. 1998 and \$5.4 million in F.Y. 1999.

Reduction of Assigned Student Responsibility

The initiative would reduce the assigned student responsibility from 50% of the recognized price of attendance to 48% in F.Y. 1998 and 45% in F.Y. 1999. The current student responsibility has been 50% since F.Y. 1984. From F.Y. 1986 to 1997, the assigned student responsibility increased by 56%, or \$1,160, for MnSCU students, 80%, or \$1,911, for University of Minnesota students, and 53%, or \$2,040, for students at private 4-year institutions. These increases have been driven by increases in tuition and fees; for example, tuition and fees during the period rose 125% at the University of Minnesota, 81% at MnSCU institutions, and 101% at private 4-year colleges. Under the current assignment of responsibility, students are required to work and borrow more than when the Design for Shared Responsibility policy was developed in the early 1980s. The cost for this item is \$8.7 million in F.Y. 1998 and \$22.3 million in F.Y. 1999.

Enhancement of Living and Miscellaneous Expense Allowance

The initiative would increase the living and miscellaneous expense allowance from \$4,200 in F.Y. 1997 (the 16th percentile of reported student expenses), to \$4,500 in F.Y. 1998 (the 18th percentile), and \$4,880 in F.Y. 1999 (the 20th percentile). This initiative is in addition to the inflationary adjustment for the living and miscellaneous expense allowance. Under the Shared Responsibility policy, the student grant award currently covers half the \$4,200 allowance, or \$2,100. Thus, a \$680 increase in the allowance from \$4,200 in F.Y. 1997 to \$4,880 in F.Y. 1999 would result in a State Grant award increase of \$340.

The current allowance represents the 16th percentile of reported student expenses based on national data for the 10-state Midwest region. This means that 84% of students report spending more than

the State Grant allowance. The current State Grant allowance has increased 4% since F.Y. 1993. The current allowance is not adequate to cover room and board costs at Minnesota 4-year colleges, much less other expenses. Room and board charges at Minnesota institutions have been increasing as fast or faster than the Consumer Price Index. The current allowance is at 67% of the poverty threshold for a single individual. The cost of enhancing the allowance is \$4.7 million in F.Y. 1998 and \$11.8 million in F.Y. 1999.

Development of Minnesota Education Savings Allowance

The initiative proposes to develop and implement the Minnesota Education Savings Allowance to protect net worth beyond the level of protection in the federal need analysis. The \$300,000 appropriation for F.Y. 1998 is to develop the capacity to implement the savings allowance; the appropriation of \$3 million for F.Y. 1999, added to the State Grant Program appropriation, is to begin implementation. The Services Office also recommends an increase of \$50,000 per year as part of the agency's student/parent initiative to more actively promote saving. (See separate student/parent information initiative.)

The federal need analysis, which Minnesota uses to determine the parental contribution for the State Grant Program, taxes a family's net worth at a maximum of 5.6%. A family with assets is expected to pay more than a family earning the same income with fewer or no assets. This "savings penalty" actually prevents some families from receiving grants; it may discourage savings among other families who would still qualify for grant aid and, in the long run, benefit if they saved.

The Minnesota Savings Allowance would allow families to protect \$16,000 of assets, roughly the amount of 4 years of tuition and fees at a public college or university. This would reduce the expected annual parental contribution and increase a family's eligibility for grant assistance by up to \$900 (\$16,000 x 5.6% tax rate = \$900). Although the initiative ties the incentive to the cost of attending a public 4-year institution, policymakers could establish a smaller or larger savings allowance.

This approach to encourage savings is simple, and has minimal implementation and administrative costs. Families could use any savings strategy or mechanism. They would not need to report any new information on the need analysis. This initiative does not preclude the enactment of other savings plans. In fact, the enactment of other savings plans likely would require the Services Office to have the capacity, as proposed in the F.Y. 1998 budget, to alter the treatment of net worth in the federal need analysis.

State Coverage of Fourth Quarter Awards

The initiative proposes to base fourth quarter State Grant awards on taxpayer responsibility rather than requiring the family to cover the federal Pell Grant share during the 4th quarter. The 1995 Legislature enacted the change to enable students to receive State Grants for 4 quarters per year, but contrary to the Design for Shared Responsibility, covered only state taxpayer support. As a result, families are asked to cover the federal Pell share in the fourth quarter. The budget initiative requests that the state honor the Shared Responsibility policy by coordinating State Grant and federal Pell Grant benefits. The cost of this item is \$1 million for each year of the biennium.

PROGRAM OUTCOMES:

The initiative will help contain cost increases and enhance access to post-secondary education for low and moderate income students. It will help prevent an erosion of opportunity that could occur as the costs of post-secondary education continue to outpace financial resources of low income families. The initiative targets increased funding to lower income students. For example, 2/3 of the budget increase in F.Y. 1999 would go to families with incomes under \$30,000.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grant Program

(Continuation)

The initiative would build on the effectiveness of the Design for Shared Responsibility as a reasonable, fair policy in distributing expectations for financing post-secondary education across students, families, and taxpayers. Over the past decade, the Design for Shared Responsibility has made a difference in helping Minnesota families pay for education beyond high school. In particular, the large price increases have been moderated for State Grant recipients because the policy increases assigned student responsibilities only half as much as recognized prices. Further, the assigned family responsibilities for many lower income families decreased between F.Y.s 1986 and 1995. Assigned family effort (assigned family responsibility as a percentage of income) decreased for many lower income families because of policy changes embedded in the Federal Need Analysis and adopted for the State Grant Program. For families in the \$25,000 to \$30,000 income group, the assigned family efforts of typical dependent students attending the University of Minnesota decreased from 6.7% to 3.8% of adjusted gross income.

Research shows that at least half of students and/or families are not saving for future education; of those who are saving, most do not save nearly enough. Implementation of the savings allowance would provide an incentive for families to save for post-secondary education and help offset perceptions that it doesn't pay to save. Rather than being penalized, families would be rewarded for saving with an enhanced opportunity to receive State Grant assistance.

LONG-TERM IMPACT:

An investment in need-based financial aid to enhance access to post-secondary education will benefit both Minnesota residents and the state. An educated citizenry translates into a productive workforce that contributes to the economic, social, and cultural well being of the state. Access to post-secondary education results in economic opportunity for all citizens. People with post-secondary experience earn higher wages and have lower unemployment than people with only a high school education. Recent estimates indicate that a 4-year degree will mean \$600,000 more in lifetime earnings for a child than if he or she attains only a high school diploma. This earnings gap has been growing for the past 15 years. Beyond the economic rewards, further education helps develop the civic, cultural, and social values that contribute to a high quality of life for Minnesota individuals and society.

Implementation of the initiative would result in increased saving for post-secondary education and diminished reliance on borrowing. This would be accomplished by increased awareness of the importance of saving supported by an actual incentive, or reward, for saving. Increased saving would help ensure financial access to post-secondary education for Minnesota students and families.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Grants

ITEM TITLE: Non-AFDC Child Care

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$740	\$740	\$740	\$740
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 136A.125 Sudb. 4

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$700,000 in each year for the Childcare Grant Program. In addition, the Governor recommends a biennial increase of \$14 million for the Basic Sliding Fee Child Care program administered by the Department of Children, Families and Learning (DCFL). (See the Governor's budget recommendations for DCFL for more information.)

AGENCY RATIONALE FOR INITIATIVE:

Both students and financial aid administrators have testified that the Non-AFDC Child Care grant award maximum is too low to help the most needy students. In F.Y. 1995, the average family income of students receiving awards from this program was \$15,109. The average family size was 3. According to the Commission on the Economic Status of Women, the average cost for an infant in a child care center in Hennepin County is \$652 a month; the child care cost for an infant in a child care center in Le Sueur is \$470 a month. Given these costs, a student attending on a full-time basis for a 9-month academic year and who has an infant needing full-time child care, the student would spend \$5,868 or \$4,230 respectively in child care expenses. With a maximum award of \$1,700 per child, the student would pay \$4,168 or \$2,530 from resources other than the Non-AFDC Child Care program. This creates a barrier for students who must care for small children while attending a post secondary institution. Therefore, the maximum award should be increased to \$2,000 and additional funds added to the current program in order to maintain the current number of students served.

An increase in the award maximum would reduce the burden on students with children by reducing the amount of additional funds they would need to borrow in order to pay for child care costs. In the above example, the burden would be reduced from \$4,168 to \$3,868 and from \$2,530 to \$2,230 respectively.

PROGRAM OUTCOMES:

The amount of funds requested would allow the same number of students to be served by this program as were served in F.Y. 1996.

The program was designed to provide students who have children 12 and under, are not receiving Aid to Families with Dependent Children (AFDC), and who demonstrate financial need, grant assistance to help pay for child care.

The award is based upon the income of the applicant and spouse, the number in the applicant's family, the number of eligible children within the families who need child care, and the applicant's level of enrollment. Currently, the maximum award amount is \$1,700 per eligible child per academic year.

In F.Y. 1995, the maximum Non-AFDC Child Care award was \$1,500 per child, and 2,388 students received a total of \$2,932,666 for an average award per student of \$1,173. In F.Y. 1996, the maximum award per child was \$1,700, and 2,443 students were awarded a total of \$3,297,220 for an average award of \$1,291.

LONG-TERM IMPACT:

An increase in the child care maximum award from \$1,700 to \$2,000 will ease the burden for students who must already struggle to not only pursue their educational goals but balance family responsibilities as well.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HIGHER ED SERVICES OFFICE
PROGRAM: STUDENT FINANCIAL AID & INFO
ACTIVITY: STATE WORK STUDY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	8,029	8,475	8,219	8,894	8,819	8,219	8,894	8,819
TOTAL EXPENDITURES	8,029	8,475	8,219	8,894	8,819	8,219	8,894	8,819
AGENCY REQUEST ITEMS:		FUND						
WORK STUDY		GEN		675			675	
TOTAL AGENCY REQUEST ITEMS				675			675	
GOV'S INITIATIVES:		FUND						
(B) WORK STUDY		GEN			600			600
TOTAL GOV'S INITIATIVES					600			600
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	8,029	8,475	8,219	8,894	8,819	8,219	8,894	8,819
TOTAL EXPENDITURES	8,029	8,475	8,219	8,894	8,819	8,219	8,894	8,819
REVENUE COLLECTED:								
NONDEDICATED:								
GENERAL	16	10	20	20	20	10	10	10
TOTAL REVENUES COLLECTED	16	10	20	20	20	10	10	10
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Higher Education Services Office (HESO)
PROGRAM: Student Financial Aid and Information
ACTIVITY: State Work Study

ITEM TITLE: State Work Study

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$675	\$675	\$675	\$675
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends additional appropriations of \$600,000 in F.Y. 1998 and \$600,000 in F.Y. 1999 for the State Work Study Program. The Governor's recommendation will allow the Work Study Program to recognize the increase in the federal minimum wage and provide assistance to approximately 275 additional students. The Governor recommends that funding to support this initiative be reallocated from the Reciprocity Program, which projects spending below base appropriation levels.

AGENCY RATIONALE FOR INITIATIVE:

The State Work Study Program plays an important role, along with state, federal and institutional sources of financial aid, in assisting students with the costs of higher education. The state's policy on financial aid requires all students receiving State Grant awards to pay for 50% of their cost of attendance through savings, employment, or loans. Students with financial need who do not qualify for State Grants are also expected by their institutions to earn or borrow to pay part of their educational expenses.

The Higher Educational Services Office is proposing an increase in funding for the State Work Study Program of \$675,000 for each year of the biennium. Of the proposed increase, \$225,000 would be used each fiscal year to accommodate an increase in the minimum wage, and \$450,000 would be used each fiscal year to allow 500 more students to earn part of their college expenses through employment. Financial aid administrators have testified that demand for work study funding exceeds the availability of funds

The State Work Study Program assists students in earning part of their college expenses by work on campus, with nonprofit agencies, and as personal assistants to persons over the age of 65 or with disabilities. The campus financial aid office determines the total maximum work study earnings for

each student based on financial need, but actual earnings depend on the wage rate and number of hours that the student works. Wage rates, which cannot be less than the minimum wage, are set by the campus or governing board at the institution, depending on the position and policies regarding student employment. Together the state and the employer pay the student's wages. Employers must pay at least 25% of the student's wages, with the remainder being paid with State Work Study funds.

The current appropriation will be inadequate to support the same number of students in the next biennium. The annual appropriation of \$8,219,000 per fiscal year has remained level since F.Y. 1994. In addition to general inflation in prevailing wage rates, the State Work Study Program will be affected by increases in the federal minimum wage from \$4.25 per hour to \$5.15 an hour effective 9-1-97.

The agency's request includes \$225,000 to bring State Work Study wages up to \$5.15 an hour. Agency records indicate that 40% of the State Work Study participants in F.Y. 1995 were paid less per hour than the federal minimum wage. If work study appropriations are not increased, campuses that have paid below the new minimum wage will have no choice but to reduce the number of eligible students, or restrict their total work study earnings.

PROGRAM OUTCOMES:

Surveys of college students consistently show that more than half are employed while they are in school. On many campuses, off-campus work with private employers provides the largest source of employment. On-campus employment, however, has several unique benefits. For many students, on-campus employment is convenient, and working schedules and assignments are sensitive to academic priorities. On-campus employment has been shown to be associated with academic persistence because it strengthens the connection between the institution's academic program and other parts of student life. Both the state and federal Work Study Programs enable institutions to expand the number of jobs available on-campus and offer students opportunities for community service employment.

Funding the \$225,000 wage increase portion of the request would allow the State Work Study Program to continue to serve the same number of students given the increased federal minimum wage. The agency's request for an additional \$450,000 would allow the number of undergraduate and graduate students served to increase from approximately 9,900 to 10,400.

LONG-TERM IMPACT:

As the price of higher education increases, students will need increased assistance with a balanced program of grants, loans and employment.

For those students who are able to work, on-campus employment will help reduce the amount students need to borrow to meet their educational expenses.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Minnesota State Colleges and Universities (MnSCU) Fund: General State Appropriation

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$476,227	\$476,227	\$952,454
<u>BASE ADJUSTMENT</u>			
Administration Lease	63	78	141
POST Board	850	850	1,700
One-Time Appropriations	(21,447)	(21,447)	(42,894)
Enrollment Adjustment	(5,400)	0	(5,400)
Base Transfer - HESO Telecommunications	(373)	(373)	(746)
Debt Service - Pre 79/Local TC	(10)	(115)	(125)
<u>BASE LEVEL (for 1998 and 1999)</u>	\$449,910	\$455,220	\$905,130
<u>AGENCY INITIATIVES</u>			
Continuous Improvement Program	18,000	31,000	49,000
Electronic Academy	17,000	17,000	34,000
Management Information Systems Development	11,100	3,900	15,000
Student Opportunity Grants	-0-	14,000	14,000
System-wide Strategic Initiatives	<u>5,118</u>	<u>10,829</u>	<u>15,947</u>
Total Initiatives	51,218	76,729	127,947
<u>AGENCY REQUEST</u>	\$501,128	\$531,949	\$1,033,077
<u>GOVERNOR'S INITIATIVES</u>			
Continuous Improvement Program	12,000	19,000	31,000
Electronic Academy	10,000	14,500	24,500
Virtual University	250	250	500
Minnesota Career Education Planning System	250	250	500
Management Information Systems	6,200	600	6,800
Systemwide Strategic Initiatives	5,100	10,700	15,800
Facilities Repair & Replacement	2,000	2,000	4,000
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$485,710	\$502,520	\$988,230

Brief Explanation of Agency Plan:

The overall objective of the Minnesota State Colleges and Universities (MnSCU) budget request is to use current and new resources as a means for implementing system wide strategic goals and objectives. Critical initiatives are designed to support Board goals which focus on building institutional capacity which enhances student services and improves management.

The first component of the Budget Plan explains the change in the base F.Y. 1998-99 budget. This complies with Department of Finance (DOF) instructions and explains how spending will be curtailed by \$24,499,000 in F.Y. 1998 and \$19,084,000 in F.Y. 1999 from the F.Y. 1997 level. One-time appropriations, valued at \$21,447,000 account for most of the reduction in spending between F.Y. 1997 and the base for the next biennium. As this was money earmarked for one-time expenditures, such as equipment, computer system modification and training, semester conversion and certain legislatively mandated performance measures, the institutions do not have base spending levels that will be impacted by the drop in appropriation. In addition, enrollments are projected to fall in F.Y. 1998 in excess of 2% from the F.Y. 1995 legislative base for the formula. This \$5.4M drop in appropriation base is reinstated in F.Y. 1999 as enrollments are projected to increase. There are increases to the base budget that reflect monies earned on the dedicated receipts held in the general fund, adjustment to reflect an appropriation from the general fund to cover the prior transfer from the Peace Officers Standards and Training Board along with some other smaller adjustments.

The second, and most significant component of the budget plan, is the funding needed to successfully support the initiatives that have been developed by the Board of Trustees. During the months since its creation, MnSCU has explored ways to manage its resources more effectively and to expand and enhance educational opportunity. Organizational and administrative issues dominated the first year. A chancellor was selected, co-located colleges were merged, the system office was downsized, decision-making became more decentralized, mandates were reduced, systems and policies were established, and the new system was given life.

Now, MnSCU has shifted its attention to educational quality and access. The strategic planning process, led by the Board of Trustees, will establish specific educational goals for MnSCU as well as benchmarks against which to test our success. The plan will build a statewide electronic educational capacity, increase academic accountability, improve transferability, provide students with skills needed for a changing job market, and align educational programs with employer and state needs.

To achieve both MnSCU's administrative and educational objectives, additional investment is needed. MnSCU is requesting \$14M to enhance student access, \$49,947,000 to improve institutional performance and \$64M to manage MnSCU more effectively. Of these amounts, a total of \$35,147,000 is one-time funding, while \$92.8M is recurring.

Agency Budget Brief**1998-99 Biennial Budget**

Agency: Minnesota State Colleges and Universities (MnSCU)
(Continuation)

Through MnSCU's statewide planning process, it will be possible over the next 2 years to establish measurable objectives and assess the degree to which they have been achieved. These objectives include:

1. Maintaining educational programs and quality and student access.
2. Expanding focus on academic accountability by measuring student learning gains.
3. Continuing development of the MnSCU Electronic Academy, to allow for complete academic programs to be delivered statewide via interactive television, multi-media instructional technology across the curriculum, staff development, and challenge grants for innovative technology applications.
4. Improving student transfer by focusing on a skills-based approach.
5. Enhancing of career programs to ensure they provide the job-related, technological, and transferable skills needed for a changing job market.
6. Reviewing of educational programs to ensure they meet student and employer needs, are optimally located, avoid unnecessary duplication, and are adjusted to meet changing needs.
7. Strengthening the partnership between MnSCU and the K-12 sector by establishing a systemwide effort to reach out to schools in Minnesota.
8. Developing institutional quality and efficiency indicators and fund on the basis of measurable performance.
9. Augmenting current management information systems infrastructure by developing for the 54 campuses an integrated student records system, a comprehensive fiscal management system, and upgraded equipment and networking to support this system.

The MnSCU budget request is based on the assumption that the state will provide a stable level of support by maintaining the 1997 base and supporting targeted significant initiatives. Almost 30% of the funding for the initiatives is one-time funding, wherein the system is requesting "seed money" to initiate the process. Continued support of these one-time funding initiatives beyond the 1997-99 biennium will be covered from savings and through internal reallocations.

The MnSCU Board and administration are committed to focusing the entire system on performance driven change. MnSCU is requesting \$49M for the creation of a Continuous Improvement Fund. The request would enable performance contracts with improvement plans in order for institutions to receive financial assistance. The Board of Trustees, in addition to the Continuous Improvement Fund, has endorsed allocation of a portion of the state funds on the basis of institutional and system wide performance, and will reallocate a total of \$16M matching funds, half for institutional performance funding and half for progress on system wide performance measures.

As part of its decentralization activities, the Board of Trustees has authorized colleges and universities the option to plan for a campus-based tuition increase ranging from 0-5% annually. Any college or university tuition increase will require the development of a specific campus plan for utilization of the

funds, a full college or university consultation process, and approval of the plan by the Chancellor and Board prior to implementation.

The budget initiatives also address the role of financial aid funding within the system. MnSCU seeks from the general fund an amount equal to approximately 20% of the net proceeds from the Minnesota Lottery for financial aid awards to students from families with the lowest incomes. It is estimated that the lottery will net \$70M in fiscal year 1999. This \$14M request is consistent with the original intent of the lottery, which was designed to support higher education, environmental protection and economic development. The proposed design would allow for effectively targeting funds to the lowest income students.

Affected Statutes:

Chapter 349A.10 Subd. 5

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$991,846,000 for the Minnesota State Colleges and Universities. This increase, \$83.1 million above base-level appropriations for the biennium, is to support new investments in technology and the implementation of institutional performance measures and MnSCU's systemwide strategic plan. The Governor further recommends that, through reallocation and cost controls, tuition and fee increases be held to no more 2.5% per year, the projected rate of inflation.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS
ACTIVITY: INSTRUCTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	663,405	684,645	636,079	687,297	677,629	646,703	709,432	705,753
TRANSFERS			7,669	7,669	7,669	7,669	7,669	7,669
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	663,405	684,645	643,748	694,966	685,298	654,372	717,101	713,422
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
IMPROVING PERF-ELECTRONIC ACADEMY		GEN		17,000			17,000	
IMPROV PERF-SYSD STRATEGIC INITIATIVES		GEN		5,118			10,829	
MANAGE MNSCU EFFECTIVELY-CONT IMPR PROG		GEN		18,000			31,000	
MANAGE MNSCU EFFECTIVELY-MGMNT INFO SYS		GEN		11,100			3,900	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				51,218			62,729	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) CONTINUOUS IMPROVEMENT FUND		GEN			18,000			31,000
(B) MANAGEMENT INFORMATION SYSTEMS		GEN			6,200			600
(B) FACILITIES REPAIR & REPLACEMENT		GEN			2,000			2,000
(B) ELECTRONIC ACADEMY		GEN			10,000			14,500
(B) VIRTUAL UNIVERSITY		GEN			250			250
(B) SYSTEMWIDE STRATEGIC INITIATIVES		GEN			5,100			10,700
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					41,550			59,050
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	419,499	426,911	408,317	459,535	443,867	413,729	476,458	460,779
OPEN APPROPRIATIONS:								
GENERAL			1,627	1,627	1,627	1,627	1,627	1,627
STATUTORY APPROPRIATIONS:								
GENERAL	219,231	227,981	233,804	233,804	239,804	239,016	239,016	251,016

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE COLLEGES & UNIVERSITIES
PROGRAM: MNSCU OPERATIONS
ACTIVITY: INSTRUCTION

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	663,405	684,645	643,748	694,966	685,298	654,372	717,101	713,422
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	234,218	227,981	233,804	233,804	239,804	239,016	239,016	251,016
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	55							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	234,273	227,981	233,804	233,804	239,804	239,016	239,016	251,016

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: University of Minnesota

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$494,124	\$494,124	\$988,248
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(36,532)	(36,532)	(73,064)
Enrollment Adjustment	<u>3,163</u>	<u>6,325</u>	<u>9,488</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	<u>\$460,755</u>	<u>\$463,917</u>	<u>\$924,672</u>
<u>AGENCY DECISION ITEMS</u>			
Compensation	39,917	75,376	115,293
Technology	37,500	37,500	75,000
Administrative Process Redesign	17,500	10,000	27,500
Programmatic Investments	20,000	23,000	43,000
University-Based Financial Aid	2,625	5,250	7,875
Facilities Operations & Maintenance	20,942	33,881	54,823
Price Level Increases	11,090	22,460	33,550
Offset to Declining Revenue Sources	10,000	13,000	23,000
University Shared Responsibility	(38,789)	(94,221)	(133,010)
Tuition Plan	<u>(5,325)</u>	<u>(10,783)</u>	<u>(16,108)</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	<u>\$576,215</u>	<u>\$579,380</u>	<u>\$1,155,595</u>
<u>GOVERNOR'S RECOMMENDATIONS:</u>			
Faculty Recruitment Pool	10,000	20,000	30,000
Faculty Retention/Merit Compensation Pool	5,000	5,000	10,000
State Investment in Excellence	29,900	27,800	57,700
University Merit Scholarships	1,300	5,200	6,500
Technology Transfer	1,000	1,000	2,000
Biomedical Engineering Endowment	3,000	-0-	3,000
Academic Health Center Restructuring	5,940	-0-	5,940
Virtual University	250	250	500
MN Career Education Planning System	250	250	500
Quality Classrooms	10,000	-0-	10,000
Health Education & Research	6,000	-0-	6,000
Academic Quality	5,000	5,000	10,000
Eastcliff Renovation	500	-0-	500
Ice Sheet/Tennis Facility	3,000	-0-	3,000
New Value Creation, Carlson School	160	-0-	160
<u>GOVERNOR'S RECOMMENDATION</u>	<u>\$542,055</u>	<u>\$528,417</u>	<u>\$1,070,472</u>

Brief Explanation of Agency Plan:

In order to better inform elected officials and the public regarding the financial requirements facing the University, we have prepared a 4-year financial framework detailing the investment requirements of the University. The 4-year financial framework, when implemented, will deliver to the citizens of Minnesota a university that is a recognized leader in education reform; will provide the state a workforce with requisite competencies to effectively compete in the international economy of the 21st century; and enhance the University's and the state's roles as national and international leaders in economic innovation and growth.

Attachment 1 outlines the relationship between quality and accessibility. This matrix compares 28 public research universities on the quality of graduate programs, as rated by the National Research Council, and access to each university based upon the academic requirements to gain admittance to their undergraduate colleges as rated by the Princeton Review. A university's position on the matrix in the upper right corner would reflect relatively easy access but with high ratings of its graduate programs. In contrast, a university in the lower right corner, such as UCLA or UC Berkeley, would be very restrictive in terms of access and have very high quality graduate programs.

As indicated on Attachment 1, the University is well positioned relative to other major research institutions in terms of the quality of its graduate programs and accessibility. The University's plan is to improve our relative standing vis a vis the finest research institutions in the world.

The financial framework is fundamental to ensuring the continued excellence of the University of Minnesota as we move into the 21st century. The needs outlined in the 4-year financial framework total an average of \$244,572,443 per year. The University understands that it can not ask the state to bear the sole responsibility for meeting the investment goals outlined in our 4-year framework. To finance this 4-year framework, we have proposed a sharing of the solution among the state, students, and the University. Noteworthy is the objective to hold tuition revenue increases to the 2.5% per year projected rate of inflation coupled with a 50/50 sharing between the state of Minnesota and the University to finance the remaining needs.

The citizens of the state are major beneficiaries of the 4-year financial framework. For students, it means the opportunity to enter the University regardless of socio-economic background; to have major opportunities to participate directly in research, internships, and/or study abroad in preparation for work in a global economy; to engage in life-long learning with the University and to have life-long access to the University for further education, career training, and placement support; to be taught by one of the premier faculties in the nation and the world; to study in state-of-the-art classrooms; and to use new and innovative technology in support of instruction, participation in research, as well as student services. A major thrust of the plan is to continue to stimulate the state's economy through innovation and discovery in science and engineering, and to transfer that knowledge through outreach to improve the overall quality of life in the state. The University has also developed its plan to ensure that, through the adoption of critical measures to monitor our performance, the citizens of Minnesota and their elected public officials can

Agency Budget Brief

Agency: University of Minnesota
(Continuation)

1998-99 Biennial Budget

Fund: General

evaluate the University's progress toward attainment of the goals outlined in our 4-year framework.

Attachment 2 outlines the financial needs of the University in the context of all current non-sponsored fund operating revenues and expenditures of the University of Minnesota. The 4-year financial framework has been constructed from an all funds perspective. The investment and financial needs outlined in the 4-year financial framework have been prepared based upon an assessment of the urgency of the University's needs, a realistic timeframe for implementing new investment proposals, sufficient lead-time to accommodate phasing of the required reallocations, as well as consideration of the practical limitations on the timing of new revenue generating requirements contained as part of the University's shared responsibility.

Attachment 3 provides both the annual financial needs for each of the next 4 years, as well as a summary of the average annual financial needs over this 4-year timeframe. As outlined in Attachment 3, the University of Minnesota has identified financial needs totaling an average of \$244,572,443 per year over the next 4 years. The University is proposing to finance these investments and financial needs through a partnership involving: 1) tuition revenue held to the projected inflation rate of 2.5% per year, which will generate an average of \$13,649,245 per year in additional tuition revenue; 2) new state investment totaling an average of \$115,461,599 per year above budget target levels currently in law; and 3) University responsibility for increasing existing revenues, generating new sources of revenue, and continued reallocation of existing resources. The University's \$115,461,599 average annual responsibility is outlined in the budget initiative section of this document.

The investment and financial needs outlined in this document are organized within a framework of: 1) compensation; 2) technology; 3) administrative process redesign; 4) programmatic investments; 5) University-based financial aid; 6) facilities operations and maintenance, 7) price level increases; and 8) offset to declining revenue sources. The University asks the state to determine its level of partnership based upon the merits and direction of this biennial budget proposal.

Attachment 4 illuminates the relative share of major revenue sources supporting education and general expenditures at the University. State resources play a major role in financing these expenditures at the University. For F.Y. 1995, state resources represented nearly 39% of the revenues supporting education and general expenditures.

Noteworthy on Attachment 4 is the fact that beginning in F.Y. 1992, the combination of federal, private, and other revenues exceeded the percentage of funds obtained from the state of Minnesota. To its credit, the University has done its part to obtain other revenues to supplant the downward trend in state support. As the chart indicates, tuition as a percent of total revenues supporting education and general expenditures has risen modestly since 1990. The level of state support for this biennial proposal should be considered in light of the continuing downward trend in the percent of state revenues supporting education and general expenditures at the University of Minnesota.

The intent of the remaining portion of this budget brief is to provide a general overview of the consequences of the state choosing not to fund its share of the proposal. The general framework

in which the University would find itself in the event of no additional state support beyond current levels is articulated in this budget brief in order that the state, and its elected officials, are fully aware of the consequences of such a scenario.

If the University has no increased partnership with the state, University students and the internal University community would face the formidable task of finding a workable funding solution for the \$244,572,443 average annual investment and financial needs identified in the 4-year financial framework.

The most immediate negative consequence of no increased partnership with the state will be on students of the University:

They will not experience a University community built on a diversity of people, ideas and cultural resources;

They will not have fully available to them new curricula that link them to the world of work, the global economy, and the full knowledge resources of a research university;

They will witness the erosion of today's high quality faculty with a commensurate erosion of the quality of instruction and new teaching modalities;

They will see a lessening of the rich array of resources that support financial aid thereby undermining access and affordability;

They will not take classes in modern, well-equipped classrooms and teaching labs;

They will not graduate with a commitment from the University to provide life-long placement support and life-long educational opportunities that are not limited by distance;

They will have fewer career opportunities in Minnesota, made possible by University research, technology transfer, outreach and quality health care;

They may have--and use--their own personal computer, but with far less value-added access to the international resources of the "Super-Internet," new modes of instruction, and quality student service;

They will likely pay more tuition for a lower quality education.

Consequences for the economic and social vitality of the state include:

The University will have neither the facilities nor equipment requisite to be competitive for sponsored research, with a concomitant negative impact on the economic development of the state;

Fewer jobs will be generated in Minnesota, fewer patents will be developed, fewer breakthroughs will occur in medicine, science, and applied engineering.

Obviously, the financial needs and investments outlined in the 4-year financial framework would be significantly altered in the event the state provides no additional funds. The University would not only need to alter the proposed investment plan but also to rearrange the sources of revenue supporting the plan in order to accommodate the lost state support. At a minimum, the average annual investment plan would drop by approximately one-half. In effect, the realization of the 4-year investment proposal would be postponed by at least 4 years beyond F.Y. 2001. At the

same time, additional cost pressures would further compound financial needs for those years beyond fiscal year 2001, the last year of the 4-year financial framework.

The University remains committed to its share of the partnership proposal. However, the loss of state support for the proposed investment plan would place the University's contribution to the 4-year financial framework at considerable risk in terms of its ability to continue to generate current resources at a 2.5% annual growth rate, find new revenue streams, and reallocate existing expenditures from low priority to higher priority programs. As currently designed, the University's shared responsibility represents, on an average annual basis, roughly \$8.50 for every \$1.00 of tuition revenue increase.

At stake is the continuation of a major research university in Minnesota. At risk is Minnesota's ability to compete with the 10 other states that support major research universities and that have experienced to date similar patterns of growth as a major benefit of supporting a major public research university.

GOVERNOR'S RECOMMENDATION:

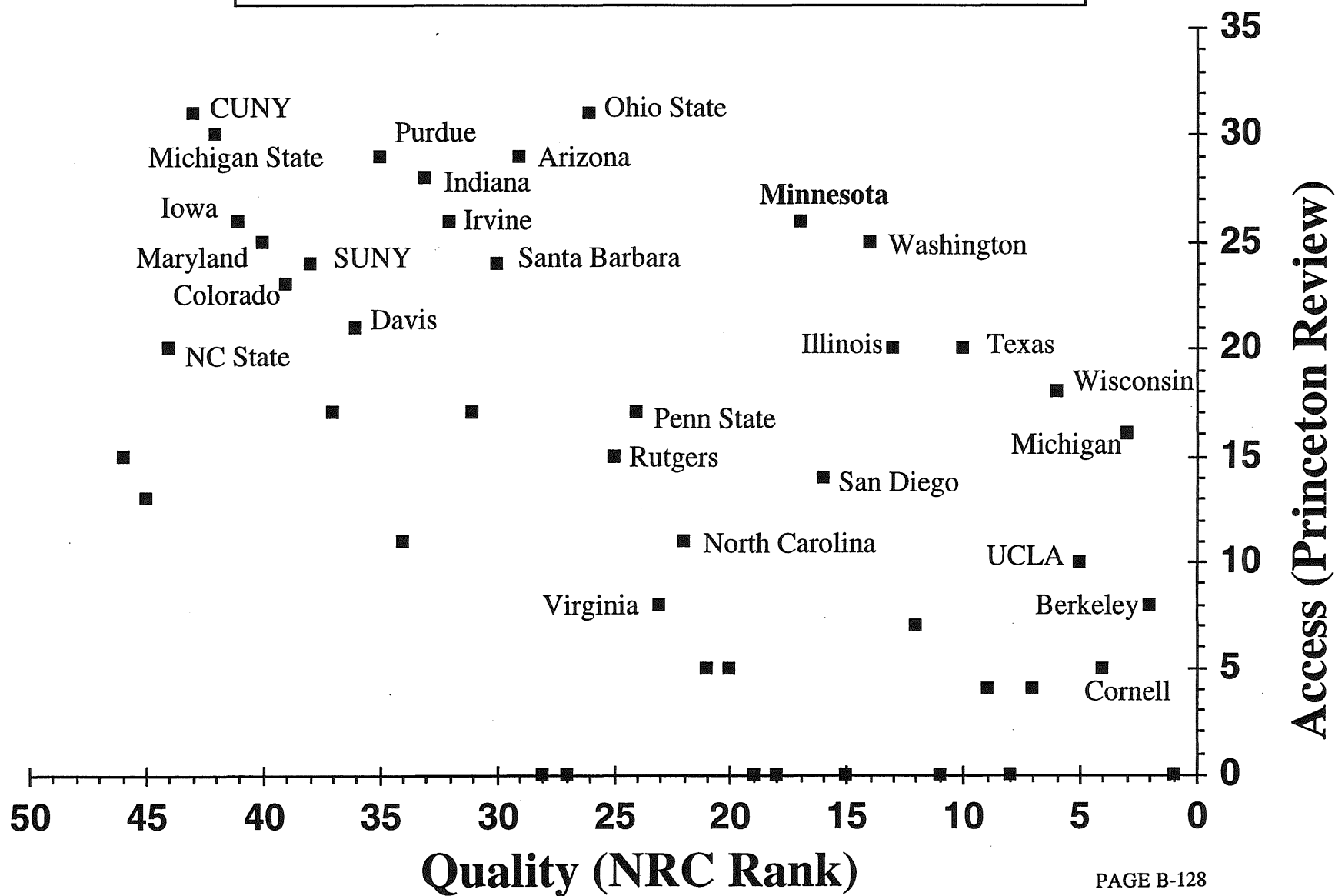
The Governor recommends a biennial increase of \$145.8 million in state appropriations to the University of Minnesota. This investment reflects the state's commitment to a partnership with the University and the private sector in building the University of Minnesota into one of the nation's top ten research universities.

The Governor's recommendations include:

- \$50 million over the biennium to recruit and retain highly talented and productive faculty.
- \$57.7 million for "Investments in Excellence," a pool of new state funds to support new investments in technology, facilities and programs. The Governor intends that the state's contribution be matched by the University through reallocations and through increases in existing and new sources of revenue.
- Transfer of \$16 million of University Special appropriations to the O&M budget, to give the University greater flexibility in budgeting its state resources.
- \$6.5 million over the biennium for merit scholarships to academically-gifted undergraduate and graduate students, to be matched dollar-for-dollar by new private contributions to the University Foundation.
- \$13.5 million for facilities improvements, including \$10 million for classroom upgrades; \$3 million to complete construction of a tennis/hockey facility on the Twin Cities campus; and \$500,000 to renovate Eastcliff, the University's official residence for its president.
- \$160,000 to launch the New Value Creation Program at the Carlson School of Management to advance research and public service in the areas of quality and innovation and develop a new Minnesota Council for Quality award.

- \$2 million for a University-Technology Transfer Initiative to expand and accelerate the transfer of technology developed by University health science researchers to private industry.
- \$3 million to match private contributions toward building a \$12 million operating endowment for the University's Biomedical Engineering Institute (BMEI).
- \$6 million to underwrite the development of new research, education and public service programs in the Academic Health Center.
- \$5.9 million to support restructuring of the University's Academic Health Center. The Governor recommends that funding authorized in F.Y. 1997 contingent upon changes to the tenure code be appropriated to the University without condition in F.Y. 1998.
- \$2 million to underwrite the University's participation in the Governor's inter-agency initiatives to develop a Virtual University and the Minnesota Career Education Planning System (MnCEPS).
- University of Minnesota students, faculty and staff will also benefit from the Governor's recommendation of \$12 million to implement the Minnesota Library Information Network (MnLINK), which will link together library and information resources across the state.

Access and Excellence



1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
PROGRAM RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
PRIMARY PROGRAMS	680,454	708,353	676,542	797,327	763,167	681,261	807,507	756,544
OTHER ACTIVITIES	9,087	8,028	4,084	7,824	7,765	5,088	5,207	5,088
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	689,541	716,381	680,626	805,151	770,932	686,349	812,714	761,632
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				1,050	1,050			
GENERAL	483,910	494,124	460,755	576,215	542,055	463,917	579,380	528,417
MINNESOTA RESOURCES	1,030			2,581	2,581			
HEALTH CARE ACCESS	2,567	2,582	2,357	2,416	2,357	2,357	2,476	2,357
SPECIAL REVENUE				50	50			
WORKERS COMPENSATION SPEC PMNT	200							
STATUTORY APPROPRIATIONS:								
GENERAL	196,544	214,229	215,787	221,112	221,112	217,344	228,127	228,127
AGENCY	5,290	5,446	1,727	1,727	1,727	2,731	2,731	2,731
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	689,541	716,381	680,626	805,151	770,932	686,349	812,714	761,632

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: UNIVERSITY OF MINNESOTA

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	713,995	716,556	709,911	711,468	4,084	5,088		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<36,532>	<36,532>	<36,532>	<36,532>				
CASELOAD, ENROLLMENT CHANGES	3,163	6,325	3,163	6,325				
SUBTOTAL BASE ADJ.	<33,369>	<30,207>	<33,369>	<30,207>				
BASE LEVEL	680,626	686,349	676,542	681,261	4,084	5,088		

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
INSTRUCTION O&M	445,000	480,000	458,139	544,538	510,005	462,858	552,488	515,926
NON-INSTRUCTION O&M	146,976	130,650	159,183	193,569	191,036	159,183	195,799	197,092
AGRICULTURE SPECIAL	47,597	47,797	47,297	47,297	32,440	47,297	47,297	32,440
HEALTH SCIENCES SPECIAL	17,758	26,358	3,742	3,742	18,213	3,742	3,742	3,273
TECHNOLOGY SPECIAL	3,067	3,067	1,552	1,552	1,430	1,552	1,552	1,430
SYSTEM SPECIAL	20,056	20,481	6,629	6,629	10,043	6,629	6,629	6,383
TOTAL EXPENDITURES BY ACTIVITY	680,454	708,353	676,542	797,327	763,167	681,261	807,507	756,544
AGENCY REQUEST ITEMS:			FUND					
COMPENSATION		GEN		39,917			75,376	
TECHNOLOGY, EQUIPMENT & INFRASTRUCTURE		GEN		37,500			37,500	
ADMINISTRATIVE PROCESS REDESIGN		GEN		17,500			10,000	
PROGRAMMATIC INVESTMENTS		GEN		20,000			23,000	
UNIVERSITY BASED FINANCIAL AID		GEN		2,625			5,250	
FACILITIES MAINTENANCE & OPERATIONS		GEN		20,942			33,881	
PRICE LEVEL INCREASES		GEN		11,090			22,460	
OFFSET TO DECLINING REVENUE		GEN		10,000			13,000	
NEW REVENUE AND REALLOCATIONS		GEN		<21,590>			<59,824>	
OTHER REVENUE INCREASES		GEN		<17,199>			<34,397>	
TOTAL AGENCY REQUEST ITEMS				120,785			126,246	
GOV'S INITIATIVES:			FUND					
(P) FACULTY RECRUITMENT & RETENTION POOL		GEN		15,000			25,000	
(P) INVESTMENTS FOR EXCELLENCE		GEN		35,225			38,583	
(P) UNIVERSITY MERIT SCHOLARSHIPS		GEN		1,300			5,200	
(P) VIRTUAL UNIVERSITY		GEN		250			250	
(P) MN CAREER EDUCATION PLANNING SYSTEM		GEN		250			250	
(P) TECHNOLOGY TRANSFER		GEN		1,000			1,000	
(P) BIOMEDICAL ENGINEERING INSTITUTE		GEN		3,000				
(P) ACADEMIC HEALTH CENTER		GEN		5,940				
(P) ACADEMIC QUALITY INITIATIVE		GEN		5,000			5,000	
(B) QUALITY CLASSROOMS		GEN		10,000				
(B) HEALTH RESEARCH, EDUCATION & PUBLIC SVC		GEN		6,000				
(B) NEW VALUE CREATION PGM/ CARLSON SCHOOL		GEN		160				

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
(B) ICE SHEET/ TENNIS FACILITY		GEN			3,000			
(B) EASTCLIFF RENOVATION		GEN			500			
=====					=====			=====
TOTAL GOV'S INITIATIVES					86,625			75,283
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	483,910	494,124	460,755	576,215	542,055	463,917	579,380	528,417
STATUTORY APPROPRIATIONS:								
GENERAL	196,544	214,229	215,787	221,112	221,112	217,344	228,127	228,127
=====								
TOTAL EXPENDITURES	680,454	708,353	676,542	797,327	763,167	681,261	807,507	756,544

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Academic Quality

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$5,000	\$5,000	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$5 million in non-recurring funding in each year of the biennium to aid the University in its efforts to recruit and retain a high-quality faculty. This initiative complements the Governor's initial budget recommendation to increase ongoing state support for faculty compensation by \$40 million over the biennium.

RATIONALE:

This recommendation furthers the Governor's goal of increasing the University's academic ranking and reputation through the recruitment and retention of a high-quality faculty. A pool of funds that can be used for one-time, targeted investments in its faculty provides the University added flexibility in pursuing this goal.

PROGRAM OUTCOMES:

This pool of funds may be used by the University for one-time investments to reward faculty for extraordinary scholarly achievements, to purchase laboratory technology and equipment and make other investments to retain and recruit highly-talented faculty.

LONG-TERM IMPACT:

This initiative will foster the retention of top-flight, productive faculty in programs of strategic importance to the state and where the University can significantly advance its national academic reputation and standing.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs

ITEM TITLE: Quality Classrooms

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$10,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$10 million in F.Y. 1998 to the University of Minnesota to improve classrooms throughout the University.

RATIONALE:

The University's competitive position as a world-class educational institution is threatened by the quality of its instructional space. Many of the University's classrooms are in a condition that detracts from teaching and learning. In a quality classroom environment, students can see the instructor and all visual material without strain; hear all presentations free from noise and distortion; and function productively and comfortably while in class. A quality classroom is equipped with physical and technological appointments that fully support and accommodate the chosen instructional method of the professor and students' learning styles.

The University has completed a comprehensive classroom study which projects a demand for 420 classrooms to accommodate current programs and enrollments. This initiative continues the University's effort to renew existing facilities and complements the classroom improvements underway with the support of a \$6.2 million 1996 capital appropriation directed toward the comprehensive renewal and renovation of classrooms in most critical condition.

PROGRAM OUTCOMES:

This initiative will upgrade 200 classrooms in the University's inventory which were rated in "fair" condition by the classroom study but which are in need of general interior improvements. Improvements include replacing worn-out or unusable furniture, upgrading teaching stations, painting, installing new carpet, and supplying other teaching aids and equipment as existing electrical systems will allow. This effort is a cost-effective way to accelerate the completion of needed improvements across a larger number of classrooms.

LONG-TERM IMPACT:

Improving the quality of classroom space will enhance the University's ability to attract and recruit talented and technologically-sophisticated students; enable the faculty to perform to the limits of their ability; and improve the quality of the teaching and learning experience.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: INSTRUCTION O&M

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	445,000	480,000	458,139	544,538	510,005	462,858	552,488	515,926
TOTAL EXPENDITURES	445,000	480,000	458,139	544,538	510,005	462,858	552,488	515,926
AGENCY REQUEST ITEMS:		FUND						
COMPENSATION		GEN		29,031			54,819	
TECHNOLOGY, EQUIPMENT & INFRASTRUCTURE		GEN		27,273			27,273	
ADMINISTRATIVE PROCESS REDESIGN		GEN		12,727			7,273	
PROGRAMMATIC INVESTMENTS		GEN		14,545			16,727	
FACILITIES MAINTENANCE & OPERATIONS		GEN		15,231			24,641	
PRICE LEVEL INCREASES		GEN		8,066			16,334	
OFFSET TO DECLINING REVENUE		GEN		7,273			9,455	
NEW REVENUE AND REALLOCATIONS		GEN		<15,444>			<42,472>	
OTHER REVENUE INCREASES		GEN		<12,303>			<24,420>	
TOTAL AGENCY REQUEST ITEMS				86,399			89,630	
GOV'S INITIATIVES:		FUND						
(P) FACULTY RECRUITMENT & RETENTION POOL		GEN		10,909			18,181	
(P) INVESTMENTS FOR EXCELLENCE		GEN		27,071			31,001	
(P) VIRTUAL UNIVERSITY		GEN		250			250	
(P) ACADEMIC QUALITY INITIATIVE		GEN		3,636			3,636	
(B) QUALITY CLASSROOMS		GEN		10,000				
TOTAL GOV'S INITIATIVES				51,866			53,068	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	248,456	265,771	242,352	323,426	288,893	245,514	324,361	287,799
STATUTORY APPROPRIATIONS:								
GENERAL	196,544	214,229	215,787	221,112	221,112	217,344	228,127	228,127

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: INSTRUCTION O&M

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	445,000	480,000	458,139	544,538	510,005	462,858	552,488	515,926
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	196,544	214,229	215,787	221,112	221,112	217,344	228,128	228,128
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	196,544	214,229	215,787	221,112	221,112	217,344	228,128	228,128

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: NON-INSTRUCTION O&M

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	146,976	130,650	159,183	193,569	191,036	159,183	195,799	197,092
TOTAL EXPENDITURES	146,976	130,650	159,183	193,569	191,036	159,183	195,799	197,092
AGENCY REQUEST ITEMS:		FUND						
COMPENSATION		GEN		10,886			20,557	
TECHNOLOGY, EQUIPMENT & INFRASTRUCTURE		GEN		10,227			10,227	
ADMINISTRATIVE PROCESS REDESIGN		GEN		4,773			2,727	
PROGRAMMATIC INVESTMENTS		GEN		5,455			6,273	
UNIVERSITY BASED FINANCIAL AID		GEN		2,625			5,250	
FACILITIES MAINTENANCE & OPERATIONS		GEN		5,711			9,240	
PRICE LEVEL INCREASES		GEN		3,024			6,126	
OFFSET TO DECLINING REVENUE		GEN		2,727			3,545	
NEW REVENUE AND REALLOCATIONS		GEN		<6,146>			<17,352>	
OTHER REVENUE INCREASES		GEN		<4,896>			<9,977>	
TOTAL AGENCY REQUEST ITEMS				34,386			36,616	
GOV'S INITIATIVES:		FUND						
(P) FACULTY RECRUITMENT & RETENTION POOL		GEN			4,091			6,819
(P) INVESTMENTS FOR EXCELLENCE		GEN			8,154			7,582
(P) UNIVERSITY MERIT SCHOLARSHIPS		GEN			1,300			5,200
(P) MN CAREER EDUCATION PLANNING SYSTEM		GEN			250			250
(P) TRANSFER SPECIALS TO O&M		GEN			16,694			16,694
(P) ACADEMIC QUALITY INITIATIVE		GEN			1,364			1,364
TOTAL GOV'S INITIATIVES					31,853			37,909
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	146,976	130,650	159,183	193,569	191,036	159,183	195,799	197,092

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: NON-INSTRUCTION O&M

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	146,976	130,650	159,183	193,569	191,036	159,183	195,799	197,092

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: HEALTH SCIENCES SPECIAL

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	17,758	26,358	3,742	3,742	18,213	3,742	3,742	3,273
TOTAL EXPENDITURES	17,758	26,358	3,742	3,742	18,213	3,742	3,742	3,273
GOV'S INITIATIVES:								
		FUND						
(P) TRANSFER SPECIALS TO O&M		GEN			<1,469>			<1,469>
(P) TECHNOLOGY TRANSFER		GEN			1,000			1,000
(P) BIOMEDICAL ENGINEERING INSTITUTE		GEN			3,000			
(P) ACADEMIC HEALTH CENTER		GEN			5,940			
(B) HEALTH RESEARCH, EDUCATION & PUBLIC SVC		GEN			6,000			
TOTAL GOV'S INITIATIVES					14,471			<469>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	17,758	26,358	3,742	3,742	18,213	3,742	3,742	3,273
TOTAL EXPENDITURES	17,758	26,358	3,742	3,742	18,213	3,742	3,742	3,273

F.Y. 1998-99 GOVERNOR'S BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, Health Sciences

ITEM TITLE: Academic Health Center Restructuring

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$5,940	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. Laws of Minnesota 1996, Ch. 395, Sect. 4

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$5,940,000 in F.Y. 1998 to the University's Academic Health Center (AHC) to redesign and restructure the AHC's curriculum and programs. This appropriation replaces funds authorized by the legislature in F.Y. 1997 contingent upon changes to the University tenure code. The Governor recommends that this 1997 appropriation be canceled and re-appropriated to the University without condition.

RATIONALE:

Changes in health care practices, driven in large part by the expansion of managed care, are causing shifts in the number and type of health care professionals the market demands. The University needs to re-design and restructure its health care education programs and curriculum to respond to these changes.

The University's health care education and research programs have depended substantially upon support from non-state resources which can not be sustained. The AHC's dependence upon patient care revenue from faculty clinics to subsidize education and research can no longer continue in the state's highly competitive health care market.

PROGRAM OUTCOMES:

This investment will assist the Academic Health Center to develop and purchase new information technology to improve the delivery of health care education programs; redesign the curriculum in health care education, and to provide transitional assistance as the AHC restructures in response to declining revenue from patient care sources.

LONG-TERM IMPACT:

The University of Minnesota's health care education and research programs will be better able to respond to the demands of the state's health care marketplace.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, Health Sciences

ITEM TITLE: Health Education, Research and Public Service Programs

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$6,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$6 million in F.Y. 1998 to the University of Minnesota for the Academic Health Center (AHC) to underwrite the development of new research, education and public service programs. This one-time appropriation will provide seed capital to leverage grants and other sources of ongoing financing to support these initiatives.

RATIONALE:

With the rapid changes occurring in health care, the Academic Health Center must make new strategic investments in programs essential to the health and economy of Minnesota. The AHC has long been a valuable asset for the state: educating and training health professionals, providing health care, and being a national leader in health research. The AHC has provided the foundation for Minnesota's growing health care community and biomedical industry.

PROGRAM OUTCOMES:

The AHC is developing a comprehensive set of programs to respond to Minnesota's most pressing health care needs and retain Minnesota's leadership in health care. Seven programs are research, education and outreach programs that address specific public health concerns and enhance research efforts in common, life-threatening diseases. Two programs focus on core technologies that will help AHC researchers develop new ways to detect, prevent, and treat disease.

- The Rural Health School will train teams of health profession students in rural settings, using rural clinicians as teachers, establishing interactive electronic communications networks, developing community health programs, and helping rural communities adapt to managed care.
- The Center for Aging will expand geriatrics education and training, conduct research on geriatrics treatment outcomes, and model new ways to provide care for chronic illnesses.

- The Adolescent Health Institute will identify and promote effective interventions for reducing alcohol abuse, smoking, violence, and teen pregnancy.
- The Center for Primary Care Research and Education will prepare primary care practitioners for their expanded roles in managed care delivery systems, and create primary care delivery models for special needs groups.
- The Center for Health Care Systems will evaluate the quality of care delivered through managed care programs.
- The Center for the Brain will promote the discovery of new knowledge and therapies for common nervous system disorders, including chronic and acute pain management, Parkinson's disease, Alzheimer's disease, and epilepsy.
- The Cancer Center Initiative will extend cancer prevention education and outreach services throughout Minnesota and enhance research on breast and lung cancers.
- The Advanced Therapies Institute will develop pharmaceuticals that act selectively against disease-causing cells and tissues without harming healthy tissue.
The Biomedical Engineering Initiative will develop biomaterials, engineered tissue, protein pharmaceuticals, diagnostic tests on microchips, and micro scale surgical devices.
- The Genetics/Immunology Center will support development of DNA-based diagnostic tests, vaccines, and biological therapies for human and animal diseases.

LONG-TERM IMPACT:

These programs will bring the AHC's education, research, patient care and outreach programs into the communities of the state, improving health and the quality of health care and laying the ground for the development and discovery of new treatments for the 21st century. In addition, these programs will foster more productive relationships between the University and the community, increase objective evaluations of the health care delivery system, and lead to the development and evaluation of new health care delivery and treatment models that will improve health outcomes.

1998-99 Biennial Budget

BUDGET ACTIVITY: Special Appropriations, Institute of Technology
PROGRAM: Primary Programs
AGENCY: University of Minnesota

ACTIVITY DESCRIPTION:

The Institute of Technology special supports technological purposes deemed of great interest to the state.

Minnesota Geological Survey (MGS)

The MGS is the state's primary geological center, conducting basic and applied research on Minnesota's geology, providing outreach services to the public, and training undergraduate and graduate students in practical earth sciences work for professional careers in the earth sciences. The Survey's fundamental tasks are geological mapping to elucidate the state's 3-dimensional geologic framework and its evolution in geologic time and to translation of mapping results into practical applications for the public. The main users of MGS maps and reports are local and state decision makers confronted by environmental issues, land-use planners, well drillers, geological and engineering consultants, the mining and mineral exploration industry, and educators.

Talented Youth Mathematics Program (TYMP)

The University of Minnesota TYMP is an intense and accelerated program for very talented mathematics students in grades 5-12, operated by the School of Mathematics at the University of Minnesota. Talented students in grades 4-8, identified by the home schools, are invited to participate in a qualifying examination. Of 1,400-1,750 students who test annually, 120-130 are invited to participate in the Twin Cities program, and 40-50 are invited to sites at St. Cloud, Duluth/Iron Range and Rochester. These students attend a 2-hour class 1 afternoon each week, after school, for 30 weeks, with 5-10 hours of homework. The high school component is taught by outstanding certified high school mathematics teachers and college-age teaching assistants. High school mathematics credit is granted for completion.

During the next 4 years (the college component), the students study calculus, linear algebra, differential equations, and advanced topics. The students who successfully complete the courses will earn 8-10 University of Minnesota undergraduate mathematics credits in calculus each year, and pay 50% of the tuition and book costs. Need-based scholarships are available. The 1996-97 enrollment in both components is 574.

The TYMP offers the advanced education and training necessary to make the state a leader in the global economy. TYMP fosters a positive learning environment and encourages acquisition of the skills necessary to compete internationally for highly talented young students.

Program Status

The MGS is the University's outreach unit devoted to supplying earth sciences research for growing state needs in water management, environmental geology and economic development of natural resources. Given Minnesota's commitment to maintaining environmental quality, protecting groundwater supplies, and sustaining urban and rural development, the demand for sound, unbiased geotechnical information continues to increase. In addition to conducting applied research pertinent to environmental and economic concerns, MGS personnel answer public inquiries about geology and

water wells, help people to interpret and use geological information in their local areas, and produce and distribute popular and technical maps and publications about the geological features and phenomena of our state.

External support from the National Science Foundation, The Bush Foundation, and local industries has enabled enrollment and class coverage to grow in the TYMP. A new 6th year class in upper division mathematics is now firmly established. TYMP has increased the number of female participants, with equal retention rates in the first 2 years, and increasing retention rates for females in calculus.

Planned Results

Activities of the MGS in the next biennium will include: continuation of geological mapping and related research under the County Geologic Atlas Program (in cooperation with the DNR), as required by the 1989 Groundwater Protection Act; hydrogeological investigation in the 7-county metropolitan area to assist in environmental planning; geological mapping to address exploration, development, and environmental problems associated with Cu-Ni-Pt mineralization in NE Minnesota; geological mapping of hydrogeologically sensitive karst terrain in SE Minnesota; refinement and expansion of GIS capabilities in the management and dissemination of earth science data; participation in the teaching programs of the Department of Geology and Geophysics at the University of Minnesota; production of educational materials for K-12 and adult learners; expansion of geophysical capabilities applicable to shallow subsurface engineering problems; continuation of direct "help-line" response to public inquiries; production and publication of technical reports.

The TYMP will continue working to increase the participation of females and other underrepresented populations in calculus and to increase opportunities using technology, lab-based instruction, and distance education for all students. The state special is critical in providing core support, which will enable TYMP to acquire funding from other sources.

BUDGET ISSUES:

The Agency Budget Brief discusses the University response at the base level. The Program level narrative and the Budget Initiative pages discuss the University's Agency Plan proposal. Each references budget issues concerning the Institute of Technology State Special.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINNESOTA
PROGRAM: PRIMARY PROGRAMS
ACTIVITY: SYSTEM SPECIAL

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	20,056	20,481	6,629	6,629	10,043	6,629	6,629	6,383
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	20,056	20,481	6,629	6,629	10,043	6,629	6,629	6,383
=====								
GOV'S INITIATIVES:								
(P) TRANSFER SPECIALS TO O&M		GEN			<246>			<246>
(B) NEW VALUE CREATION PGM/ CARLSON SCHOOL		GEN			160			
(B) ICE SHEET/ TENNIS FACILITY		GEN			3,000			
(B) EASTCLIFF RENOVATION		GEN			500			
=====					=====			=====
TOTAL GOV'S INITIATIVES					3,414			<246>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	20,056	20,481	6,629	6,629	10,043	6,629	6,629	6,383
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	20,056	20,481	6,629	6,629	10,043	6,629	6,629	6,383

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, System

ITEM TITLE: New Value Creation Program, Carlson School of Management

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$160	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation to the University of Minnesota of \$160,000 in F.Y. 1998 to underwrite the development of the New Value Creation Program at the Carlson School of Management. Working in partnership with Minnesota businesses, this program will advance research in the areas of quality and innovation and develop training programs and seminars. This initiative also supports the development of a new Minnesota Council for Quality award to recognize businesses that create new value.

RATIONALE:

New value creation is the next "big idea" in the quality movement. New value posits that businesses large and small will add future customer value and future jobs mainly through creating new lines of business from within. With some notable exceptions, few companies in Minnesota or the nation are skilled at this now. If Minnesota's economy is to remain prosperous, state businesses must master the art of creating new value.

Quality does pay off: it has been shown that winners of the Malcolm Baldrige National Quality Award outperform the Standard & Poor's 500 by greater than 4 to 1, achieving a 249% return on investment compared to 59% for the S&P 500. Research on quality has largely been encouraged and supported through federal funding. Congress has cut back funding for Baldrige research and is likely to continue to reduce federal support to recognize research in quality.

This federal devolution opens opportunities for the states to develop the next generation of quality initiatives. Minnesota, through the expertise and resources of the Carlson School of Management and the Minnesota Council for Quality, is uniquely positioned to become a role model for the nation in new value creation.

PROGRAM OUTCOMES:

This appropriation includes \$120,000 for research, outreach, and the development of a quality award for New Value Creation; \$40,000 supports a grant to the Minnesota Council for Quality to administer the award. Contributions from the business community will provide at least \$2 to match every \$1 of the state's investment in this initiative. Several prominent national and Minnesota businesses have pledged their support.

The Carlson School of Management, specifically the school's Quality Leadership Center and Entrepreneurship Center, will collect and summarize current quality research and conduct original research on best practices at leading companies. This research will support the development of evaluation criteria for a New Value Creation quality award, as well as the development of education and outreach programs for Minnesota companies.

The program will help Minnesota-based businesses create new value, as well as to expand into international markets and compete more effectively against national and foreign competitors. The Minnesota Quality Award for New Value Creation will recognize the success of Minnesota firms in creating new jobs and economic growth, inspiring and galvanizing research and education efforts.

LONG-TERM IMPACT:

Increasing the success of state businesses and their reputation for quality will strengthen Minnesota's business climate, encouraging more firms--particularly those interested in quality--to locate in Minnesota.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, System

ITEM TITLE: Ice Sheet and Tennis Facility

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$3,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$3 million in F.Y. 1998 to complete state financing for construction of an ice sheet for the University women's hockey program and tennis court facility adjacent to Mariucci Arena on the Twin Cities campus.

RATIONALE:

The Governor's 1996 capital budget recommended \$10 million of state bond financing to the Minnesota Amateur Sports Commission for the construction of a new hockey/tennis complex at the University. This facility was envisioned as a home for the University's new intercollegiate women's hockey program and the University's men's and women's tennis programs. In addition, the facility would serve as a site for high school and other amateur practice and competition.

The 1996 legislature appropriated \$7 million for this project to cover predesign through construction and equipment costs. After completing predesign, the \$7 million budget set by the legislature would support construction of one additional sheet of ice with seating capacity of 1,200 to 1,600 seats; minimal lockers; and 4-5 indoor tennis courts, replacing only one third of the 12 outdoor courts currently located on the proposed site adjacent to Mariucci Arena. A minimum of 6 tennis courts is needed to hold intercollegiate matches.

PROGRAM OUTCOMES:

This appropriation will enable the University to construct and partially equip an ice sheet /tennis facility better able to serve the University's athletics programs and the needs of many other amateur users. The additional \$3 million will allow the facility to provide spectator seating capacity more in line with the projected needs for amateur hockey competitions anticipated to be held both on this sheet and in tandem with the current Mariucci sheet; indoor tennis courts sufficient to host intercollegiate

matches, amateur competitions and educational teaching camps; and create more locker space to accommodate University programs and visitors.

LONG-TERM IMPACT:

The University will be able to complete this project in a timely fashion, thereby avoiding cost increases that would be incurred if the University had to seek additional financing. The University's new women's hockey program and the men's and women's tennis programs will have access to on-campus facilities for practice and competition in academic year 1998. Amateur hockey and tennis will also gain access to additional quality facilities for practice and competition.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: University of Minnesota
PROGRAM: Primary Programs
ACTIVITY: Special Appropriations, System

ITEM TITLE: Eastcliff Renovation

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$500	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a non-recurring appropriation of \$500,000 in F.Y. 1998 to the University of Minnesota for improvements to Eastcliff, the University's official residence for its president. This appropriation will be matched dollar-for-dollar by the University from non-state and non-student sources in order to substantially complete needed repairs and renovations to Eastcliff's exterior, interior and grounds.

RATIONALE:

Eastcliff has been the official residence of University presidents and their families since 1961. The two-story, twenty-one-room home was built in 1922 for a St. Paul family who donated it to the University in 1958. In addition to serving as the official residence, Eastcliff serves as the meeting and entertainment center for the president and other University administrators and is the site of numerous public gatherings.

The University covers basic repair and maintenance costs, while external sources provide funding for special projects to enhance the beauty and function of Eastcliff as the official University residence. Two committees administer Eastcliff's maintenance and renovation. The Eastcliff Technical Advisory Committee--made up of consultants from University units such as the school of architecture and facilities management--recommends repairs, maintenance and improvements. The Friends of Eastcliff, comprised of both private citizens and University representatives, oversees all fund-raising for renovation projects not funded by the University.

In 1990, the Technical Advisory Committee completed a master plan for needed renovations to Eastcliff and has continued to refine the itemized list of improvements as well as cost estimates.

PROGRAM OUTCOMES:

This appropriation, together with matching funds from the University, will finance the substantial completion of the repairs and renovations outlined in the Eastcliff property master plan. Examples of specific repairs and renovations to be performed include: repair and repaint all deteriorated exterior wood surfaces; repair deteriorated chimneys; replace roofs and gutters; install new security, telephone, and data systems; repair deteriorated plaster walls; refurbish interiors with new wall and ceiling finishes and window treatments; install an ADA-compliant elevator to serve all three floors; improve existing inadequate heating and ventilation systems; improve existing plumbing systems.

LONG-TERM IMPACT:

These renovations, in addition to maintaining Eastcliff's financial value, will make it a more warm, welcoming and functional residence and hosting facility which will provide a level of hospitality that conveys the University of Minnesota's importance as the state's flagship institution and one of the nation's major research universities.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: Other Activities
AGENCY: University of Minnesota (U of M)

PROGRAM DESCRIPTION:

The "other activities" of the University of Minnesota are those activities which occur as a result of special funding provided to the University to initiate and carry out a given specific initiative. Included in this program are the following activities: Legislative Commission on Minnesota Resources; Special Projects; and MinnesotaCare.

Projects funded by the Legislative Commission on Minnesota Resources (LCMR) provide research, and public service support in accordance with legislative initiatives in the areas of recreation, water, education, agriculture, forestry, fisheries, wildlife, land management, minerals, waste, and energy.

Projects funded under the Special Projects activity include, for F.Y. 1996, wheat scab research. This research is designed to minimize the adverse effects of future wheat scale infestations in the short-term while seeking to fully eliminate the problem in the long-term.

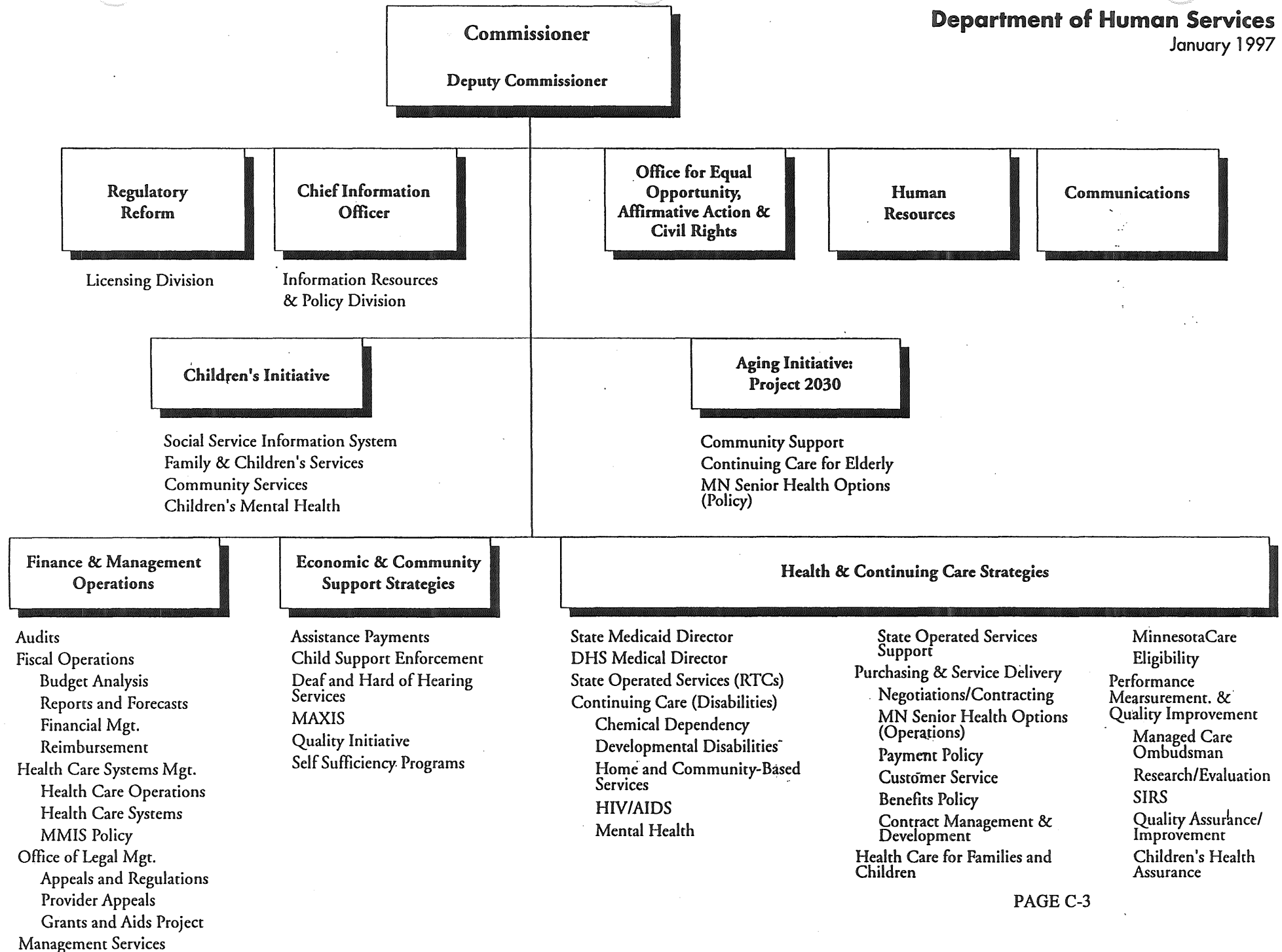
The State has provided the University of Minnesota funding through MinnesotaCare since 1993 to increase Medical School primary care residency graduates and to encourage these physicians to establish practices in medically underserved areas in rural and urban Minnesota.

The University has responded to the request by developing medical student and primary care resident educational programs to improve geographic distribution of primary care physicians in Minnesota who are better equipped to provide high-quality and cost effective care to consumers. To date, there has been a substantial increase in the proportion of pediatric and medicine residents selecting generalist careers, a number of general pediatric and medicine resident graduates locating in rural Minnesota, and implementation of the Waseca-Mankato Rural Family Practice Residency Program.

BUDGET AND REVENUE SUMMARY:

The Legislative Commission on Minnesota Resources' project recommendations for the U of M in the 1998-99 biennium include \$2,581,000 from the Minnesota Future Resources Fund, \$1,050,000 from the Environment and Natural Resources Trust Fund, and \$50,000 from the Special Revenue Fund Great Lakes Protection Account. (See the LCMR budget for information on the specific research projects recommended for funding.)

The University requests an increase in its appropriation from the MinnesotaCare Fund of 2.5% in each year of the biennium.



1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Human Services, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>	\$2,454,182	\$2,454,182	\$4,908,364
<u>BASE ADJUSTMENT</u>			
One-Time appropriations	(2,704)	(2,859)	(5,563)
Biennial Appropriations	804		804
Program/Agency Sunsets	(500)	(500)	(1,000)
Fund Changes/Fund Consolidation	(1,249)	(1,249)	(2,498)
1998-99 Compensation Inflation	5,452	11,055	16,507
Annualization of New Program Costs	3,138	2,942	6,080
Space Rent/Lease Changes	<u>342</u>	<u>475</u>	<u>817</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$2,459,465	\$2,464,046	\$4,923,511
<u>DECISION ITEMS</u>			
Forecast Adjustments	(3,166)	174,660	171,494
Budget Initiatives	<u>(108,208)</u>	<u>(159,218)</u>	<u>(267,426)</u>
Total Decision Items	\$ (111,374)	\$ 15,442	\$ (95,932)
<u>GOVERNOR'S RECOMMENDATION</u>	\$2,348,091	\$2,479,488	\$4,827,579

The Minnesota Department of Human Services (DHS) developed its biennial budget by listening to what Minnesota citizens want for the future and by balancing what is desired for human services with tough choices about what is considered affordable to the taxpayer.

This budget accomplishes many important policy objectives:

- Statewide changes are made to welfare that require, support and reward work that aid people to work their way out of poverty.
- Significant steps are taken toward merging publicly funded health care programs.
- The states role as a purchaser of services is strengthened while its role as an administrator of services is reduced.
- The movement of persons with developmental disabilities from Regional Treatment Centers to community placements is completed.
- The development of community-based alternatives for persons with mental illness is continued and expanded.
- Local solutions to child welfare issues are supported through significant investments.
- Investments in technology are used to enhance efficiency, avoid future costs, and improve services;

AGENCY PLAN ITEMS BY PROGRAM:

Agency Management	2,846	1,213	4,059
Children's Grants	15,200	19,175	34,375
Children's Management	1,290	1,290	2,580
Basic Health Care Grants	(164,660)	(57,465)	(222,125)
Basic Health Care Management	1,260	1,947	3,207
State Operated Services	586	(6,187)	(5,601)
Continuing Care Grants	52,096	92,760	144,856
Continuing Care Management	1,415	1,204	2,619
Economic Support Grants	(25,844)	(41,209)	(67,053)
Economic Support Management	<u>4,437</u>	<u>2,711</u>	<u>7,148</u>
Total Agency Plan Items	\$ (111,374)	\$ 15,442	\$ (95,932)

These gains are accomplished within a context of fiscal restraint. New investments are targeted. Existing funds are reprioritized. More effort is dedicated toward maximizing all available resources, and assuring that the state pays no more than its intended share of service costs.

Under the proposed budget, agency spending (General Fund) will be \$2,348,091,000 for F.Y. 1998 and \$2,479,485,000 for F.Y. 1999. These amounts represent significant spending reductions from the February 1997 Forecast. F.Y. 1998 spending is \$148 million lower than the February forecast and F.Y. 1999 spending is \$280 million lower.

Under the Governor's plan, human services will account for 26% of total state General Fund spending in the F.Y. 1998-99 biennium. This places DHS second to the Department of Children, Family, and Learning in General Fund spending.

Agency Budget Brief

Agency: Human Services, Department of
(Continuation)

1998-99 Biennial Budget

Fund: General

While this budget introduces or continues important policy advances and reduces the rate of spending growth, fiscal restraint will remain an important issue for future budget development. Health care accounts for 72% of DHS's budget. Economic support (welfare) is the second largest portion of the DHS general fund budget accounting for 11% of proposed expenditures.

Increases in human services spending continue to outpace revenue growth. This growth is mostly attributed to rising health care costs. Welfare spending has, in fact, decreased in recent years. So, health care, in addition to being the largest spending area, is growing at a significantly faster rate than other human services spending areas.

INCREASE IN HUMAN SERVICES BUDGET AS COMPARED TO STATE REVENUE GROWTH (General Fund - November Forecast)

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 1998-99</u> vs.
State Revenues	2.3%	4.2%	7.4%
Health Care	10.0%	10.2%	20.1%
Economic Support (Welfare)	6.0%	1.2%	6.7%
Other	1.4%	1.3%	3.8%
* Without discretionary inflation			

The proposed DHS budget contains decision pages which recommend changes (reductions and increases) to the adjusted F.Y. 1997 base appropriation. In total, agency decision pages decrease DHS General Fund appropriations by \$111,374,000 in F.Y. 1998 and increase appropriations by \$15,439,000 in F.Y. 1999. In addition to these General Fund appropriations changes, DHS budget proposals impact the General Fund by changing revenues, transferring program funds to other agencies and transferring funds to the health care access fund.

NET EFFECT OF DHS DECISION PAGES ON GENERAL FUND

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 1998-1999</u>
Agency Plan Items	\$(111,374)	\$15,439	\$(95,935)
Transfers to Other Agencies	155,490	153,584	309,074
Net (Increase)/Decrease in Revenue	<u>3,558</u>	<u>11,100</u>	<u>14,658</u>
Net Effect on General Fund	\$47,674	\$180,123	\$227,797

There are 2 types of decision pages included in the DHS budget: those representing funding changes to forecasted programs that result from the continuation of current law (forecasted adjustments) and those for which the requested funding results from proposed changes to current law (budget initiatives). There are 12 forecast decision pages in the DHS budget. In total, forecast decision pages request decreases of \$3,166,000 for F.Y. 1998 and increases of \$174,666,000 for F.Y. 1999. Once again, these are changes from the F.Y. 1997 appropriation.

Funding changes shown on the forecast pages are driven primarily by projected changes in number of recipients (caseload), changes in the amount of services used (utilization), and changes to the cost per unit of service (payment rates). However, for the F.Y. 1998-99 budget, federal changes have become another significant factor. For example, federal financial participation (FFP) for the entitlement programs has been reduced by a 1.5%. Over a 3 year period (F.Y. 1997-99) the FFP reduction will add nearly \$90 million to Minnesota's share of federal program costs.

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
FORECAST ADJUSTMENTS:			
MA Basic - Children & Families	\$3,053	\$45,760	\$48,813
MA Basic - Elderly & Disabled	(9,760)	43,121	33,361
MA LTC - Waivers & Home Care	20,038	57,385	77,423
MA LTC - Facilities	(7,423)	10,290	2,867
General Assistance Medical Care	(13,403)	773	(12,630)
Alternative Care Grants	1,267	49	1,316
Group Residential Housing	12,498	21,300	33,798
Chemical Dependency	(10,734)	(7,925)	(18,659)
MFIP	5,861	(1,766)	4,095
AFDC	(11,052)	(5,480)	(16,532)
General Assistance	7,349	8,786	16,135
Minnesota Supplemental Aid	<u>(860)</u>	<u>2,367</u>	<u>1,507</u>
Total Forecast Adjustments	\$(3,166)	174,660	171,494

The remaining changes proposed for the budget are the result of the agency's and Governor's recommended changes to current law. Each policy proposal that has a fiscal impact on either forecasted or non-forecasted grants is represented on one of the agency's decision pages.

The policy proposals are based on the agency's priorities for people that were established as a basis for responding to Minnesota's human services challenges. (These priorities are more specifically discussed in the agency narrative.) The following are some of the significant changes recommended in this budget listed by agency priority:

Agency Budget Brief

Agency: Human Services, Department of
(Continuation)

1998-99 Biennial Budget

Fund: General

1. Economic Self-Sufficiency: Creating a Work-Focused, Anti-Poverty Welfare Program

- Movement of state investments from the more traditional welfare programs to the statewide implementation of the Minnesota Family Investment Plan (MFIP). MFIP provides greater emphasis on requiring, supporting and rewarding work;
- Appropriation of the new federal block grant called Temporary Assistance to Needy Families (TANF); and
- Appropriation of administrative funding for the state and counties welfare activities frozen at F.Y. 1996 levels so that more funds are available for grants.

Over the next 2 bienniums, DHS funding requests for welfare reform total no more than the projected state costs of current welfare programs. In addition, significant increases in child care funding are being proposed so that needed supports are available to parents returning to work. Child care funding requests are found in the Department of Children, Families, and Learning section-of the Governor's budget.

2. Health Care: Ensuring Affordable Health Care for Families with Children and Purchasing Affordable Long-Term Care for the Elderly and Disabled

- Transition of GAMC to MinnesotaCare.
- Demonstration Projects for the disabled using a managed care approach to providing services that are more flexible while controlling the growth of health care costs.
- Statewide expansion of adult mental health pilots.
- Additional funding for the Alternative care supporting the continued development of community-based services for the elderly.
- Further integration of long term care delivery and financing into comprehensive capitated care strategies, in order to improve client satisfaction, clinical outcomes, and cost containment.
- Voluntary closure and MA decertification of some nursing homes to reduce Minnesota's high use of costly, institutional care.

3. Children: Promoting the Best Interests of Children

- Expansion of collaborative efforts to improve children's mental health services.
- Increased funding support for foster care, adoptive family recruitment, and establishment of a needs-based guardianship support program.
- Development of statewide competency-based and standardized training for child protection workers.
- Movement of adoption efforts for children under public guardianship from the public to the private sector.
- Expansion of family visitation centers and crisis nurseries.
- Continuation of family preservation services.
- Increased funding to support comprehensive system reform to better protect children at risk of child maltreatment

4. Technology and Information Access: Making Investments in Technology to Improve Business Standards and Meet Future Demands

- Continued funding for the Social Service Information System as an information support for child protection workers.
- Statewide expansion of electronic benefits transfer.
- Improvements to processing MinnesotaCare premiums.
- Enhancing the department's ability to collect the debts it is owed.
- Adapting the state operated services billing system to respond to changes in the service industry.
- Developing capacity to provide more information to consumers about licensed programs.

Other Significant Agency Proposals:

- Acceleration of the state buy out of the county share in health care and income maintenance service costs.
- Mandatory inflation adjustments for hospitals, nursing facilities, and intermediate care facilities for the mentally retarded.

Governor's Initiatives:

Governor's initiatives included in the DHS budget are:

- Transition of GAMC into MinnesotaCare.
- Separate medical education costs from MA, GAMC, and MinnesotaCare payments and move funds to cover such costs to the Department of Health. (This item appears in the Department of Health's budget.)
- Acceleration of the state buy out of the county share in health care and income maintenance service costs.

BUDGET INITIATIVES:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
Cash Receipts System Technology	\$390	\$90	\$480
Computer Assisted Collection System	525	30	555
RSDI & Medicare Project	(61)	(2,042)	(2,103)
State Operated Service Billing System	500	-0-	500
Attorney General Rates	291	483	774
Fair Hearings	290	290	580
Consumer Information System	350	-0-	350
Child Welfare Prevention/Early Intervention Reform	1,500	1,500	3,000
Family Preservation Fund	8,890	8,890	17,780
Privatize Special Needs Adoption	3,200	6,650	9,850
Children's Services	800	825	1,625
Services for Children's Mental Health	750	1,250	2,000
Crisis Nursery Service Expansion	600	600	1,200
Family Visitation Center Expansion	(200)	(200)	(400)
Social Services Information System (SSIS)	950	950	1,900
Acute Care Inflation	1,522	9,016	10,538
Eliminate MA/GAMC Pharmacy Copayment	153	213	366
Eliminate Nuisance Hospital Appeals	(2,865)	(2,994)	(5,859)
Dental Services	1,107	2,791	3,898
Mandated Extended Medical	740	1,753	2,493
Sponsor Deeming	(1,180)	(2,955)	(4,135)
Discontinue funds for MCHA premiums	1,336	1,454	2,790
Unitary Residence Act	(1,500)	(1,500)	(3,000)

Agency Budget Brief
Agency: Human Services, Department of
(Continuation)

1998-99 Biennial Budget
Fund: General

(continued)	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
Transitioning GAMC into MnCare	(172,060)	(180,605)	(352,665)
PMAP Enrollment and Advocacy	785	1,822	2,607
DD Downsizing & Safety Net Services	(5,213)	(17,054)	(22,267)
Psychopathic Personality Staffing Needs	431	1,067	1,498
Mental Health Transition - COLA	67	136	203
SOCS - COLA	1,206	2,460	3,666
Adult Mental Health Pilots Phase II	1,560	2,028	3,588
Demonstration Project for Disabilities	1,300	15,601	16,901
ICF/MR Inflation	1,507	3,797	5,304
NF Inflation & Waiver Limit Increases	11,799	25,532	37,331
NF Rate Setting Changes	(1,673)	(4,124)	(5,797)
Redesign PMAP to Include One Year Benefit	-0-	150	150
NF Voluntary Closure or Decertification	165	224	389
Eliminate Duplicate Service Billing	(472)	(688)	(1,160)
Limit Rate Increases Under CCDTF	(451)	(1,410)	(1,861)
MA/GAMC Services Provided by Tribes	1,744	1,497	3,241
Adjust Maintenance of Effort for CCDTF	1,500	1,500	3,000
MFIP Child Care Transfer to DCFL	(6,322)	(4,416)	(10,738)
Child Support Federal Mandates	2,000	1,100	3,100
Accelerate State Financing	60,853	(9,575)	51,278
Welfare Reform	(25,600)	(26,447)	(52,050)
Program Integrity	403	443	846
EBT Statewide Expansion	<u>175</u>	<u>650</u>	<u>825</u>
Total Budget Initiatives	<u>\$(108,208)</u>	<u>\$(159,218)</u>	<u>\$(267,426)</u>

Summary of Agency Actions:

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Human Services, Department of

Fund: Health Care Access

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
<u>BASE ADJUSTMENT</u>	\$132,540	\$132,540	\$165,080
One-Time Appropriations	(855)	(855)	(855)
1997 Salary Supplement Transfers	193	193	386
1998-99 Compensation Inflation	178	359	386
Space Rent/Lease Changes	<u>24</u>	<u>26</u>	<u>50</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$132,080	\$132,263	\$264,343
<u>DECISION ITEMS</u>			
Forecast Adjustments	(57,133)	(57,656)	(114,789)
Acute Care Inflation	137	590	727
Eliminate MA/GAMC Pharmacy Copay	(105)	(121)	(226)
Sponsor Deeming	(33)	(81)	(114)
Transitioning GAMC into MnCare	<u>172,402</u>	<u>182,141</u>	<u>354,543</u>
Total Agency Plan Items	\$115,268	\$124,873	\$240,141
<u>GOVERNOR'S RECOMMENDATION</u>	\$247,348	\$257,136	\$504,484
<u>AGENCY PLAN ITEMS BY PROGRAM:</u>			
Basic Health Care Grants	114,926	123,377	238,263
Basic Health Care Management	<u>342</u>	<u>1,536</u>	<u>1,878</u>
Total Agency Plan Items	\$115,268	\$124,873	\$240,141

Brief Explanation of Agency Plan:

The Department of Human Services (DHS) receives appropriations from the Health Care Access Fund to cover payments and operational costs of the MinnesotaCare subsidized insurance program. This program is available to families and children with incomes at or below 275% of poverty and to single adults with incomes at or below 135% of poverty. At the end of the 1996 legislative session, total MinnesotaCare payments to health care providers were projected to reach over \$153 million for F.Y. 1998 and over \$156 million for F.Y. 1999. An additional \$12 million was appropriated to DHS to cover the costs of operating this program. Primary operation activities include eligibility determination, processing invoices and payments, and the collection of premiums paid by beneficiaries.

In the agency plan MinnesotaCare payments are significantly reduced as a result of changes in the November 1996 forecast. These forecasted reductions are driven primarily by reduced caseload projections that correspond with improved information on the number of uninsured persons in Minnesota.

In addition to the forecast change, the agency plan recommends policy changes that impact Health Care Access Fund appropriations. Those recommendations that require increased appropriations are as follows:

- The Governor proposes to transition the current General Assistance Medical Care (GAMC) program into MinnesotaCare. Beginning in F.Y. 1998, the GAMC program is transferred from the General Fund to the Health Care Access Fund. Along with the program transfer, it is proposed that the general fund transfers funding equal to the F.Y. 1997 forecasted GAMC expenditure (approximately \$149 million). The GAMC program and fund transfer is eliminated by the beginning of F.Y. 2001. Once the program is discontinued, most GAMC recipients will become eligible for MinnesotaCare.
- The agency recommends some inflation adjustments to MinnesotaCare provider payments.

Proposed reductions to Health Care Access fund appropriation to the DHS budget result from the following governor's and agency recommendations:

- The Governor recommends consolidating existing funding and increasing funding levels for medical education and research. (This proposal is located in the Department of Health section of the budget document.)
- The agency recommends elimination of pharmacy co-payments and a reduction to pharmacy payments to reflect industry payment standards

Revenue Summary:

DHS generates revenues from premium payments made by MinnesotaCare participants. These payments are deposited into the Health Care Access Fund. In addition MinnesotaCare earns federal revenues for payments on behalf of participants that qualify for federal Medicaid reimbursement.

Affected Statutes:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY MANAGEMENT	261,343	321,529	315,173	258,157	258,157	329,370	267,046	267,046
CHILDREN'S GRANTS	137,579	93,375	85,049	100,153	100,153	87,049	106,128	106,128
CHILDREN'S SERVICES MANAGEMENT	6,487	10,348	7,405	8,695	8,695	7,436	8,726	8,726
BASIC HEALTH CARE GRANTS	1,370,850	1,603,212	1,880,853	1,784,878	1,723,585	1,880,853	2,043,057	1,943,722
HEALTH CARE MANAGEMENT	43,037	56,795	53,871	55,131	55,473	53,415	55,362	56,898
STATE OPERATED SERVICES	247,715	263,474	269,708	270,294	270,294	273,244	267,057	267,057
CONT CARE & COMM SUPP GRANTS	1,981,008	2,076,050	2,140,207	2,150,704	2,080,919	2,140,669	2,274,835	2,168,012
CONT CARE & COMM SUPP MGMT	25,966	32,543	32,155	33,570	33,570	31,712	32,916	32,916
ECONOMIC SUPPORT GRANTS	541,746	535,724	693,071	725,045	695,747	753,403	777,756	733,226
ECONOMIC SUPPORT MANAGEMENT	56,084	71,849	76,778	83,159	83,159	74,582	79,079	79,079
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	4,671,815	5,064,899	5,554,270	5,469,786	5,309,752	5,631,733	5,911,962	5,662,810
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	50,499							
GENERAL	1,950,560	2,219,051	2,459,465	2,459,298	2,348,090	2,464,046	2,669,668	2,479,488
STATE GOVERNMENT SPECIAL REVENUE	631	541	549	453	453	558	462	462
HEALTH CARE ACCESS	55,322	82,660	132,080	74,946	247,348	132,263	74,995	257,136
STATUTORY APPROPRIATIONS:								
GENERAL	287,366	322,137	345,203	351,511	130,283	345,135	374,267	133,154
STATE GOVERNMENT SPECIAL REVENUE		759	771	771	771	688	688	688
HEALTH CARE ACCESS	17,423	19,050	20,190	21,108	21,108	20,190	23,508	23,508
SPECIAL REVENUE	141,507	182,959	88,695	88,396	88,396	85,926	85,469	85,469
FEDERAL	2,073,654	2,131,874	2,395,701	2,361,687	2,361,687	2,462,548	2,562,526	2,562,526
AGENCY	83,141	93,447	99,524	99,524	99,524	108,360	108,360	108,360
GIFT	207	599	270	270	270	197	197	197
ENDOWMENT	13	22	22	22	22	22	22	22
CHEMICAL DEPENDENCY TREATMENT	11,492	11,800	11,800	11,800	11,800	11,800	11,800	11,800
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,671,815	5,064,899	5,554,270	5,469,786	5,309,752	5,631,733	5,911,962	5,662,810
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	5,952.3	5,969.8	6,079.4	5,987.9	5,989.9	6,071.2	5,833.7	5,850.7
TEMP/SEAS/PART_TIME	51.0	72.8	75.0	75.0	75.0	74.9	74.9	74.9
OVERTIME	39.6	36.0	33.6	33.6	33.6	33.6	33.6	33.6
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	6,042.9	6,078.6	6,188.0	6,096.5	6,098.5	6,179.7	5,942.2	5,959.2

This page intentionally left blank.

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Human Services, Department of

REVENUE SOURCES:

The Department of Human Services (DHS) generates non-dedicated revenue, dedicated revenue, and receives federal funds and foundation grants. The non-dedicated revenue is generated from charges for the cost of care for residents of state Regional Treatment Centers and State Operated Community Services; surcharges on health care providers; recoveries and refunds from third party payers, clients and providers; administrative cost reimbursements from federal agencies; and licensing fees. These funds are deposited into the General Fund except for a portion of the cost of care receipts which are deposited into the Cambridge Bank Fund. The Cambridge Bank Fund was established to guarantee state bonds issued to generate funds needed to repay banks, as the result of a tax lawsuit finding against the state. Non-dedicated revenue is estimated to be \$282 million in F.Y. 1997, which is approximately 5% of the total department budget.

DHS dedicated revenue is primarily federal funds, although significant amounts are generated by sliding fee premiums paid by MinnesotaCare clients; charges for cost of care for residents of waived service homes and day training and habilitation services; billings for treatment paid for by the consolidated chemical dependency treatment fund; state operated services billings for shared services such as laundry; fees charged for background checks done for Personal Care Provider Organizations (PCPO) facilities; and funds received from counties for their share of the various entitlement programs. DHS also aggressively pursues foundation funding for projects consistent with department goals, directions, and core values. One example is the Robert Wood Johnson funding awarded for the Minnesota Senior Health Options project - a unique, nationally watched effort to combine Medicare and Medicaid funding for a seamless, efficient, cost effective, and user friendly continuum of basic health and long term care for Minnesota seniors. Dedicated revenue is estimated to be \$2.8 billion in F.Y. 1997, which is approximately 52% of the total department budget.

The dedicated federal funds that the department receives run the gamut, from the open-ended federal financial participation in the Medical Assistance program (\$1.8 billion/year - Title XIX of the Social Security Act), which will be approximately \$1.8 billion in F.Y. 1997, to small special project grant awards in the \$40 thousand range. Federal funds are received for Temporary Assistance for Needy Families (formerly AFDC - \$268 million/year), Social Services (\$43 million/year - Title XX of the Social Security Act), Foster Care (\$45 million/year - Title IV-E of the Social Security Act), Child Welfare (\$5 million/year - Title IV-B of the Social Security Act), as well as for Refugee Assistance, Child Support Enforcement, Mental Health, Chemical Dependency, Food Stamp Administration, Older Americans, and many other programs. Almost all of this federal revenue is deposited into the federal fund and is expended on clients and client services by DHS, or is passed through to counties and other service providers.

FEE STRUCTURE:

State statute requires the Department of Human Services to charge fees for several department programs and functions. DHS has responsibility for licensing, monitoring, and investigating adult day care programs; child care centers; family child care homes; foster homes for adults and children; group homes and residential treatment centers for children; day and residential programs for persons with developmental disabilities, mental illness, chemical dependency, physical handicaps; and mental health centers. Fees, which are set in rule, are charged for these services and are deposited into the General Fund. Licensing fee revenue is estimated at \$625 thousand in F.Y. 1997.

DHS is also charged with conducting background studies on all people who provide direct contact services in DHS licensed and Minnesota Department of Health (MDH) licensed facilities. Beginning 1-1-97, DHS will also conduct background studies on people who provide direct contact services for unlicensed Personal Care Provider Organizations (PCPO) enrolled in the MA reimbursement program. The background studies completed for DHS licensed facilities are funded from the general fund. The background studies completed for MDH licensed facilities are funded through an interagency contract with MDH and use of an MDH state government special revenue fund. DHS is authorized to charge a fee to recoup the costs of the PCPO background studies. These fees will be deposited into the state government special revenue fund as dedicated revenue. The PCPO background study activity is estimated at \$114 thousand/year.

State statute authorizes the Department to charge for the cost of care of residents of Regional Treatment Centers and State Operated Community Services facilities. Cost of care per diem rates are calculated annually. Cost of care receipts for Regional Treatment Centers are deposited into the General Fund and the Cambridge bank fund as non-dedicated revenue and are estimated at \$110 million in F.Y. 1997. Cost of care per diem receipts for waived service homes and day training and habilitation services are deposited into the general fund as dedicated revenue and are estimated at \$25 million in F.Y. 1997.

RECENT CHANGES:

Department of Human Services revenue has maintained a steady annual increase for many years due primarily to the growth of federal entitlement programs. However, there have been several recent federal changes that will affect revenue and other changes are anticipated.

- The most significant change affecting DHS revenue is the federal welfare reform act, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, which was recently signed into law. PRWORA eliminates the Aid to Families with Dependent Children entitlement program originally established in Title IV-A of the Social Security Act and replaces it with the Temporary Assistance to Needy Families (TANF) grant. TANF is a block grant which freezes the amount of money that each state gets for assistance to needy families at a historic base level. Minnesota's amount is based on federal fiscal year 1994 spending. Minnesota's TANF grant has been established at \$268 million a year and will remain at that level for the next 6 years.
- Other changes that will affect DHS revenue are in the area of cost of care charges. Cost of care non-dedicated revenue has been decreasing for several years as Regional Treatment Center residents have been placed in community settings. This trend is expected to continue. As State Operated Community Services increase, dedicated revenue is expected to increase. In addition to expected revenue trends due to placement and population changes, the department is beginning the transition from an all inclusive per diem rate for cost of care to a fee for service methodology. This may have an effect on revenues that is not possible to discern at this time.
- The establishment of the Child Support Enforcement centralized payment center will result in increased dedicated revenue for DHS. This will be pass through-money, receipted by DHS and paid out to custodial parents or refunded to public assistance programs.

Agency Level Revenue Summary**1998-99 Biennial Budget**Agency: Human Services, Department of
(Continuation)

- The transfer of Child Care responsibility and funding from DHS to the Department of Children, Families, and Learning (DCFL) will mean a decrease in federal revenue for DHS and a corresponding increase for DCFL.
- A declining federal financial participation percentage in the Medicaid (Title XIX) program will impact the Medical Assistance program.

FORECAST BASIS:

The department is anticipating a flattening of the traditional growth in revenue as federal funds available to Minnesota decline and cost of care receipts decrease. Several DHS budget proposals detailed below will affect revenue.

DECISION ITEMS:

The following budget proposals affect revenue significantly:

<u>Item</u>	<u>Revenue Effect (000's)</u>	
	<u>1998</u>	<u>1999</u>
RSDI & Medicare for People	\$3,620	\$5,238
Downsizing & Safety Net Services	\$ (4,502)	\$(13,406)
Adult Mental Health Pilots Phase II	\$(923)	\$ (1,231)
Demonstration Project for Persons with Disabilities	\$ 325	\$195
Child Support Federal Mandates	\$545	\$297
Program Integrity	\$725	\$725
Welfare Reform: Restructure Funding	\$ (3,689)	\$ (3,612)
Compliance with Federal Provider Tax Requirements - Supplies, etc.	(\$1,701)	(\$1,921)

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT

SUMMARY OF AGENCY REVENUES	FY 1998			FY 1999				
	FY 1996	Est. FY 1997	Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
GENERAL	12,896	42,549	41,300	39,738	39,738	41,300	32,408	32,408
CAMBRIDGE DEPOSIT FUND	105,599	70,081	70,081	70,081	70,081	70,081	70,081	70,081
GRANTS:								
GENERAL	4,437	7,089	4,425	613	613	4,425	625	625
OTHER REVENUES:								
GENERAL	65,148	78,280	77,780	77,780	77,780	77,780	77,780	77,780
OTHER SOURCES:								
GENERAL	1	2	12	1,828	1,828	12	1,604	1,604
TAXES:								
GENERAL	84,046	85,336	85,312	85,312	85,312	85,312	85,312	85,312
HEALTH CARE ACCESS				<1,701>	<1,701>		<1,921>	<1,921>
=====								
TOTAL NON-DEDICATED RECEIPTS	272,127	283,337	278,910	273,651	273,651	278,910	265,889	265,889
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
GENERAL	30,892	37,217	44,275	44,275	44,275	44,181	44,181	44,181
STATE GOVERNMENT SPECIAL REVENUE		114	162	162	162	76	76	76
HEALTH CARE ACCESS	17,423	19,050	20,190	21,108	21,108	20,190	23,508	23,508
SPECIAL REVENUE	1,388	1,403	1,383	1,383	1,383	1,360	1,360	1,360
AGENCY	12	12	10	10	10	10	10	10
CHEMICAL DEPENDENCY TREATMENT	11,858	11,967	11,803	11,803	11,803	11,803	11,803	11,803
DEPARTMENTAL EARNINGS (INTER-AGENC								
SPECIAL REVENUE	101	110	110	110	110	110	110	110
GRANTS:								
GENERAL	184,102	283,237	298,180	304,488	83,260	298,180	327,312	86,199
STATE GOVERNMENT SPECIAL REVENUE	612	612	612	612	612	612	612	612
SPECIAL REVENUE	63,746	81,228	65,918	65,619	65,619	64,799	64,342	64,342
FEDERAL	2,064,244	2,101,531	2,371,562	2,381,186	2,381,186	2,439,448	2,554,718	2,554,718
OTHER REVENUES:								
GENERAL	1,870	2,073	2,073	2,073	2,073	2,073	2,073	2,073
SPECIAL REVENUE	19,488	19,974	17,663	17,663	17,663	17,141	17,141	17,141
FEDERAL	16,625	23,110	23,100	23,100	23,100	23,100	23,100	23,100
DEBT SERVICE	4	23	23	23	23	23	23	23
AGENCY	410	399	542	542	542	557	557	557
GIFT	136	143	147	147	147	144	144	144
ENDOWMENT	10	10	10	10	10	10	10	10

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT

			FY 1998			FY 1999		
SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
CHEMICAL DEPENDENCY TREATMENT	164	85	149	149	149	149	149	149
OTHER SOURCES:								
GENERAL	679	1,004	1,212	1,212	1,212	1,212	1,212	1,212
DEBT SERVICE	324	324	324	324	324	324	324	324
AGENCY	82,610	93,177	99,306	99,306	99,306	108,142	108,142	108,142
TAXES:								
SPECIAL REVENUE		8	7	7	7	7	7	7
TOTAL DEDICATED RECEIPTS	2,496,698	2,676,811	2,958,761	2,975,312	2,754,084	3,033,651	3,180,914	2,939,801
AGENCY TOTAL REVENUES	2,768,825	2,960,148	3,237,671	3,248,963	3,027,735	3,312,561	3,446,803	3,205,690

**1998-99 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Human Services, Department of (DHS)

Federal funds are a major component of DHS operations. DHS dedicated revenue is primarily federal funds. The department anticipates receiving approximately \$2.3 billion federal revenue in fiscal year 1997. The dedicated federal funds that the department receives vary in size from the open ended federal financial participation in the Medical Assistance program (Title XIX of the Social Security Act) which will be approximately \$1.8 billion in F.Y. 1997, to small special project grant awards in the \$40 thousand range. Federal funds are received for Temporary Assistance to Needy Families (formerly AFDC - \$268 million/year), Social Services Block Grant (\$43 million/year - Title XX of the Social Security Act), Foster Care (\$45 million/year - Title IV-E of the Social Security Act), Child Welfare (\$5 million/year - Title IV-B of the Social Security Act), as well as for Refugee Assistance, Child Support Enforcement, Mental Health, Chemical Dependency, Food Stamp Administration, Older Americans, and many other programs. Almost all of the federal revenue is deposited into the federal fund (300 fund) and is expended on clients and client services by DHS or is passed through to counties and other service providers.

The most significant change affecting DHS federal revenue is the federal welfare reform act, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. PRWORA eliminates the Aid to Families with Dependent Children entitlement program originally established in Title IV-A of the Social Security Act and replaces it with the Temporary Assistance to Needy Families (TANF) grant. TANF is a block grant which freezes the amount of money that each state gets for assistance to needy families at a historic base level. Minnesota's amount is based on federal fiscal year 1994 spending. Minnesota's TANF grant has been established at \$268 million/year and will remain at that level for the next 6 years. Another significant change is the decreasing federal financial participation percentage in the Medicaid (Title XIX of the Social Security Act) which will impact the Medical Assistance program.

1998-99 Biennial Budget
Federal Funds Summary
(\$ in Thousands)

Agency: Human Services, Department of (DHS)

FEDERAL PROGRAM	RELATED STATE SPENDING	PRIMARY PURPOSE	SFY 1996 REVENUES	SFY 1997 REVENUES	ESTIMATED SFY 1998 REVENUES	ESTIMATED SFY 1999 REVENUES
Retired Sr Vol Prog Fed	YES	State Operations	13	13	13	13
Child Nutrition Prog Br	YES	State Operations	40	40	40	40
Child Nutrition Prog	YES	State Operations	7	2	0	0
Child Nutrition Prog Willmar	YES	State Operations	79	85	85	85
TIV-B2 Child Welfare Program	YES	Grants Political Subd	688	2,604	2,566	2,566
TIV-E Non-Voluntary Maint	NO	Grants Political Subd	19,856	20,000	21,000	21,500
TIV-E Administrative / Train	YES	Grants Political Subd	11,288	38,000	33,000	37,000
TIV-E Voluntary Maintenance	NO	Grants Political Subd	1,631	2,000	2,500	3,000
TIV-E Adopt Assistance Maint	YES	Grants Individuals	3,549	4,200	5,000	6,000
State Survey & Certification	YES	State Operations	2,522	3,800	3,300	3,300
Medical Review	YES	State Operations	2,761	3,200	3,200	3,200
Medical Assistance Admin Aid	NO	Grants Political Subd	64,348	72,221	72,221	72,221
TIV-B1 Child Welfare Program	YES	State Oper/Grants Politic	5,044	4,722	5,198	5,198
Fed Dependant Child Care	NO	State Operations	87	0	0	0
AFDC Federal	YES	Grants Individuals	167,436	178,150	10,859	7,367
MFIP AFDC CC	NO	Grants Political Subd	18,327	2,021	63	(502)
Child Support IV-D Admin	YES	Grants Political Subd	38,827	42,200	6,284	2,468
AFDC Admin St-Co	NO	Grants Political Subd	23,463	27,044	4,534	3,858
JOBS at Risk Child Care (BSF	YES	Grants Political Subd	6,525	0	0	0
Independent Living (SELF)	NO	Grants Political Subd	1,397	1,215	1,278	1,278
MH Homelessness	YES	Grants Political Subd	253	345	345	345

**1998-99 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

Agency: Human Services, Department of (DHS)

Natl Aging Prog Info Sys - N	NO	State Oper/Grants Politic	4	46	0	0
Data Systems Decision Making	NO	State Operations	88	125	125	125
Senior Hearing Health	NO	State Operations	3	0	0	0
Refugee CMA	NO	Grants Individuals	4,966	4,958	4,925	4,925
Refugee SLIAG	NO	Grants Political Subd	2,505	0	0	0
Refugee Discretionary Grants	YES	Grants Political Subd	121	200	200	200
CD Adol At Risk	NO	Grants Political Subd	26	0	0	0
Educ Early Intervention	NO	State Operations	167	262	262	262
Consumer Family Network	NO	State Operations	123	115	115	115
DAANES - NIDA Federal	NO	State Operations	61	61	67	67
Congregate Meals	YES	Grants Political Subd	3,993	5,100	5,100	5,100
Social Services/Aging	NO	State Oper / Grants Polit	5,998	7,608	7,738	7,738
Emergency Assistance - IFPS	YES	Grants Political Subd	9,963	9,885	0	0
CD - SSDI Refer Monitor - Ma	NO	State Operations	88	121	0	0
Health Insurance Counseling	NO	State Oper/Grants Politic	208	206	206	206
USDA Reimbursement	NO	Grants Political Subd	2,849	3,100	3,100	3,100
Child Trust Fund - Fed Chall	NO	State Operations	134	0	0	0
OAS Data Analysis	NO	State Operations	20	0	0	0
CA/N 'Baby Doe' Grant	YES	Grants Political Subd	41	73	55	55

**1998-99 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

Agency: Human Services, Department of (DHS)

FEDERAL PROGRAM	RELATED STATE SPENDING	PRIMARY PURPOSE	SFY 1996 REVENUES	SFY 1997 REVENUES	ESTIMATED SFY 1998 REVENUES	ESTIMATED SFY 1999 REVENUES
CSAT CD Demand & Needs	NO	State Operations	242	767	767	384
Child Welfare Training	YES	State Operations	148	140	226	480
TIV-E / ICWA Rev Enhancement	YES	State Oper/Grants Politic	308	650	25	800
Food Stamp - MAXIS Pymt	NO	Grants Individuals	14,603	14,600	14,600	14,600
Food Stamp Administration	NO	Grants Political Subd	23,683	33,158	33,000	34,000
Food Stamp Empl & Tra	NO	State Operations	153	251	208	215
Medical Aid to Needy	YES	Grants Individuals	1,534,234	1,703,010	1,755,492	1,911,752
DD Perform Based Contracts	NO	State Operations	179	224	199	199
Foster Respite Care	NO	State Oper/Grants Politic	264	352	352	352
FSET Service Grants Dedicate	NO	Grants Political Subd	2,866	3,248	6,600	7,260
Child Abuse Basic Grant	YES	State Operations	345	752	389	389
Child Justice Act	NO	State Oper/Grants Politic	270	224	204	204
Central Office Fed Rev Proj	NO	State Oper/Grants Politic	3,073	4,560	4,560	4,560
Stride - Federal Jobs & AFDC	YES	Grants Political Subd	11,622	12,560	(2,747)	(2,750)
Ryan White - Care HIV	YES	Grants Political Subd	332	619	632	632
CSAP Prevention Needs Asses	NO	State Operations	31	258	257	129
State Institution Lib	YES	State Operations	24	0	34	40
Child Care Block Grant (CCDB)	YES	State Oper/Grants Politic	13,323	115	115	115
Refugee Social Servs	NO	Grants Political Subd	1,660	1,768	1,819	1,819
Urban Enterprise Grant	NO	Grants Political Subd	880	1,650	1,650	1,650
Crisis Nursery Grant	YES	State Oper/Grants Politic	229	140	140	140
Social Serv Block Grant	YES	State Oper/Grants Politic	48,799	38,410	38,410	38,410

**1998-99 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

Agency: Human Services, Department of (DHS)

CD Block Grant	YES	State Oper/Grants Politic	16,995	18,528	17,948	17,948
Federal MH Block Grant	YES	State Oper/Grants Politic	3,565	4,538	4,538	4,538
Flood Disaster - CD Prev	NO	Grants Political Subd	7	0	0	0
Child Impact Study	NO	State Operations	0	23	0	0
African American Male	NO	State Operations	(23)	0	0	0
Refugee TAG 10%	NO	Grants Political Subd	453	275	275	275
Respite Care - Foster Care	NO	State Oper/Grants Politic	30	0	0	0
Refugee Target Assist	NO	Grants Political Subd	716	739	603	603
Asian Coalition Youth	YES	Grants Political Subd	726	445	446	446
Pension Counseling	NO	State Operations	32	21	0	0
Aging Preventative Health	NO	Grants Political Subd	96	266	278	278
Elder Abuse Prevention	NO	Grants Political Subd	44	77	77	77
Ombudsman Supplement	YES	State Oper/Grants Politic	12	73	73	73
In Home Services Frail	NO	Grants Political Subd	121	160	160	160
Home Delivered Meals	YES	Grants Political Subd	1,328	1,600	1,600	1,600
TANF - Welfare Reform	YES	Grants Individuals	0	0	279,756	263,066
AGENCY TOTALS			2,080,869	2,277,923	2,356,065	2,495,274

This page intentionally left blank.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: AGENCY MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FINANCIAL OPERATIONS	242,292	296,411	293,484	235,537	235,537	307,411	244,314	244,314
LEGAL & REGULATORY OPERATIONS	5,190	6,208	7,574	8,505	8,505	7,589	8,362	8,362
MANAGEMENT OPERATIONS	13,861	18,910	14,115	14,115	14,115	14,370	14,370	14,370
TOTAL EXPENDITURES BY ACTIVITY	261,343	321,529	315,173	258,157	258,157	329,370	267,046	267,046
AGENCY PLAN ITEMS:			FUND					
CASH RECEIPTS SYSTEM		GEN		390			90	
STATE OPERATED SERV. BILLING SYSTEM		GEN		500				
CONSUMER INFORMATION ACCESS		GEN		350				
COMPUTER ASSISTED COLLECTION SYSTEM		GEN		525			30	
MALTREATMENT OF MINORS - FAIR HEARINGS		GEN		290			290	
RSDI AND MEDICARE PROJECT		GEN		500			320	
ATTORNEY GENERAL RATES		GEN		291			483	
RESTRUCTURE FUNDING		FED		<37,427>			<40,426>	
ADMINISTRATIVE FREEZE		FED		<22,435>			<23,111>	
TOTAL AGENCY PLAN ITEMS				<57,016>			<62,324>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	20,317	25,846	23,946	26,792	26,792	24,441	25,654	25,654
STATE GOVERNMENT SPECIAL REVENUE	434	335	342	342	342	350	350	350
HEALTH CARE ACCESS	1,117	1,361	1,401	1,401	1,401	1,419	1,419	1,419
STATUTORY APPROPRIATIONS:								
GENERAL	54	57	57	57	57	57	57	57
STATE GOVERNMENT SPECIAL REVENUE		759	771	771	771	688	688	688
SPECIAL REVENUE	5,018	5,507	3,774	3,774	3,774	3,774	3,774	3,774
FEDERAL	155,130	198,440	189,511	129,649	129,649	194,434	130,897	130,897
AGENCY	79,273	89,224	95,371	95,371	95,371	104,207	104,207	104,207
TOTAL EXPENDITURES	261,343	321,529	315,173	258,157	258,157	329,370	267,046	267,046
FTE BY EMPLOYMENT TYPE:								
REGULAR	356.4	393.6	360.7	370.7	370.7	360.7	370.7	370.7

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: AGENCY MANAGEMENT

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TEMP/SEAS/PART_TIME	8.7	18.3	14.6	14.6	14.6	14.6	14.6	14.6
OVERTIME	1.5							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	366.6	411.9	375.3	385.3	385.3	375.3	385.3	385.3

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: AGENCY MANAGEMENT
ACTIVITY: FINANCIAL OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	6,610	7,628	7,592	7,812	7,812	7,760	7,980	7,980
OPERATING EXPENSES	26,522	38,529	35,469	35,340	35,340	35,584	33,922	33,922
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	33,132	46,157	43,061	43,152	43,152	43,344	41,902	41,902
PAYMENTS TO INDIVIDUALS	83,461	93,618	99,060	95,371	95,371	107,819	104,207	104,207
LOCAL ASSISTANCE	125,699	156,636	151,363	97,014	97,014	156,248	98,205	98,205
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	242,292	296,411	293,484	235,537	235,537	307,411	244,314	244,314
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
CASH RECEIPTS SYSTEM		GEN		390			90	
STATE OPERATED SERV. BILLING SYSTEM		GEN		500				
COMPUTER ASSISTED COLLECTION SYSTEM		GEN		525			30	
RSDI AND MEDICARE PROJECT		GEN		500			320	
RESTRUCTURE FUNDING		FED		<37,427>			<40,426>	
ADMINISTRATIVE FREEZE		FED		<22,435>			<23,111>	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				<57,947>			<63,097>	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	5,804	7,055	6,908	8,823	8,823	7,065	7,505	7,505
HEALTH CARE ACCESS	361	561	570	570	570	581	581	581
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	2,576	2,128	2,128	2,128	2,128	2,128	2,128	2,128
FEDERAL	154,278	197,443	188,507	128,645	128,645	193,430	129,893	129,893
AGENCY	79,273	89,224	95,371	95,371	95,371	104,207	104,207	104,207
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	242,292	296,411	293,484	235,537	235,537	307,411	244,314	244,314

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: AGENCY MANAGEMENT
ACTIVITY: FINANCIAL OPERATIONS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	2,608	2,687	2,661	2,661	2,661	2,661	2,661	2,661
FEDERAL	153,394	179,183	179,025	122,777	122,777	180,025	120,025	120,025
AGENCY	79,298	89,324	95,471	95,471	95,471	104,307	104,307	104,307
NONDEDICATED:								
GENERAL	17,559	70,754	69,505	64,131	64,131	69,505	56,813	56,813
CAMBRIDGE DEPOSIT FUND	104,915	69,456	69,456	69,456	69,456	69,456	69,456	69,456
TOTAL REVENUES COLLECTED	357,774	411,404	416,118	354,496	354,496	425,954	353,262	353,262
FTE BY EMPLOYMENT TYPE:								
REGULAR	137.7	140.3	139.3	145.3	145.3	139.3	145.3	145.3
TEMP/SEAS/PART_TIME	1.8	2.2	2.2	2.2	2.2	2.2	2.2	2.2
OVERTIME	.6							
TOTAL FTE	140.1	142.5	141.5	147.5	147.5	141.5	147.5	147.5

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: AGENCY MANAGEMENT
ACTIVITY: LEGAL & REGULATORY OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	4,411	5,099	5,094	5,274	5,274	5,180	5,361	5,361
OPERATING EXPENSES	779	1,109	1,172	1,923	1,923	1,101	1,693	1,693
TRANSFERS			1,308	1,308	1,308	1,308	1,308	1,308
SUBTOTAL STATE OPERATIONS	5,190	6,208	7,574	8,505	8,505	7,589	8,362	8,362
TOTAL EXPENDITURES	5,190	6,208	7,574	8,505	8,505	7,589	8,362	8,362
AGENCY PLAN ITEMS:		FUND						
CONSUMER INFORMATION ACCESS		GEN		350				
MALTREATMENT OF MINORS - FAIR HEARINGS		GEN		290			290	
ATTORNEY GENERAL RATES		GEN		291			483	
TOTAL AGENCY PLAN ITEMS				931			773	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,018	4,222	5,558	6,489	6,489	5,646	6,419	6,419
STATE GOVERNMENT SPECIAL REVENUE	434	335	342	342	342	350	350	350
HEALTH CARE ACCESS	120	132	136	136	136	138	138	138
STATUTORY APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE		759	771	771	771	688	688	688
FEDERAL	618	760	767	767	767	767	767	767
TOTAL EXPENDITURES	5,190	6,208	7,574	8,505	8,505	7,589	8,362	8,362
REVENUE COLLECTED:								
DEDICATED:								
STATE GOVERNMENT SPECIAL REVENUE	612	726	774	774	774	688	688	688
NONDEDICATED:								

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: AGENCY MANAGEMENT
ACTIVITY: LEGAL & REGULATORY OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
GENERAL	2	2	2	2	2	2	2	2
CAMBRIDGE DEPOSIT FUND	684	625	625	625	625	625	625	625
TOTAL REVENUES COLLECTED	1,298	1,353	1,401	1,401	1,401	1,315	1,315	1,315
FTE BY EMPLOYMENT TYPE:								
REGULAR	85.6	98.6	97.7	101.7	101.7	97.7	101.7	101.7
TEMP/SEAS/PART_TIME	2.6	10.0	6.3	6.3	6.3	6.3	6.3	6.3
TOTAL FTE	88.2	108.6	104.0	108.0	108.0	104.0	108.0	108.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Agency Management
ACTIVITY: Legal and Regulatory Operations

ITEM TITLE: Attorney General Rates

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Legal and Regulatory Operations	\$291	\$483	\$483	\$483
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$291,000 in F.Y. 1998 and \$483,000 in F.Y. 1999 to cover an increase in the number of hours of service needed to meet the anticipated needs of the department, and an increase in the hourly rate charged by attorneys and legal assistants in the Attorney General's Office.

RATIONALE:

The Attorney General's Office (AGO) has notified partner agencies that their hourly rates will increase as follows: rates for attorneys increase from \$62/hr. to \$70.00/hr. in F.Y. 1998 and \$78.18/hr. in F.Y. 1999; rates for investigators increase from \$46/hr. to \$55.00/hr. in F.Y. 1998 and \$59.18/hr. in F.Y. 1999.

The Attorney General's Office also met with Department of Human Services (DHS) managers to discuss current and future needs for legal services. Based on these discussions, the need for additional hours of services was identified.

Total increase for the biennium will be \$774,000. This covers the 23% to 28% increase over F.Y. 1996-97 rates, and an additional 1,500 hours of attorney services.

The prime drivers of increased legal services are reforms and business changes that naturally draw legal challenges.

PROGRAM OUTCOMES:

Adequate access to legal services is necessary for the department to operate effectively and efficiently. This proposal will assure that the legal service needs of the department can be met.

LONG-TERM IMPACT:

Increased funding will help reduce or avoid more costly litigation in the long run.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Agency Management
ACTIVITY: Legal and Regulatory Operations

ITEM TITLE: Fair Hearings

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Legal and Regulatory Operations	\$290	\$290	\$290	\$290
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 256 and 262.556

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the base budget of \$290,000 in F.Y. 1998 and \$290,000 in F.Y. 1999 to conduct fair hearings to resolve disputes regarding determinations of child maltreatment and to assume investigative responsibilities involving child maltreatment in directly licensed programs serving children. This proposal is a part of the department's Children's Initiative.

RATIONALE:

The 1995 Legislature charged the Commissioner of Human Services, in consultation with selected representatives of interested groups, to study the issue of alternative dispute resolution for reviewing and resolving issues of alleged maltreatment and determinations of whether protective services are needed. In January 1996, the commissioner recommended to the Legislature that a fair hearing process for resolving disputes over agency determinations be established. The process would include an opportunity for reconsideration at the local level to determine if disputes could be resolved without the need for a fair hearing. A fair hearing process is efficient, cost effective, easy for people to understand, involves an independent review of agency determinations, and is consistent with other processes to challenge other types of human services agency decision-making. Based on experience from other states, it is anticipated that between 5-10% of all agency determinations will be appealed (400-700 cases annually). It is expected that the number of fair hearing appeals will initially be higher than what might be expected in 3-5 years. Of these funds \$240,000 will be used to each year to support 3 FTE human service referees to conduct fair hearings.

The 1993 Legislature directed the commissioner to study and make recommendations on whether counties or the department should investigate alleged child maltreatment in department licensed child care centers. The department, based on the recommendations of counties, centers, and oth-

ers, recommended that it conduct investigation in child care centers, although due to funding, the change was not made at that time. Investigating allegations of child maltreatment in all department licensed programs serving children will ensure statewide consistency in standards and decision-making. One FTE licensor to conduct investigations is requested as a component of this request.

PROGRAM OUTCOMES:

Providing a statewide fair hearing review process for resolving disputes around agency child maltreatment determinations will provide accountability in the child protection system for persons who feel aggrieved by agency actions. A fair hearing process will be easily accessible and will provide uniformity in review of standards. Ultimately, this review process will lead to better decision-making in the system for both children and their families. Having the department conduct investigations of child maltreatment in licensed programs will also provide statewide consistency and standards for decisions in what are often complex situations.

LONG-TERM IMPACT:

The long-term impact of both components of these proposals will be improved decision-making in the state's child protection system and increased accountability.

1998-99 Biennial Budget

PROGRAM: Children's Grants
AGENCY: Human Services, Department of
 (Continuation)

In order to strengthen families and prevent unnecessary out-of-home placement of children, the following increases in funding are requested:

- A biennial appropriation of \$8,890,000 each year to continue to provide family preservation services to families and children in crisis, so that family preservation funding will not be lost as a result of federal reform changes.
- A biennial appropriation of \$750,000 in F.Y. 1998 and \$1,250,000 in F.Y. 1999 to improve children's mental health services by increasing the service capacity of 15 current children's mental health collaboratives and expanding collaboratives to 10 new communities.
- An appropriation of \$3,200,000 in F.Y. 1998 and \$6,650,000 in F.Y. 1999 to privatize the adoption of children committed to the guardianship of the Commissioner of Human Services and establish a needs-based guardianship support program.
- An appropriation of \$1,500,000 in F.Y. 1998 and \$1,500,000 in F.Y. 1999 to 1) reform the child welfare system and 2) provide respite care for children with severe emotional disturbance--both for the purpose of preventing child maltreatment.

PROGRAM FUNDING SUMMARY

Dollars in Thousands				
	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
State Funding	\$49,634	\$23,677	\$23,197	\$23,197
Federal Funding	87,419	69,648	61,749	63,749
Other Funding	526	50	7	7
Total Funding	\$137,579	\$93,325	\$85,049	\$87,049

Reduced funding beginning in F.Y. 1997 is due to the transfers to the Department of Children, Families & Learning(DCFL).

GRANTS ACTIVITY SUMMARY (EXCLUDING TRANSFERS TO DCFL)

Grant Categories	Dollars in Thousands	
	FY 1996	FY 1997
State Funding:		
Minority Placement Children's Services	\$99	\$100
Family & Children Visitation Center	269	296
Crisis Nursery	427	650
Subsidized Adoptions	4,899	8,314
CPS - Neglect & Substance Abuse	387	450
Maternal and Child Program	565	600
Indian Child Welfare	1,527	1,559
Family Preservation	5,201	5,203
Homeless Children Grants	405	633
Training of Criminal Justice	100	85
MH Collaborative/Interagency/Combined Grant	969	5,559
Miscellaneous	88	45
STATE TOTAL	\$14,936	\$23,494

1998-99 Biennial Budget

PROGRAM: Children's Grants
AGENCY: Human Services, Department of
 (Continuation)

<i>Grant Categories</i>	Dollars in Thousands	
	FY 1996	FY 1997
Federal Funding:		
Children's Justice Act	\$118	\$84
Child Abuse & Neglect	120	297
ICWA Federal Revenue Enhancement	352	550
Adoption Assistance IV-E	3,552	4,200
EA-Intensive Family Preserv. Services	9,924	9,924
Title XX Migrant Day Care	447	397
Independent Living Initiative	1,129	1,076
Foster Care	29,303	42,763
Title IV-B (Parts I & II)	626	2,599
Crisis Nursery	186	102
Out-of-Home Respite Care	253	320
FEDERAL TOTAL	\$46,010	\$62,312
OTHER FUNDING TOTAL	4	7
TOTAL FUNDING	\$60,950	\$85,813

REVENUE:

This program/activity generates dedicated and non-dedicated revenue.

GOVERNOR'S RECOMMENDATION

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CHILDREN'S GRANTS
ACTIVITY: CHILDREN'S GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	438	728	482	482	482	482	482	482
OPERATING EXPENSES	4,205	6,834	6,676	6,676	6,676	6,676	6,676	6,676
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	4,643	7,562	7,158	7,158	7,158	7,158	7,158	7,158
PAYMENTS TO INDIVIDUALS	8,770	13,348	13,830	13,830	13,830	14,830	14,830	14,830
LOCAL ASSISTANCE	52,180	72,465	64,061	79,165	79,165	65,061	84,140	84,140
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	65,593	93,375	85,049	100,153	100,153	87,049	106,128	106,128
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
FAMILY PRESERVATION FUND		GEN		8,890			8,890	
CHILDREN'S MH COLLABORATIVE EXPANSION		GEN		750			1,250	
PRIVATIZATION OF ADOPTION PROGRAM		GEN		3,050			6,500	
CHILD WELFARE TRAINING SYSTEM		GEN		710			735	
FAMILY VISITATION CENTER EXPANSION		GEN		450			450	
PREVENTION/EARLY INTERVENTION REFORM		GEN		1,400			1,400	
CRISIS NURSERY SERVICES EXPANSION		GEN		600			600	
FAMILY VISITATION CENTER TRANSFER		GEN		<650>			<650>	
FAMILY VISITATION CENTER TRANSFER		SGS		<96>			<96>	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				15,104			19,079	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	15,161	23,581	23,197	38,397	38,397	23,197	42,372	42,372
STATE GOVERNMENT SPECIAL REVENUE	94	96	96			96		
STATUTORY APPROPRIATIONS:								
FEDERAL	50,307	69,648	61,749	61,749	61,749	63,749	63,749	63,749
GIFT	31	50	7	7	7	7	7	7
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	65,593	93,375	85,049	100,153	100,153	87,049	106,128	106,128

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CHILDREN'S GRANTS
ACTIVITY: CHILDREN'S GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999				
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.		
REVENUE COLLECTED:										
DEDICATED:										
FEDERAL	48,871	79,986	63,854	63,854	63,854	70,629	70,629	70,629		
GIFT	6	7	7	7	7	7	7	7		
TOTAL REVENUES COLLECTED	48,877	79,993	63,861	63,861	63,861	70,636	70,636	70,636		
FTE BY EMPLOYMENT TYPE:										
REGULAR	8.7	11.2	8.3	8.3	8.3	8.3	8.3	8.3		
TEMP/SEAS/PART_TIME	.1	.8	.8	.8	.8	.8	.8	.8		
TOTAL FTE	8.8	12.0	9.1	9.1	9.1	9.1	9.1	9.1		

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Children's Grants
ACTIVITY: Children's Grants

ITEM TITLE: Child Welfare Prevention/Early Intervention Reform

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Child Welfare Grants	\$1,400	\$1,400	\$1,400	\$1,400
- Admin/Staff	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>
	\$1,500	\$1,500	\$1,500	\$1,500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. Chapter
260

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$1,500,000 in F.Y. 1998 and F.Y. 1999 to support comprehensive system reform to better protect children at low risk of child maltreatment through various models of community intervention and to provide respite care to families whose children make a high demand on the family's emotional and physical resources due to challenging behavior. This request will also free resources for those families that require intensive intervention or child protection services.

RATIONALE:

I. Between 1982 and 1994, the total number of child maltreatment reports grew by 81%, the majority for child neglect rather than physical or sexual abuse. Of 9,963 determinations of child maltreatment in 1995, 6,401 were for neglect and 251 were for emotional abuse. This constitutes 67% of child maltreatment victims who are not at risk of imminent harm. Yet, resources have increasingly been directed toward the most serious cases and the result has been an increase in children entering out-of-home placement by 24%. There has been less focus on families who are low risk but on the edge until their problems become so great that they fall into a more serious category.

This request would change how child protective services work so families can get help earlier in a situation that is less adversarial, less formal, and more culturally appropriate. Local models would be designed to meet the needs of children, families, and communities. Models will:

1. Demonstrate a two track child protection screening and service delivery model that screens out

low risk families and utilizes community-based providers and resources to prevent out-of-home placement; children at greater risk will remain in the traditional child welfare system.

2. Assist communities to develop options and capacity for family supports and coordination of existing resources.
3. Create a research based risk assessment process which would help local agencies better predict which cases show a high degree of likelihood that child abuse would recur if an intervention is not pursued.

The request includes 1 FTE position to support reform initiatives. Total request for child welfare reform is \$1 million for F.Y. 1998 and \$1 million in F.Y. 1999.

II. The governor also recommends funding for respite care as part of a continuum of services intended to maintain children in their own families whenever that is possible.

Children with severe emotional disturbance (SED) and other special needs are at risk of out-of-home placement due to the burden of care placed on their families. Quality respite care services allow parents to build on natural supports, utilizing existing community resources to provide flexible services in response to varying intensity of need.

Outside of waived programs, which are not available to children with SED or in child welfare, Medical Assistance (MA) does not reimburse for respite care services. MA does pay for personal care attendants and, consequently, there has been significant growth in the use of PCAs for behavioral issues. It is anticipated that coordinated respite services will result in more appropriate use of PCA services. Because only 20% of these children can requalify under new SSI regulations, there will be an increase in the overall number of children in need of these respite services.

This request will provide options for families in the choice of respite care, availability, and accessibility. It is also intended to support the development of new options and training for providers to work with these challenging children.

The respite service proposal provides base funding for counties and grant funding for collaboratives to respond to the identified need for respite services according to community priorities. One FTE is requested to provide coordination for the initiative. Total request for respite care is \$500,000 for F.Y. 1998 and F.Y. 1999.

PROGRAM OUTCOMES:

- Improved government response across the continuum of child protection, intervention, prevention and family supports.
- Differentiation between those cases that require an intensive investigation with a criminal focus and those that can build on family strengths through community interventions;
- Lower rate of out-of-home placement;
- Increase in the number of cases which reach settlement prior to a court proceeding;
- Improved services to children who are at risk of long term dependence on government services;
- Better use of community and neighborhood resources;
- Services that are less adversarial, more culturally appropriate and more family friendly;
- More families able to care for their children in their homes;
- Collaborations improved among counties, private agencies, and the state;

Respite Care:

- Relief of stress to families that are experiencing the challenges of coping with a child with SED;

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Children's Grants
ACTIVITY: Children's Grants

ITEM TITLE: Child Welfare Prevention/Early Intervention Reform
(Continuation)

- Development of quality resources for emotionally disturbed children;
- Improved child and family functioning;
- Increased parent choice and control;
- More appropriate use of personal care attendants.

LONG-TERM IMPACT:

- Families have greater control over their lives;
- Increased capacity for community based services;
- Children stay with their families and both children and families function in a healthier way;
- Services prevent the recurrence of child maltreatment;
- Community based services directed to families without the stigma of traditional child protection intervention;
- Improved outcomes for families and children;
- Significant savings in out-of-home placement costs to local, state, and federal governments.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Children's Grants
ACTIVITY: Children's Grants

ITEM TITLE: Family Preservation Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Children's Grants	\$8,890	\$8,890	\$8,890	\$8,890
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. Chapter 256F

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$8,890,000 in F.Y. 1998 and \$8,890,000 in F.Y. 1999 for family preservation services for families who can provide safely for their children if needed supports and intensive services are provided.

RATIONALE:

The department continues to support services that strengthen families and prevent unnecessary out-of-home placement of children. Recently enacted federal reform, which block granted cash assistance programs to states, also impacted Minnesota's ability to earn federal emergency assistance funds for providing family preservation services to children and their families. Since 1994, Minnesota has been able to expand the array of family preservation services available by earning federal emergency assistance funds. Family preservation services include intensive crisis-oriented in-home services, counseling, life-management skills training, and other prevention-early intervention services. In 1996, counties earned \$8,890,000 for these services through emergency assistance funding.

This request is necessary to continue the state's efforts to support families. Without these funds, the state will experience a sharp reduction in family preservation services. The services are a critical component of the state's comprehensive child welfare system, and without this funding there will be a dramatic increase in the number of children placed in out-of-home care.

PROGRAM OUTCOMES:

Families will continue to have access to family preservation services to help them with parenting and caring for their children.

Children who can be maintained safely in their homes will not experience unnecessary out-of-home placement.

LONG-TERM IMPACT:

This request will work to accomplish the state's goal of reducing unnecessary out-of-home placement, and will benefit children who can be maintained safely with their families if services are provided.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Children's Grants
ACTIVITY: Children's Grants

ITEM TITLE: Privatizing the Adoption of Children Under State Guardianship

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Children's Services				
Management	\$150	\$150	\$150	\$150
- Children's Grants	<u>3,050</u>	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>
TOTAL	\$3,200	\$6,650	\$6,650	\$6,650
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. 393.07; 256.01

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the base budget of \$3,200,000 in F.Y. 1998 and \$6,650,000 in F.Y. 1999 to improve the rate of early adoptions by privatizing the adoption of children committed to the guardianship of the Commissioner of Human Services and for the establishment of a needs-based guardianship support program.

RATIONALE:

The state is responsible for seeking permanency, preferably through adoption, for all children committed to the guardianship of the Commissioner of Human Services. Counties are responsible for seeking adoptive homes and making adoption placements. Because county social services are driven by the need to provide crisis services, they are often unable to attend to the adoption of children committed to the Commissioner's guardianship. The system isn't working -- 40% to 60% of these children do not get adopted. The adoption process is labor intensive, demanding of time, skill and knowledge of issues faced by children with special needs and their adoptive parents. Many counties lack the resources to prepare the children and to recruit and prepare prospective adoptive families; thus many children wait. The adoption process for children who are adopted is often inordinately long. Efforts to resolve these issues have not been successful.

A new approach is needed if the best interests of children are to be served. This is especially important when considering that any delay in the permanent placement and adoption of a child is inherently damaging, exacerbates their problems, and reduces the probability of a successful transition to adulthood.

1. This proposal includes funding for 1 FTE to manage a performance-based contract for the adoption of children committed to the guardianship of the Commissioner. The position will develop the Request for Proposals, monitor the contract, and work with the vendor and counties to ensure that the Commissioner's responsibilities for quickly securing permanent placements for all children are met.
2. Needs-based Guardianship Support program. The best interests of many children who cannot return to the home of their parents are not served through a termination of parental rights and adoption. In these situations, the juvenile court has the authority to transfer permanent legal and physical custody to a relative. Since the child is no longer in out-of-home care, all foster care payments for the child end. Typically, the relative caretakers are grandparents living on fixed incomes and unable to absorb the costs of rearing the child. Without additional resources, many relatives cannot accept permanent legal and physical custody. Consequently, the children (estimated at more than 300 children in 9-96) either remain in foster care or experience an unnecessary termination of parental rights.

An increase of \$700,000 in the base budget for F.Y. 1998 and \$1,900,000 for F.Y. 1999 will establish a needs-based guardianship assistance program and the necessary administrative structure (1 FTE). Eligibility will be based upon gross family income as it relates to the identified poverty level index, adjusted for family size and reviewed annually. Any child support collected from the child's parents will be returned to the general fund. It is anticipated that monthly assistance will be provided to guardians of at least 200 children during F.Y. 1998 and 600 or more children during F.Y. 1999.

PROGRAM OUTCOMES:

Privatizing the adoption of all children committed to the Commissioner's guardianship will ensure that each child's needs are appropriately evaluated and that timely decisions are made by staff knowledgeable of adoption issues and opportunities. Placement in a pre-adoptive home will occur within 6 months of termination of parental rights for 60% (vs. Current 35%) of children. It is expected that 70% to 80% of the children will ultimately be adopted. Any person who wishes to consider adopting a child with special needs, regardless of where they live in Minnesota, will participate in an adoption study within 2 months of their request.

LONG-TERM IMPACT:

A significantly higher percentage of children will have a permanent family at an earlier age. Research on adopted children demonstrates that these children will have the support to address the problems that led to the need for adoption, will have more academic success, will be more likely to obtain post-secondary education, will have more stable economic and social lives as adults, and will pay more taxes than their counterparts who were not adopted.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CHILDREN'S SERVICES MANAGEMENT
ACTIVITY: CHILDREN'S SERVICES MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,091	3,894	2,897	3,698	3,698	3,152	4,105	4,105
OPERATING EXPENSES	2,788	4,886	2,940	3,429	3,429	2,716	3,053	3,053
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	4,879	8,780	5,837	7,127	7,127	5,868	7,158	7,158
LOCAL ASSISTANCE	1,608	1,568	1,568	1,568	1,568	1,568	1,568	1,568
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	6,487	10,348	7,405	8,695	8,695	7,436	8,726	8,726
=====								
AGENCY PLAN ITEMS:								

CHILD WELFARE TRAINING SYSTEM		GEN		90			90	
SOCIAL SERV INFORM SYSTEM (SSIS)		GEN		950			950	
PRIVATIZATION OF ADOPTION PROGRAM		GEN		150			150	
PREVENTION/EARLY INTERVENTION REFORM		GEN		100			100	
=====				=====			=====	
TOTAL AGENCY PLAN ITEMS				1,290			1,290	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	858	1,213	1,871	3,161	3,161	1,902	3,192	3,192
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	1,497	5,065	1,126	1,126	1,126	1,126	1,126	1,126
FEDERAL	4,132	4,070	4,408	4,408	4,408	4,408	4,408	4,408
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	6,487	10,348	7,405	8,695	8,695	7,436	8,726	8,726
=====								
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	978	3,249	872	872	872	872	872	872
FEDERAL	6,294	5,348	8,456	8,456	8,456	8,710	8,710	8,710
GIFT	1							

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CHILDREN'S SERVICES MANAGEMENT
ACTIVITY: CHILDREN'S SERVICES MANAGEMENT

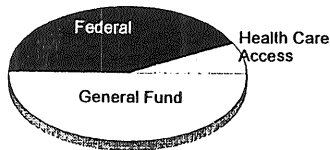
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	7,273	8,597	9,328	9,328	9,328	9,582	9,582	9,582
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	41.9	67.5	55.0	61.0	61.0	55.0	61.0	61.0
TEMP/SEAS/PART_TIME	.8	3.4	.9	.9	.9	.9	.9	.9
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	42.7	70.9	55.9	61.9	61.9	55.9	61.9	61.9

1998-99 Biennial Budget

PROGRAM: Basic Health Care Grants
AGENCY: Human Services, Department of

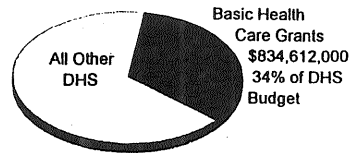
BUDGET SCOPE:

Basic Health Care Grants
Total Program Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$1,883,939,000

Department of Human Services
State General Fund - 1998 Base Level
(Direct Appropriation)



DHS Total \$2,459,465,000

PROGRAM DESCRIPTION:

The Minnesota Department of Human Services (DHS) administers the 3 largest publicly funded health care coverage programs in the state: MinnesotaCare; Medical Assistance (also called Medicaid or MA); and General Assistance Medical Care (GAMC). Each of these has a different history, different set of enrollees, and in some instances, different sets of benefits and coverage.

Health care is one of the most complex parts of the DHS budget, and it is where most of the dollars are spent. Most of the DHS budget is health care related. To try and simplify the health care budget presentation, health care has been divided into 2 broad categories:

- Basic Health Care (acute care, such as in-patient hospital coverage);
- Continuing Care and Community Support (supplemental services to acute care, such as nursing homes and social services)

This section of the budget covers the first: Basic Health Care Grants. In this section are four service areas:

- MinnesotaCare grants;
- MA basic health care grants for families and children;
- MA basic health care grants for elderly and disabled individuals; and,
- GAMC grants.

PROGRAM STATUS

Medical Assistance

MA is Minnesota's name for Medicaid. It is an entitlement program that began in the 1960s. It is state and federally funded and is the largest single source of federal money coming to Minnesota's budget.

States have options within the Medicaid program. Minimally, the federal government requires that a basic set of services be provided like inpatient hospital benefits, physician services and nursing home care. Beyond that, states have the choice to offer optional services that the federal government will also help pay for. Optional services include prescription drugs, group homes for the mentally retarded and hospice care.

Families and children on Aid to Families with Dependent Children (AFDC) have traditionally been eligible for MA automatically. With the welfare reform bill signed enacted into law this fall, that automatic link has been severed. Additionally, MA covers the elderly, blind and disabled. MA enrollment totals approximately 425,000 Minnesotans.

General Assistance Medical Care (GAMC)

GAMC was created to cover a set of individuals who do not qualify for MA. This primarily includes single, unemployable adults, but also includes couples without children aged 21 through 64; parents and caretakers who cannot meet categorical eligibility requirements for MA; most recipients of GA cash grants; some residents of facilities such as institutions for mental diseases (IMDs), treatment facilities, and adult foster care; and undocumented individuals who are blind, disabled, under 18 or over 65. It is state funded and enrollment is approximately 44,000.

MinnesotaCare

MinnesotaCare is a market-based health plan for low income, working Minnesotans who do not have health insurance. It is funded by a tax on health care providers and premiums paid on a sliding scale basis by enrollees. MinnesotaCare has approximately 94,000 enrollees; 51,820 are children.

MinnesotaCare is central to Minnesota's welfare reform strategy. For years it has been a hunch that if working-poor families had health insurance, many would not go on welfare. MinnesotaCare proved that hunch correct. Each month, approximately \$2 million in AFDC costs are saved because MinnesotaCare provides a non-welfare safety net.

In 1995, Minnesota asked for and received a federal waiver of Medicaid rules related to MinnesotaCare. Its purpose was to make it easier for children and pregnant women with MinnesotaCare coverage to get access to the broader set of services available under MA.

In 1996, single adults with incomes up to 135% of federal poverty guidelines were given the chance to purchase MinnesotaCare coverage.

Trends and issues affecting health care

- Minnesota's health care marketplace continues to change with consolidation of health care providers and facilities into managed care networks. Publicly funded health care programs must change with the times to take advantage of access to managed care providers. While there have always been forms of managed care in the current Health care delivery system for disabled and elderly individuals, most managed care contracts with health plans have not included these populations. To date, most large scale managed care efforts have included families and children in MA, GAMC enrollees and enrollees in MinnesotaCare—essentially the non-elderly, non-disabled portions of publicly funded programs.

During the past 2 legislative sessions, plans have been made to begin adapting managed care to meet the needs of the elderly and the disabled. The governor's budget for the next biennium proposes to continue in that direction with expansion of demonstration pilots for managed care for the disabled and integrating acute and long-term care for the elderly.

- The concept of living within-our-means has been emphasized in recent years as health care costs--particularly in long-term care--have grown exponentially. Cost containment strategies

1998-99 Biennial Budget

PROGRAM: Basic Health Care Grants (Continuation)

implemented during the last biennium have not solved the problem. To cope, public programs must continue to change from being a passive reimbursor of whatever costs are submitted, to an active purchaser of care, using the states considerable buying power to negotiate the best deals in the marketplace.

- One of the elements of being a good purchaser is recognizing that the more complicated something is, the more costs can go up and the less likely it is that it will be possible to do business effectively in the marketplace. To that end, exploration has begun of ways to align MinnesotaCare, MA and GAMC to provide greater consistency and simplicity between the programs.

In addition, the Personal Responsibility and Work Opportunity Act of 1996 (the federal welfare reform law) has an impact on health care.

- The new welfare law severs the previously automatic link between AFDC and MA, yet still requires that states provide health care for certain people. The Temporary Assistance for Needy Families (TANF) program replaces AFDC. People who are covered under TANF also receive health benefits, and it is up to the states to determine exactly how this is done. Most people who receive AFDC now will continue to receive MA, because the federal law mandates that states cover people previously eligible for AFDC.
- The new law denies MA to legal non-citizens who arrived in the country on or after 8-22-96, for 5 years. For those who arrived before 8-22-96, coverage must continue through January 1997, after which continuing coverage is a state option. Under current Minnesota law, MA will continue for these individuals. There are some exemptions to the MA and SSI provisions that affect some non-citizens (e.g., refugees and people receiving asylum may continue to receive Supplemental Security Income (SSI) for their first 5 years in the country).
- SSI and Supplemental Security Disability Income (SSDI) will be denied to people whose determining factor in establishing disability is alcoholism or drug addiction. In Minnesota, approximately 4,800 people will lose SSI and MA unless they re-establish eligibility based on other diagnoses, such as mental illness. It is estimated that about half of these people will be able to re-establish eligibility and retain their MA coverage. For those who do not, current Minnesota law will allow them to apply for GAMC or MinnesotaCare.
- The new law also restricts the definition of disability for children. A child under 18 must have a physical or mental condition that can be medically proven and results in severe functional limitations. About 3,200 children with attention deficit hyperactivity disorder, other emotional disturbances, mild mental retardation or physical impairments may lose SSI under this new definition. Since most are from low income families, about 80 percent will still qualify for MA. Others may apply for MinnesotaCare.

PLANNED RESULTS:

- The department will continue to focus on directing available resources to individuals with the greatest need by continual improvement of better purchasing strategies that reflect access, choice, and best practice in the health care field.

BUDGET SUMMARY:

- Fund forecast adjustments to the state's subsidized health programs which result from changes in utilization and caseload size, as well as changes in federal funding rates.
- Fund acute care inflation costs.
- Provide health care coverage consistent with the requirements of federal welfare reform legislation (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 or PWORA) and to needy families receiving income assistance.
- Implement federal and state "sponsor deeming" provisions of the PWORA Act.
- Bring Minnesota's taxes on hospitals into compliance with federal law governing provider-related taxes and avoid loss of federal matching funds.
- Repeal the \$1.00 co-payment on prescription drugs and decrease the dispensing fee in MA, GAMC, and MinnesotaCare programs.
- Establish a threshold on changes in hospital acuity that qualify for a payment adjustment. Remove coverage of emergency medical care through the GAMC program for transients passing through Minnesota.
- Purchase dental coverage through managed care for public clients and public enrollees together.
- Discontinue use of MA and GAMC funds for MCHA premiums.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends funding to:

- Transition GAMC into MinnesotaCare in order to initiate the development of a unified, premium-based health care program for low income uninsured Minnesotans.
- Separate medical education costs from capitation rates and transfer funds to cover such costs to the Department of Health. [This item appears in the Department of Health section.]

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MINNESOTACARE GRANTS	80,216	100,296	150,342	112,497	112,497	150,342	120,025	120,025
MA BASIC HEALTH CARE GRANT-F&C	538,057	681,319	751,288	748,873	723,875	751,288	852,775	812,242
MA BASIC HEALTH CARE GRANT-E&D	600,768	658,306	778,063	739,245	715,154	778,063	870,668	830,849
GAMC GRANTS	151,809	163,291	201,160	184,263	172,059	201,160	199,589	180,606
TOTAL EXPENDITURES BY ACTIVITY	1,370,850	1,603,212	1,880,853	1,784,878	1,723,585	1,880,853	2,043,057	1,943,722
AGENCY PLAN ITEMS:			FUND					
RSDI AND MEDICARE PROJECT		GEN		<87>			<366>	
ACUTE CARE INFLATION		GEN		833			4,840	
ACUTE CARE INFLATION		GEN		689			4,176	
HOSPITAL CASE MIX APPEAL		GEN		<1,971>			<2,053>	
HOSPITAL CASE MIX APPEAL		GEN		<894>			<941>	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN					17,696	
DENTAL SERVICES		GEN		166			1,293	
DENTAL SERVICES		GEN		230			348	
FORECAST ADJUSTMENT		GEN		<13,403>			773	
DENTAL SERVICES		GEN		711			1,150	
MCHA PREMIUM DISCONTINUE		GEN		293			317	
MANDATED EXTENDED MEDICAL		GEN		740			1,753	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		<794>			4,447	
FORECAST ADJUSTMENT		GEN		<9,760>			43,121	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		3,653			11,251	
FORECAST ADJUSTMENT		GEN		3,053			45,760	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		<1,515>			<146>	
ELIMINATE MA/GAMC PHARMACY COPAYMENT		GEN		153			213	
SPONSER DEEMING		GEN		<261>			<635>	
SPONSER DEEMING		GEN		<309>			<792>	
SPONSER DEEMING		GEN		<413>			<1,064>	
MCHA PREMIUM DISCONTINUE		GEN		1,043			1,137	
MFIP STATEWIDE		GEN		5,184			11,806	
UNITARY RESID & FINANCE RESPONSE ACT		GEN		<1,500>			<1,500>	
FORECAST ADJUSTMENT		FED		18,371			23,633	
FORECAST ADJUSTMENT		FED		<14,205>			28,044	
FORECAST ADJUSTMENT		FED		<29,766>			21,893	
ACUTE CARE INFLATION		HCA		137			590	
ELIMINATE MA/GAMC PHARMACY COPAYMENT		HCA		<105>			<121>	

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS

			FY 1998			FY 1999		
			Base	Agency	Governor	Base	Agency	Governor
			Level	Plan	Recomm.	Level	Plan	Recomm.
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997						
=====	=====	=====	=====	=====	=====	=====	=====	=====
SPONSER DEEMING		HCA		<33>			<81>	
FORECAST ADJUSTMENT - PREMIUMS		HCA		918			3,216	
ALIGN MA-GAMC-MNCARE PREMIUMS		HCA					102	
FORECAST ADJUSTMENT		HCA		<57,133>			<57,656>	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS				<95,975>			162,204	
GOV'S INITIATIVES:		FUND						
=====	=====	=====						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		4,707			<703>	
(B) ELIMINATE COUNTY SHARE		GEN		<16,911>			<18,280>	
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		8,930			<1,580>	
(B) ELIMINATE COUNTY SHARE		GEN		<33,021>			<38,239>	
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		9,265			<1,609>	
(B) ELIMINATE COUNTY SHARE		GEN		<34,263>			<38,924>	
(B) TRANSITION GAMC INTO MNCARE		GEN		<172,060>			<180,605>	
(B) TRANSITION GAMC INTO MNCARE		HCA		172,060			180,605	
=====	=====	=====		=====			=====	
TOTAL GOV'S INITIATIVES				<61,293>			<99,335>	
EXPENDITURES BY FUND:								
=====	=====	=====						
DIRECT APPROPRIATIONS:								
GENERAL	586,395	716,510	834,612	819,109	669,951	834,612	961,644	777,147
HEALTH CARE ACCESS	47,841	69,734	119,660	62,526	234,586	119,660	62,392	242,997
STATUTORY APPROPRIATIONS:								
GENERAL	78,295	98,780	110,569	111,913	27,718	110,569	126,121	30,678
HEALTH CARE ACCESS	17,423	19,050	20,190	21,108	21,108	20,190	23,508	23,508
FEDERAL	640,896	699,138	795,822	770,222	770,222	795,822	869,392	869,392
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,370,850	1,603,212	1,880,853	1,784,878	1,723,585	1,880,853	2,043,057	1,943,722
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

This page intentionally left blank.

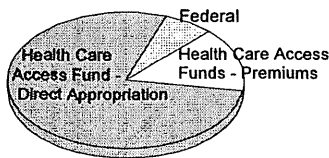
1998-99 Biennial Budget

BUDGET ACTIVITY: MinnesotaCare Grants
PROGRAM: Basic Health Care Grants
AGENCY: Human Services, Department of

BUDGET SCOPE:

MinnesotaCare Grants
Total Activity Funding - 1998 Base Level
(Direct and Statutory Appropriations)

Basic Health Care Grants
State General Fund - 1998 Base Level
(Direct Appropriation)



Total Budget \$153,428,000

This budget activity has no
general fund appropriation

ACTIVITY DESCRIPTION:

This activity subsidizes and purchases health care coverage for approximately 93,000 low income working Minnesotans. In 1996, MinnesotaCare covered 94,397 individuals; 51,820 of whom are children.

Income and uninsured status are the main eligibility criteria. MinnesotaCare exists because policy makers were concerned that too many jobs did not come with health insurance, forcing families to make choices between welfare and its related Medical Assistance (MA) benefits, or working and risking their family's health. There were strong feelings that working poor families, trying hard to make ends meet, should not have to impoverish themselves to get basic health care for their children.

Of the 3 major publicly subsidized health care programs, MinnesotaCare is the closest to a private insurance plan. There are co-payments, premiums and deductibles. Coverage is terminated if premiums are not met. MinnesotaCare is funded through premiums paid by enrollees based on their income and through a 2% tax on medical provider services. MinnesotaCare premiums and provider taxes are deposited into the State's Health Care Access Fund. Funding is also supported by Medical Assistance (MA) funds generated by the implementation of the MinnesotaCare Health Care Reform Waiver, which allows MA reimbursement for health care coverage of Minnesota children formerly funded with state dollars only.

Health care benefits for MinnesotaCare enrollees who are non-pregnant adults cover inpatient and outpatient hospital care, drugs and medical supplies, physician services, prosthetic devices, preventive dental care, eye care, chiropractic services and medical transportation. Payment for inpatient hospital services is limited to \$10,000 annually, with a 10% co-pay. Co-pays are also required for prescription drugs and eyeglasses.

Health care benefits for MinnesotaCare enrollees, who are under the age of 21, or are pregnant, cover all services listed above and additional services including comprehensive dental care, personal care attendant services and access services. No co-pays are required and there is no annual inpatient limit for these individuals.

During 1996, MinnesotaCare has moved from purchasing all health care under a fee-for-service approach, to purchasing all health care through managed care contracts. As of 1-1-97, all MinnesotaCare enrollees will be receiving their health care through a health plan contracting with the program.

BUDGET ISSUES:

- Transition GAMC into MinnesotaCare in order to initiate the development of a unified premium based health care program for low income uninsured Minnesotans.

REVENUE:

MinnesotaCare health care coverage is partially funded from enrollees who pay a premium based on a sliding scale of income and family size and from charges to providers of medical care; both of which are deposited into the Health Care Access Fund. This program is also supported by MA funds generated by the implementation of the MinnesotaCare Reform Waivers, which allows MA reimbursement for medical payments of certain eligible persons formerly funded with state-only dollars. MinnesotaCare/MA Grants are funded with approximately 54% federal dollars and 46% state dollars.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS
ACTIVITY: MINNESOTACARE GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	80,216	100,296	150,342	112,497	112,497	150,342	120,025	120,025
TOTAL EXPENDITURES	80,216	100,296	150,342	112,497	112,497	150,342	120,025	120,025
AGENCY PLAN ITEMS:								
		FUND						
FORECAST ADJUSTMENT		FED		18,371			23,633	
ACUTE CARE INFLATION		HCA		137			590	
ELIMINATE MA/GAMC PHARMACY COPAYMENT		HCA		<105>			<121>	
FORECAST ADJUSTMENT - PREMIUMS		HCA		918			3,216	
SPONSER DEEMING		HCA		<33>			<81>	
ALIGN MA-GAMC-MNCARE PREMIUMS		HCA					102	
FORECAST ADJUSTMENT		HCA		<57,133>			<57,656>	
TOTAL AGENCY PLAN ITEMS				<37,845>			<30,317>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
HEALTH CARE ACCESS	47,841	69,734	119,660	62,526	62,526	119,660	62,392	62,392
STATUTORY APPROPRIATIONS:								
HEALTH CARE ACCESS	17,423	19,050	20,190	21,108	21,108	20,190	23,508	23,508
FEDERAL	14,952	11,512	10,492	28,863	28,863	10,492	34,125	34,125
TOTAL EXPENDITURES	80,216	100,296	150,342	112,497	112,497	150,342	120,025	120,025
REVENUE COLLECTED:								
DEDICATED:								
HEALTH CARE ACCESS	17,423	19,050	20,190	21,108	21,108	20,190	23,508	23,508
NONDEDICATED:								
HEALTH CARE ACCESS				<1,701>	<1,701>		<1,921>	<1,921>
TOTAL REVENUES COLLECTED	17,423	19,050	20,190	19,407	19,407	20,190	21,587	21,587

This page intentionally left blank.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MinnesotaCare Grants

ITEM TITLE: MinnesotaCare Grants Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
Health Care Access Fund				
MinnesotaCare Grants	\$(57,133)	\$(57,656)	\$(48,464)	\$(38,340)
Revenues: (\$000s)				
Health Care Access Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$57,133,000 in F.Y. 1998 and \$57,656,000 in F.Y. 1999 to fully fund the forecasted amount of MinnesotaCare payments under current law.

RATIONALE:

Change requests for MinnesotaCare for all 4 years are negative because the November 1996 forecast of the net state cost for the health care subsidies provided by MinnesotaCare is lower than the \$119.7 million base level appropriation for F.Y. 1997.

Projected costs for F.Y. 1997 are now \$70 million, 42%, below the February 1995 forecast on which the original appropriation was based. 80% of the difference in forecast (\$49 million) concerns the adult-only segment of the program, whose eligibility began in October 1994. Current enrollment projections for this segment are 65% lower than the 1995 projections. (The overestimate of enrollment in this segment in 1995 resulted largely from an overestimate of the adult-only uninsured population.)

The underlying MinnesotaCare forecast of net state subsidy costs increases by roughly \$10 million per year, of which \$4 million is for families with children and \$6 million is for the adult-only segment. Enrollment of families with children is projected to increase by about 5% per year and average net subsidy cost per person by 4% to 5% per year. Enrollment in the adult-only segment is projected to increase by 35% in F.Y. 1998 and 30% in F.Y. 1999, driven partly by the expansion of coverage to 35% of the poverty level effective July 1996. Enrollment growth is projected to decline to 16% by F.Y. 2001. The average subsidy cost for the adult-segment is projected to increase at about 4%. The forecast also reflects new federal funding for MinnesotaCare parents under the MinnesotaCare Medicaid waiver. The value of the increased federal funding is \$13 million in F.Y. 1998 and \$17 to \$20 million in the following years.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MinnesotaCare Grants

ITEM TITLE: Compliance with Federal Provider Tax Requirements --Supplies and Equipment

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
Health Care				
Access Fund	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
Health Care				
Access Fund	\$(1,701)	\$(1,921)	\$(1,969)	\$(2,004)

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 295.50 and 295.53

GOVERNOR'S RECOMMENDATION:

The Governor proposes to eliminate the 2% tax on suppliers of medical supplies and equipment, including orthotics and prosthetics. This results in a revenue reduction of \$1,701,000 in F.Y. 1998 and \$1,921,000 in F.Y. 1999 to the Health Care Access Fund. These changes are necessary to bring these taxes into compliance with the federal laws governing health care provider related taxes and avoid loss of federal matching funds in the Medical Assistance (MA) program.

RATIONALE:

In order for a state to tax health care providers and services and remain within the federal regulations, those taxes must be crafted to fit within permissible classes defined in federal law. "Medical equipment and supplies" is not a permissible tax class.

The potential financial penalty resulting from the taxation of impermissible classes would be approximately 54% of revenues generated by those taxes.

PROGRAM OUTCOMES:

This proposal would prevent future loss of federal matching funds on MA expenditures due to impermissible taxes.

LONG-TERM OUTCOMES:

This proposal brings taxes supporting MinnesotaCare into compliance with federal law.

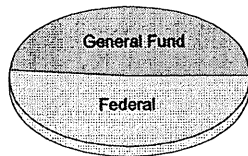
This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: MA Basic Health Care Grants - Families and Children
PROGRAM: Basic Health Care Grants
AGENCY: Human Services, Department of

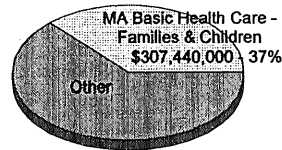
BUDGET SCOPE:

MA Basic Health Care Grants - Families & Children
 Total Activity Funding - 1998 Base Level
 (Direct and Statutory Appropriations)



Total Budget \$751,288,000

Basic Health Care Grants
 State General Fund - 1998 Base Level
 (Direct Appropriation)



Total \$834,612,000

ACTIVITY DESCRIPTION:

This grant activity pays for health care coverage for eligible low income individuals and families authorized under the federal-state Medicaid program. In Minnesota, the Medicaid Program is called Medical Assistance (MA). Approximately 75% of the MA caseload consists of families and children. [Eligibility is also available to elderly, disabled and blind persons. MA Basic Health Care Grants for these persons are described in the budget activity narrative page that follows this page.]

Eligible individuals in families include:

- Pregnant women and infants under age 2 with income under 275% of federal poverty guidelines.
- Children between the ages of 2 and 5 at 133% of federal poverty guidelines.
- Children who are age 6 or older, born on or after 10-1-93, at 100% of poverty.
- Children born after 10-1-93 at 133% of the Aid to Families with Dependent Children (AFDC) standard.
- Most recipients of AFDC and Minnesota Family Investment Program (MFIP) have been eligible for MA.
- Persons with income over the MA limits may qualify through a spenddown provision, if incurred medical bills exceed the difference between income and the MA standard.

The department uses 2 approaches for purchasing health care for MA enrollees: fee-for-service and managed care. Within managed care, enrollees access the same benefits but receive their care through a provider network of their choice. Minnesota has used managed care as a strategy to

increase access for enrollees while keeping care affordable. In managed care, public clients receive a health plan membership card like any other plan enrollee. They access the same providers as those individuals who pay privately or whose employer pays all or part of the costs. This has reduced the possibility of discrimination or stigma based on being a public client, while ensuring that clients get to see the same types of providers as everyone else. As of November 1996, DHS has MA managed care contracts with 8 health plans operating in 16 counties. More than 165,000 people are served. Clients make choices from a menu of plans through an enrollment process at the county level and follow the plan's guidelines.

The remaining recipients receive health care through the fee-for-service delivery system. Under fee-for-service, instead of a package of benefits purchased from a network, each item and service a client receives is billed to the state. Fee-for-service compels clients to find a provider who will accept MA.

The MA benefit package covers, among other services, inpatient and outpatient hospital care, drugs and medical supplies, physician services, prosthetic devices, dental care, eye care, chiropractic services, and medical transportation.

BUDGET ISSUES:

The Agency Plan is as follows:

- Funds forecast adjustment to Minnesota's subsidized health programs which result from changes in utilization and caseload size, as well as changes in federal funding rates.
- Funds acute care inflation costs.
- Provides health care coverage consistent with the requirements of federal welfare reform legislation (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 or PWORA) and to needy families receiving income assistance.
- Implement federal and state "sponsor deeming" provisions of PWORA.
- Repeals the \$1.00 co-payment on prescription drugs and decrease the dispensing fee in MA, General Assistance Medical Care, and MinnesotaCare programs.
- Establishes a threshold on changes in hospital acuity that qualify for a payment adjustment.
- Purchases dental coverage through managed care for state employees and public program recipients together.

REVENUE:

MA Grants are funded with approximately 54% federal dollars and 46% state and local dollars.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS
ACTIVITY: MA BASIC HEALTH CARE GRANT-F&C

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	536,997	649,831	721,880	713,480	713,479	721,874	812,242	812,242
LOCAL ASSISTANCE	1,060	31,488	29,408	35,393	10,396	29,414	40,533	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	538,057	681,319	751,288	748,873	723,875	751,288	852,775	812,242
=====								
AGENCY PLAN ITEMS:								

ACUTE CARE INFLATION				833			4,840	
HOSPITAL CASE MIX APPEAL				<1,971>			<2,053>	
DENTAL SERVICES				711			1,150	
FORECAST ADJUSTMENT - COUNTY SHARE				3,653			11,251	
MFIP STATEWIDE				5,184			11,806	
SPONSER DEEMING				<413>			<1,064>	
MANDATED EXTENDED MEDICAL				740			1,753	
FORECAST ADJUSTMENT				3,053			45,760	
FORECAST ADJUSTMENT				<14,205>			28,044	
=====				=====			=====	
TOTAL AGENCY PLAN ITEMS				<2,415>			101,487	
=====								
GOV'S INITIATIVES:								

(B) ACCELERATE COUNTY IM REIMBURSEMENT					9,265			<1,609>
(B) ELIMINATE COUNTY SHARE					<34,263>			<38,924>
=====					=====			=====
TOTAL GOV'S INITIATIVES					<24,998>			<40,533>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	201,153	276,763	307,440	315,577	324,842	307,440	369,632	368,023
STATUTORY APPROPRIATIONS:								
GENERAL	40,644	54,926	57,953	61,606	27,343	57,953	69,204	30,280
FEDERAL	296,260	349,630	385,895	371,690	371,690	385,895	413,939	413,939
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	538,057	681,319	751,288	748,873	723,875	751,288	852,775	812,242

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS
ACTIVITY: MA BASIC HEALTH CARE GRANT-F&C

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	67,912	174,573	189,048	193,074	28,286	189,048	212,711	31,226
FEDERAL	1,534,234	1,566,291	1,703,012	1,656,568	1,656,568	1,703,012	1,801,726	1,801,726
NONDEDICATED:								
GENERAL	146,613	142,151	138,987	138,987	138,987	138,987	138,987	138,987
TOTAL REVENUES COLLECTED	1,748,759	1,883,015	2,031,047	1,988,629	1,823,841	2,031,047	2,153,424	1,971,939
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: Medical Assistance Basic Health Care Grants - Families and Children

ITEM TITLE: Medical Assistance Managed Care and Fee for Services Grants Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MA Basic Health Care Grants - Families and Children	\$3,053	\$45,760	\$76,270	\$99,746
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$3,053,000 in F.Y. 1998 and \$45,760,000 in F.Y. 1999 to fully fund the forecasted amount of Medical Assistance (MA) Managed Care and Fee-for-Service Grants payments for Families and Children under current law.

RATIONALE:

An unusually large change in the rate of federal funding for Minnesota's MA program (a reduction of 1.46 percentage points) adds \$7 million to the F.Y. 1998 costs and \$11 million to \$12 million per year thereafter.

Apart from the change in the federal contribution, approximately 80% of the funding increase requested for this activity is for families and children who are not Aid to Families with Dependent Children (AFDC) recipients. Enrollment in this segment is projected to grow at about 6% per year, while the average cost per person is projected to increase at about 5% per year.

Enrollment in the AFDC segment of this activity is projected to decrease by 4% in F.Y. 1998 and to change little in the following years. The average cost for coverage of AFDC recipients is projected to increase at about 8% per year in F.Y. 1998 and F.Y. 1999 and about 3% per year in F.Y. 2000 and F.Y. 2001. Greater increases are projected for F.Y. 1998 and F.Y. 1999 because declining AFDC caseloads are expected to result in a residual AFDC population with higher medical costs.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Families and Children

ITEM TITLE: Acute Care Inflation

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (000s):				
General Fund				
MA Basic Health Care Grants-Families and Children				
In-patient Fee-for-Service	\$385	\$1,886	\$2,634	\$2,560
In-patient Managed Care	448	2,954	5,863	6,512
MA Basic Health Care Grants-Elderly and Disabled				
In-patient Fee-for-Service	581	3,406	6,276	7,121
In-patient Managed Care	<u>108</u>	<u>770</u>	<u>1,675</u>	<u>1,923</u>
General Fund TOTAL	\$1,522	\$9,016	\$16,448	\$18,116
Health Care Access Fund				
MinnesotaCare Grants	137	590	1,044	1,484
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Requires Statutory Change? Yes <u>X</u> No ____				
If yes, statute affected: 256.969				

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends an increase in the General Fund budget base of \$1,522,000 in F.Y. 1998 and \$9,016,000 in F.Y. 1999 and an increase in the Health Care Access Fund budget base of \$137,000 in F.Y. 1998 and \$590,000 in F.Y. 1999 to increase payment rates for all inpatient hospitals each year of the biennium, under fee-for-service (FFS) and providing for a corresponding increase in capitation rates. In order to maintain the rate relationship between FFS and managed care, the capitation value is increased accordingly.

RATIONALE:

By providing inflation increases (2.8% in C.Y. 1998 and 2.9% in C.Y. 1999), inpatient hospitals will receive funding to continue providing services to Minnesotans with health care needs. Minnesota

maintains the rate relationship between FFS and managed care by providing an increase to capitation payments under managed care while Minnesota also purchases through FFS.

PROGRAM OUTCOMES:

Quality health care will be supported through the provision of adequate resources.

LONG-TERM OUTCOMES:

Inflation adjustments will support continued operation of inpatient hospital services as long as FFS continues.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Families and Children

ITEM TITLE: Eliminate Medical Assistance/General Assistance Medical Care Pharmacy Co-payment

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (000s):				
General Fund				
GAMC Grants	\$153	\$213	\$214	\$213
Health Care Access Fund				
MinnesotaCare Grants	\$(105)	\$(121)	\$(138)	\$(156)
Revenues: (\$000s):	\$-0-	\$-0-	\$-0-	\$-0-
General Fund				

Requires Statutory Change? Yes X No ____
If yes, statute affected: 256B.0625

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$153,000 in F.Y. 1998 and \$213,000 in F.Y. 1999 to the General Fund and a decrease in the budget base of \$105,000 in F.Y. 1998 and \$121,000 in F.Y. 1999 to the Health Care Access Fund to reflect the cost of repealing the \$1.00 co-payment on prescription drugs and decreasing the drug dispensing fee in the Medical Assistance (MA), General Assistance Medical Care (GAMC) and MinnesotaCare programs.

RATIONALE:

Two changes for purchasing pharmacy services are requested:

A \$1.00 co-payment on prescription drugs was recently enacted by the Legislature. Implementation was delayed because of policy complexities between what is allowable for co-pays under federal law, issues about legal inequity, and the cost of designing computer system changes.

In addition to the payment for ingredients, insurers pay pharmacists a fee to dispense a prescription. Currently, the MA program pays a higher fee for pharmacists to dispense prescriptions than is generally paid in the market place. In the past, this was because MA was more difficult to work with than other insurers since it lacked on-line enrollee eligibility information and real-time claim payment.

Now paid MA is consistent with other payers, the reasons for a higher fee do not exist. As a good purchaser, Minnesota should not pay more than others for the same services.

No cost is projected for MA Basic Health Care Grants, as the value of the change in the dispensing fee offsets the elimination of the pharmacy co-payment.

PROGRAM OUTCOMES:

Current practices for pharmacy would remain in effect.

LONG-TERM OUTCOMES:

The pharmacy payment system will involve a less complicated non-copay approach to dispensing medications.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Families and Children

ITEM TITLE: Eliminate Nuisance Hospital Case Mix Appeals

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (000s):				
General Fund				
MA Basic Health Care				
Grants-Families & Children	\$(1,971)	\$(2,053)	\$(2,054)	\$(2,054)
GAMC Grants	<u>(894)</u>	<u>(941)</u>	<u>(941)</u>	<u>(941)</u>
TOTAL	\$(2,865)	\$(2,994)	\$(2,995)	\$(2,995)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Requires Statutory Change? Yes <u>X</u> No _____				
If yes, statute affected: 256.9695				

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends a decrease in the budget base of \$2,865,000 in F.Y. 1998 and \$2,994,000 in F.Y. 1999 for the establishment of a sensible threshold on changes in hospital acuity that qualify for a payment adjustment.

RATIONALE:

The original intent of the hospital case-mix appeal process was to compensate hospitals when a major component of their business changed, rather than to compensate them for minor variations in their patient mix from year to year. A payment adjustment is made for each hospital that files a case mix appeal and has a change in average patient acuity as measured between the hospital's base year, from which data is used to establish rates, and the current year. Hospitals may have minor positive and negative case-mix changes through time which are not indicative of a move toward more complex services.

Case-mix appeals currently are being filed only by hospitals which have a measurable increase in acuity. Hospitals are not filing appeals when their acuity decreases and they owe money. The appeals currently being filed result in a process similar to a cost settle-up process, and are sometimes for small amounts, which is administratively inefficient. This proposal would place a threshold of 10% on the acuity change. Payment or recoupment would be made only for the amount over the 10% threshold.

PROGRAM OUTCOMES:

The intent of a Diagnostic Related Group (DRG) per admission payment system is to create incentives for hospitals to manage medical services over the long term, and to keep efficiencies gained in a payment year. The proposal would continue this approach while maintaining an appeal and payment adjustment process for changes that result from changes in larger business practices.

LONG-TERM OUTCOMES:

This proposal would balance out the smaller up and down changes by setting a change threshold within which hospitals could manage. It provides the state and hospitals a more cost effective method of managing rates.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Families and Children
ITEM TITLE: Dental Services

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s):				
General Fund				
MA Basic Health Care Grants - Families and Children	\$711	\$1,150	\$591	\$5
MA Basic Health Care Grants- Elderly and Disabled	166	1,293	1,221	1,178
GAMC Grants	<u>230</u>	<u>348</u>	<u>163</u>	<u>1</u>
TOTAL	\$1,107	\$2,791	\$1,975	\$1,184
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No
 If yes, statute affected: 256B.037

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends an increase in the budget base of \$1,107,000 in F.Y. 1998 and \$2,791,000 in F.Y. 1999 for joint purchasing between the Departments of Human Services (DHS) and Employee Relations (DOER) of dental services to state employees and public program recipients.

RATIONALE:

Under Laws of Minnesota, 1994, Chapter 625, Article 5, Section 4(b), DHS and DOER are to develop a plan, including proposed legislation, for a coordinated program to purchase health care services for state employees and public program recipients. This proposal begins the process with joint purchasing of dental services as authorized by 256B.037.

The proposal offers increased administrative efficiency, increased purchasing strength and access to services in the market place, and offers the opportunity for small service delivery networks to be created due to the availability of a larger volume of customers in one service contract.

The proposal, for public program recipients, would be phased in beginning January 1998 with current prepaid medical assistance program (PMAP) enrollees. The remainder of the public program recipients would be phased in over a 12-month period, beginning March 1998.

The increase in costs to implement this proposal reflects a speed-up in payments to provider entities. Contracted organizations would be paid about 1 month closer to service dates than occurs as a result of the current lag in billing. An access payment to be retroactively adjusted, based on performance of the contracting entity, would also be added for populations not currently covered by PMAP, but payments in aggregate will not exceed what would have occurred under fee-for-service (FFS). In addition, a discount of 5% on recipients over the age of 65 and 10% for those below age 65 over the expected FFS payment is taken. No added cost is projected for MinnesotaCare, because all MinnesotaCare enrollees are expected to be in comprehensive prepayment arrangements by the time dental contracts begin.

To assure that cross-subsidization will not occur, monies allocated for the purchase of state employee and public program recipient dental services will not be co-mingled.

PROGRAM OUTCOMES:

Increased efficiency and purchasing strength will result in greater access to services by public program recipients.

LONG-TERM OUTCOMES:

The purchase of dental services will be more aligned with a market-based approach.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Families and Children

ITEM TITLE: Mandated Extended MA to Families and Children

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s):				
General Fund				
MA Basic Health Care				
Grants- Families and				
Children	\$740	\$1,753	\$1,975	\$2,142
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No ____

If yes, statute affected: M. S. 256B

ITEM SUMMARY:

The Governor recommends an increase in the budget base of \$740,000 in F.Y. 1998 and \$1,753,000 in F.Y. 1999 for the provision of federally mandated extended Medical Assistance and the continued operation of the current medically needy program for all families and children who would have been eligible under the state's Aid to Families with Dependent Children (AFDC) state plan as of 7-16-96. This proposal is designed to meet the requirements of the federal welfare reform laws entitled the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).

RATIONALE:

The PRWORA severed the automatic link between receipt of income assistance (AFDC) and Medicaid, but required states to ensure that people who would have been eligible for AFDC under a state's 7-16-96 AFDC plan continue to qualify for Medical Assistance. The medically needy program, as currently constituted, is based on AFDC methodology and will meet this requirement.

Recommended actions include:

1. Continue to determine eligibility for families and children using the current medically needy standards and methodologies. This will ensure that any families and children who would have qualified for AFDC under the 7-16-96 state plan will continue to be eligible for MA as required

by PRWORA. This would include families and children whose net income using AFDC deductions, disregards, and income exclusions is less than the medically needy income standard of 133% of the 7-16-96 AFDC standard. Families whose income is less than 100% of the AFDC standard as of 7-16-96 will be potentially eligible for extended medical benefits. An individual or family will be referred to MinnesotaCare in the event that they are found ineligible for MA under the medically needy program. Effective Date: 1-1-98.

2. As mandated by PRWORA, provide transitional Medicaid (extended MA) to any family on the MA medically needy program with incomes at or below 100% of the AFDC standard in effect as of 7-16-96, and who later lose MA eligibility due to increased earnings, hours of employment, loss of earnings disregards, or increased child support. Families losing eligibility due to earnings, hours, or loss of disregards will be eligible for up to 12 months of extended MA. During the second 6 months, the family's gross earnings, less actual child care must be at or under 185% of federal poverty guidelines (FPG). Families losing eligibility due to increased child support will be eligible for up to 4 months of extended MA. Effective Date: 1-1-98.

PROGRAM OUTCOMES:

The proposal to continue the medically needy program and provide the mandated extended medical programs closely mirrors current policy and should have relatively little administrative effect on DHS and counties. Most families who lose AFDC are likely to qualify for the MA medically needy program. Because the medically needy standards will remain the same, this proposal should not add large numbers of MA eligibles. There will be some increased cost in extended MA by the provision of these benefits to families losing MA, since under current policy only those losing AFDC are eligible. Counties will be required to continue to determine eligibility using the standards and methods of the old AFDC program for some families. Beneficiaries will see little or no change in the availability and delivery of health services.

LONG-TERM OUTCOMES:

This proposal ensures continued access to health care for low income families as they move toward greater self-sufficiency. The continued provision of MA to these families will work in tandem with the availability of MinnesotaCare for families who lose MA, but are unable to provide for their own health care.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Families and Children

ITEM TITLE: Sponsor Deeming

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- MA Basic Health Care	\$(413)	\$(1,064)	\$(1,760)	\$(2,456)
- Grants				
Family and Children				
MA Basic Health Care	\$(309)	\$(792)	\$(1,307)	\$(1,895)
- Grants				
Elderly and Disabled				
GAMC Grants	(261)	(635)	(1,031)	(1,447)
Assistance to Families Grants	(123)	(283)	(445)	(607)
GA	(74)	(181)	(289)	(398)
NET	(1,180)	(2,955)	(4,832)	(6,803)
Health Care Access Fund				
MinnesotaCare Grants	(33)	(81)	(133)	(190)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 256.9354 (MinnesotaCare); 256B.06 (MA); 256D.03 (GAMC); 256.74 (AFDC); 256D.06 (GA)

GOVERNOR'S RECOMMENDATION:

The Governor recommends The Governor recommends a General Fund budget base decrease of \$1,180,000 in F.Y. 1998 and \$2,955,000 in F.Y. 1999, and a Health Care Access Fund budget base decrease of \$33,000 in F.Y. 1998 and \$81,000 in F.Y. 1999 as a result of implementing the federal and state "sponsor deeming" provisions of the Personal Responsibility and Work Opportunity Reconciliation (PRWOR) Act of 1996.

RATIONALE:

The PRWOR Act of 1996, signed into law by President Clinton on August 22, 1996, requires that when determining eligibility for any federal means-tested public benefits program, the income and resources of the noncitizen shall be deemed to include the income and resources of the individual (or "sponsor") who executed an affidavit of support for that noncitizen as required by the Immigration

and Nationality Act. The PRWOR Act also grants states the authority to apply sponsor deeming to noncitizens when determining eligibility for state public benefits.

It is proposed that "sponsor deeming" be implemented as an eligibility criteria for each of the following programs: Medical Assistance, General Assistance Medical Care (GAMC), MinnesotaCare, General Assistance (GA) program, Aid to Families with Dependent Children (AFDC), and the Minnesota Investment Project - Statewide (MFIP-S).

PROGRAM OUTCOMES:

MEDICAL ASSISTANCE

The new "sponsor deeming" provisions of the PRWOR Act apply primarily to certain qualified noncitizens, noncitizen veterans and their families and noncitizen active duty service people and their families using the new affidavit of support which is in the process of being developed by the United State Attorney General's Office and is anticipated to be available for use sometime in March 1997. The new affidavit of support affects individuals who entered the United States on or after 8-22-96. Noncitizen veterans and their families and noncitizen active duty service people and their families may be eligible for MA without regard to their entry date; thus, "sponsor deeming" under the new affidavit of support may apply to them immediately. Sponsor deeming for noncitizen veterans, noncitizen active duty service people and their families will be an extremely rare occurrence. However, most qualified noncitizens who are subject to the sponsor deeming provisions are also barred from MA for 5 years if they entered the U.S. on or after 8-22-96. The 5-year bar is triggered at the date of entry and continues until the qualified noncitizen has resided in this country for a 5-year period. Thus, there should be little or no sponsor deeming for this group for a period of about 5 years.

After 5 years, those qualified noncitizens may apply for Medical Assistance with federal financial participation (FFP). In most cases, qualified noncitizens still sponsored by the new affidavit of support will be barred from eligibility by the income and resources of the sponsor until they become U.S. citizens or have 40 qualifying quarters of work.

MEDICAL ASSISTANCE WITHOUT FFP

Medical assistance without FFP is designed to provide coverage for qualified noncitizens and other noncitizens who are legally residing in the United States who are ineligible for MA with FFP. Noncitizens who are otherwise eligible for MA without FFP will be immediately eligible without any waiting period. However, in order to be consistent with the overall policy and program goals of MA with FFP, the Governor is proposing that sponsor deeming also be applied to noncitizen applicants for the MA without FFP program. The income and resources of noncitizens applying for the MA without FFP program will be deemed to include the income and resources of the individual who has executed the new affidavit of support on behalf of that noncitizen. Sponsor deeming under this program will begin immediately and will effectively bar some individuals from eligibility for MA without FFP.

GAMC and MINNESOTACARE

Noncitizens who do not have a MA basis of eligibility are not eligible for either MA with FFP or MA without FFP. Those individuals may be eligible for GAMC or MinnesotaCare. When determining eligibility for either of these programs, sponsor deeming will be applied to noncitizens in the same manner Minnesota is proposing for the MA without FFP group with similar outcomes.

GA

When determining eligibility for General Assistance, sponsor deeming will be applied to noncitizens for a period of three years after arrival for those having the old affidavit of support. For noncitizens sponsored by the new affidavit of support, deeming will continue until U.S. citizenship is obtained or 40 qualifying quarters of work have occurred.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of (DHS)
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Families and Children

ITEM TITLE: Sponsor Deeming
(Continuation)

AFDC

Deeming is currently used in the AFDC program. The decreased program expenditures are the result of applying the new deeming provisions with the new affidavit of support and applying these provisions as well to the proposed MFIP-S program.

LONG-TERM IMPACT:

Application of sponsor deeming provisions reflects federal policy to discourage noncitizens from the likelihood of becoming a public charge. Implementation in the major health care and cash programs will result in significant savings to Minnesota and lends itself to greater consistency and uniformity in eligibility criteria.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS
ACTIVITY: MA BASIC HEALTH CARE GRANT-E&D

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	599,458	628,793	744,433	705,135	705,135	744,435	830,849	830,849
LOCAL ASSISTANCE	1,310	29,513	33,630	34,110	10,019	33,628	39,819	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	600,768	658,306	778,063	739,245	715,154	778,063	870,668	830,849
=====								
AGENCY PLAN ITEMS:								

RSDI AND MEDICARE PROJECT				GEN	<87>		<366>	
ACUTE CARE INFLATION				GEN	689		4,176	
DEMO PROJECT FOR PERSONS WITH DISABIL.				GEN			17,696	
DENTAL SERVICES				GEN	166		1,293	
MCHA PREMIUM DISCONTINUE				GEN	1,043		1,137	
SPONSER DEEMING				GEN	<309>		<792>	
FORECAST ADJUSTMENT - COUNTY SHARE				GEN	<794>		4,447	
FORECAST ADJUSTMENT				GEN	<9,760>		43,121	
FORECAST ADJUSTMENT				FED	<29,766>		21,893	
=====					=====		=====	
TOTAL AGENCY PLAN ITEMS					<38,818>		92,605	
=====								
GOV'S INITIATIVES:								

(B) ACCELERATE COUNTY IM REIMBURSEMENT				GEN	8,930			<1,580>
(B) ELIMINATE COUNTY SHARE				GEN	<33,021>			<38,239>
=====					=====			=====
TOTAL GOV'S INITIATIVES					<24,091>			<39,819>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	248,616	291,230	344,438	336,180	345,110	344,438	410,703	409,123
STATUTORY APPROPRIATIONS:								
GENERAL	22,468	29,080	34,190	33,396	375	34,190	38,637	398
FEDERAL	329,684	337,996	399,435	369,669	369,669	399,435	421,328	421,328
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	600,768	658,306	778,063	739,245	715,154	778,063	870,668	830,849

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: Medical Assistance Basic Health Care Grants - Elderly & Disabled

ITEM TITLE: Medical Assistance Managed Care and Fee for Service Grants Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MA Basic Health Care				
Grants - Elderly and				
Disabled	\$ (9,760)	\$ 43,121	\$ 87,687	\$ 145,088
Revenues: (\$000s):				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends a decrease in the budget base of \$9,760,000 in F.Y. 1998 and \$43,121,000 in F.Y. 1999 to fully fund the forecasted amount of Medical Assistance (MA) Managed Care and Fee-for-Service Grants payments for Elderly and Disabled under current law.

RATIONALE:

About 80% of the projected increases requested for this activity is for basic health care for persons who are disabled. Most of this projected increase is driven by forecasted caseload increases of about 7% per year. The average cost of basic health care services for persons who are disabled is also expected to increase steadily at about 6% per year.

The elderly caseload is expected to grow at a slower rate (about 4% per year) and the average cost of coverage at about the same rate. The elderly segment accounts for a smaller share of spending growth because the elderly caseload is smaller than the disabled caseload (50,000 persons versus 67,000 in F.Y. 1996) and because the average cost of coverage for the elderly is smaller. The average cost is smaller, largely because almost all of the elderly have Medicare coverage as compared to only 40% of the disabled individuals.

In addition, an unusually large change in the rate of federal funding for Minnesota's MA program (a reduction of 1.46 percentage points) adds \$8 million to the F.Y. 1998 costs and \$12 million per year thereafter.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: MA Basic Health Care Grants - Elderly and Disabled

ITEM TITLE: Discontinue Medical Assistance and General Assistance Medical Care Funds for Minnesota Comprehensive Health Association Premiums

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MA Basic Health Care				
Grants-Families and				
Children	\$1,043	\$1,137	\$1,190	\$1,246
GAMC Grants	\$293	\$317	\$332	\$347
TOTAL	\$1,336	\$1,454	\$1,522	\$1,593
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 62E.14, 256B.0625, and 256D.03

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$1,336,000 in F.Y. 1998 and \$1,454,000 in F.Y. 1999 for the costs of discontinuing the use of Medical Assistance (MA) and General Assistance Medical Care (GAMC) funds to purchase health insurance from the Minnesota Comprehensive Health Association (MCHA).

RATIONALE:

This proposal would prohibit the MA and GAMC programs from paying MCHA premiums on behalf of eligible recipients.

Federal Medicaid law requires states to purchase group health insurance on behalf of Medicaid eligible individuals, for whom such insurance is deemed to be cost-effective to the program. Federal law defines "group insurance" to mean employer-based insurance. Current policy in Minnesota, both for MA and GAMC, is to treat MCHA coverage as group insurance, and pay premiums on behalf of eligible individuals when the MCHA coverage is deemed cost-effective. Since MCHA coverage is not employer-based group coverage, this policy is not required by federal law.

MCHA is funded through premium revenues and an assessment on health plans operating in Minnesota for losses (costs above premium revenue). MA and GAMC recipients, for whom MCHA insurance is cost-effective, contribute to MCHA losses, because their costs are, by definition, higher than the premiums paid.

PROGRAM OUTCOMES:

The effect of this change is to move the cost of MCHA losses from the assessment on health plans to the General Fund.

LONG-TERM IMPACT:

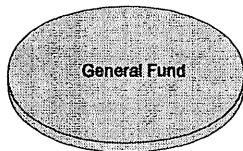
While the effect of this change is a net cost to the General Fund, part of the cost of care to MCHA paid from the assessment on health plans will now be available for federal matching funds in the MA program.

1998-99 Biennial Budget

BUDGET ACTIVITY: GAMC Grants
PROGRAM: Basic Health Care Grants
AGENCY: Human Services, Department of

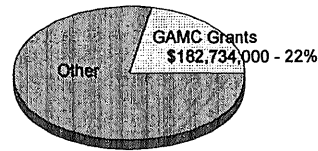
BUDGET SCOPE:

General Assistance Medical Care Grants
Total Activity Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$201,160,000

Basic Health Care Grants
State General Fund - 1998 Base Level
(Direct Appropriation)



Total \$834,612,000

- Repeals the \$1.00 co-payment on prescription drugs, and decreases the dispensing fee in MA, GAMC, and MinnesotaCare programs.
- Establishes a threshold on changes in hospital acuity that qualify for a payment adjustment.
- Removes coverage of emergency medical care through the GAMC program for transients passing through Minnesota.
- Purchases dental coverage through managed care for state employees and public program recipients together.
- Discontinues GAMC and MA premium payments for MCHA.
- Accelerates the elimination of the county share for GAMC.

REVENUE:

GAMC Grants are 100% state funded.

ACTIVITY DESCRIPTION:

General Assistance Medical Care (GAMC) is a state funded program that covers Minnesotans who are very low income or unemployable but are ineligible for Medical Assistance (MA). It serves primarily single adults between ages 21 and 65 but also couples without children aged 21 through 64; parents and caretakers who cannot meet categorical eligibility requirements for MA; most recipients of General Assistance (GA) cash grants; some residents of facilities such as Institutions of Mental Diseases (IMDs), treatment facilities, and adult foster care; and undocumented individuals who are blind, disabled, under 18 or over 65. GAMC enrollment is approximately 44,000 individuals.

The department uses 2 approaches for purchasing General Assistance Medical Care (GAMC) coverage: fee-for-service (FFS) and managed care. The department has been engaged in managed care models over the past 10 years. As of November 1996, the department had GAMC managed care contracts with 8 health plans operating in 16 counties. More than 15,000 people are served through these managed care contracts. The remaining recipients receive their health care services through the FFS. Payments cover inpatient and outpatient hospital care, drugs and medical supplies, physician services, prosthetic devices, dental care, eye care, chiropractic services, medical transportation, and case management for persons who have a serious and persistent mental illness and are residing in an IMD.

BUDGET ISSUES:

The Agency Plan:

- Funds forecast adjustments to Minnesota's subsidized health programs which result from changes in utilization and caseload size, as well as changes in federal funding rates.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS
ACTIVITY: GAMC GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	151,809	147,739	182,699	167,134	167,134	182,699	180,606	180,606
LOCAL ASSISTANCE		15,552	18,461	17,129	4,925	18,461	18,983	
TOTAL EXPENDITURES	151,809	163,291	201,160	184,263	172,059	201,160	199,589	180,606
AGENCY PLAN ITEMS:								
		FUND						
UNITARY RESID & FINANCE RESPONSE ACT		GEN		<1,500>			<1,500>	
HOSPITAL CASE MIX APPEAL		GEN		<894>			<941>	
ELIMINATE MA/GAMC PHARMACY COPAYMENT		GEN		153			213	
DENTAL SERVICES		GEN		230			348	
FORECAST ADJUSTMENT		GEN		<13,403>			773	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		<1,515>			<146>	
MCHA PREMIUM DISCONTINUE		GEN		293			317	
SPONSER DEEMING		GEN		<261>			<635>	
TOTAL AGENCY PLAN ITEMS				<16,897>			<1,571>	
GOV'S INITIATIVES:								
		FUND						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		4,707				<703>
(B) ELIMINATE COUNTY SHARE		GEN		<16,911>				<18,280>
(B) TRANSITION GAMC INTO MNCARE		GEN		<172,060>				<180,605>
(B) TRANSITION GAMC INTO MNCARE		HCA		172,060				180,605
TOTAL GOV'S INITIATIVES				<12,204>				<18,983>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	136,626	148,517	182,734	167,352	<1>	182,734	181,309	1
HEALTH CARE ACCESS					172,060			180,605
STATUTORY APPROPRIATIONS:								
GENERAL	15,183	14,774	18,426	16,911		18,426	18,280	

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: BASIC HEALTH CARE GRANTS
ACTIVITY: GAMC GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL EXPENDITURES	151,809	163,291	201,160	184,263	172,059	201,160	199,589	180,606
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	243	100	100	100	100	100	100	100
NONDEDICATED:								
GENERAL	2,241	200	200	200	200	200	200	200
TOTAL REVENUES COLLECTED	2,484	300	300	300	300	300	300	300
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: General Assistance Medical Care Grants

ITEM TITLE: General Assistance Medical Care Grants Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
GAMC Grants	\$ (13,403)	\$ 773	\$ 9,146	\$ 16,286
Revenues: (\$000s)				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$13,403,000 in F.Y. 1998 and an increase in the budget base of \$773,000 in F.Y. 1999 to fully fund the forecasted amount of General Assistance Medical Care (GAMC) payments under current law.

RATIONALE:

About \$19 million is added to the F.Y. 1998 costs and \$21 million added to F.Y. 1999 costs because of federal changes in the Supplemental Security Income (SSI) program, which eliminates drug and alcohol addiction as a basis for disability. This change is expected to cause about 2,800 chronic alcoholics to lose MA disabled eligibility and to become eligible for GAMC.

In the absence of this federal change, the requested changes in GAMC funding would all be reductions. The reason for this unusual situation is that the November 1996 forecast of GAMC expenditures for F.Y. 1997 is \$34 million (19%) lower than the F.Y. 1997 base level appropriation. About \$16 million of this difference in the forecast results from a delay in the expansion of managed care, for which substantial one-time costs had been anticipated in the earlier forecast. The balance of the difference results from decreases in GAMC caseload between F.Y. 1995 and F.Y. 1997.

The underlying GAMC forecast has little increases in the number of enrollees (about 1% per year) and average cost per enrollee (about 3% per year). The increment from F.Y. 1998 to F.Y. 1999 is larger than for the other years because of one-time costs projected for F.Y. 1999 for expansion of managed care.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: General Assistance Medical Care Grants

ITEM TITLE: Unitary Residence and Financial Responsibility Act

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
GAMC Grants	\$(1,500)	\$(1,500)	\$(1,500)	\$(1,500)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 256G

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$1,500,000 for F.Y. 1998 and \$1,500,000 for F.Y. 1999 by eliminating coverage of emergency medical care through the General Assistance Medical Care (GAMC) program for transients passing through Minnesota.

RATIONALE

The state proposes to eliminate the provisions of the Unitary Residence and Financial Responsibility Act at 256G.05, Subd. 2, which has been used to cover transients passing through Minnesota under the GAMC program. Elimination of this coverage is consistent with the state goal of tightening up the availability of emergency general assistance medical care to non-residents. In 1996, the Minnesota legislature passed legislation (256D.02, Subd. 12a) requiring applicants for GAMC to live here for 30 days before they become eligible for GAMC. While these provisions do allow for emergency medical coverage, it appears such coverage is to be provided in those situations where individuals are intending to move to Minnesota but have not yet met the residency requirements of the GAMC statute. The provisions of 256G.05, Subd. 2, allowing individuals who are residents of another state "passing through" Minnesota to access state-funded emergency medical coverage, runs counter to the federal and state goals of requiring individual states to be responsible for the medical care of their citizens. Elimination of this statutory provision is consistent with residency goals of 256D.02.

PROGRAM OUTCOMES:

Elimination of the provisions of 256G.05, Subd. 2, will provide for statutory and agency administration consistency. It will compliment the residency changes made to 256D.02 in the 1996 session. It will also encourage county hospitals to more actively seek reimbursement from the resident state of the transient.

LONG-TERM OUTCOMES:

Elimination of this statutory provision will deter the "magnet" affect of non-resident people seeking health care in Minnesota. It will especially discourage individuals from border states from attempting to access Minnesota health care on a temporary "emergency" basis when they are either denied assistance in their own states or the level of services is less in their state of residence. It may result in cost-shifting to counties and county hospitals for those transients unable to qualify for assistance in their own home states.

This page intentionally left blank.

This page intentionally left blank.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: General Assistance Medical Care Grants
ITEM TITLE: Transition General Assistance Medical Care into MinnesotaCare

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s):				
General Fund				
GAMC Grants	\$(172,060)	\$(180,605)	\$(188,140)	\$(194,581)
General Fund Transfer	<u>148,518</u>	<u>148,518</u>	<u>148,518</u>	<u>148,518</u>
NET	(23,542)	(32,087)	(39,622)	(46,063)
Health Care Access Fund				
GAMC Grants	\$172,060	\$180,605	\$169,975	\$24,292
MinnesotaCare Grants	0	0	10,527	106,368
Health Care Operations	<u>342</u>	<u>1,536</u>	<u>1,259</u>	<u>302</u>
NET	172,402	182,141	180,761	130,962
General Fund Transfer To HCA Fund	<u>(148,518)</u>	<u>(148,518)</u>	<u>(148,518)</u>	<u>(148,518)</u>
NET	23,884	33,623	32,243	(17,556)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Requires Statutory Change? Yes <u>X</u> No ____				
If yes, statute affected: 256 and 256D				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the General Fund budget base of \$23,542,000 in F.Y. 1998 and \$32,087,000 in F.Y. 1999 as well as an increase in the Health Care Access Fund budget base of \$23,884,000 in F.Y. 1998 and \$33,623,000 in F.Y. 1999 by the transfer of General Assistance Medical Care (GAMC) fiscal liabilities to the Health Care Access Fund as of 7-1-97 in preparation for the incorporation of the GAMC program into MinnesotaCare by 7-1-2000. Current GAMC enrollees would have the opportunity to apply for MinnesotaCare. If eligible, they would make a gradually increasing contribution toward their health care costs as their income increases. Options must be defined and addressed to assure access to health care for GAMC enrollees who do not or cannot access health care through MinnesotaCare.

RATIONALE:

The purpose of this proposal is to forward Minnesota's commitment to assuring access to health care, making publicly funded programs streamlined and premium-based, encouraging and supporting

personal responsibility, and putting Minnesota's publicly funded health care programs on a course that is financially sustainable.

By transitioning the majority of GAMC enrollees in MinnesotaCare, policies, benefits and processes which were once parallel and different would be unified. In moving toward a premium based system, GAMC enrollees would apply for MinnesotaCare and, beginning at a defined income level, would pay gradually increasing premiums as their income goes up. This would mean current GAMC enrollees would be treated similarly to other Minnesotans receiving health care through MinnesotaCare or through the private sector - actively arranging insurance to cover their health care needs. With the exception of undocumented non-citizens, individuals covered by GAMC are not elderly or disabled. Many need temporary assistance as they move toward a standard of providing for their own needs.

In addition to issues of streamlining and encouraging responsibility, this proposal speaks to a broader need to adapt Minnesota's health care purchasing strategies to respond to funding limits. While Minnesota's current economic forecast shows surpluses, this overshadows the fact that health care expenditures continue to grow at rates difficult to sustain.

It is important to remember in making this change that regardless of incentives to plan ahead, some individuals will not and others simply can not adapt to the MinnesotaCare system. By moving to the MinnesotaCare standard of proactive behavior that requires premium payments and planning for health care needs, the issue of uncompensated care is raised. Recent analysis reveals that GAMC is, for all practical purposes, an uncompensated care fund for many individuals with short term unexpected health care episodes. Our challenge is to design a more efficient method of paying for uncompensated care and to ensure that persons with longer term needs have reasonable access to health care. The transition which would take through 7-1-2000 would provide time to define how this issue should be addressed.

FUNDING

Beginning in F.Y. 1998, responsibility for the GAMC expenditures are proposed to be transferred from the General Fund to the Health Care Access Fund. These costs would be offset by an annual transfer from the General Fund to the Health Care Access Fund of approximately \$149 million. This amount represents the February, 1997 forecast for F.Y. 1997 GAMC expenditures.

RESERVES FOR UNCOMPENSATED CARE AND FEDERAL REFORM:

The Governor proposes that a portion of the surplus funds available in the health care access fund be set aside and dedicated as follows:

1. Uncompensated Care Reserves: The majority of GAMC payments are made on behalf of individuals with short term or episodic health care needs. Data strongly suggests that GAMC is used much more as an uncompensated care fund than as a basic health care program. While most former recipients of GAMC will be eligible for MinnesotaCare, some may not be eligible some may not enroll and additional uncompensated care costs will result.

It is recommended that funds be reserved for a more efficient approach to funding uncompensated care, and in addition, to reasonably address the needs of the minority of current GAMC recipients who access the GAMC program for on-going health care, but will not be eligible for MinnesotaCare.

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: General Assistance Medical Care Grants
ITEM TITLE: Transition General Assistance Medical Care into MinnesotaCare

(Continuation)

The amount of the proposed reserve is the difference between projected cost of the current GAMC program and the additional cost to the health care access fund that results from the elimination of GAMC. The amount of the uncompensated care reserve is shown below as a cumulative balance:

UNCOMPENSATED CARE RESERVE
(Dollars In 000's)

<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>
\$ 0	\$ 0	\$7,379	\$70,998

2. Federal Reform Reserves: In addition to the uncompensated care reserve, the governor recommends reserving funds for Minnesota's response to possible federal changes in health care funding. It is proposed that the amount of federal reform reserves be equal to the value of benefit that the health care access fund has received and will receive from federal financial participation in the MinnesotaCare program and related operations. The amount of federal reform reserve is shown below as a cumulative balance:

FEDERAL REFORM RESERVE
(Dollars In 000's)

<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>
\$60,610	\$96,735	\$135,636	\$177,355

IMPLEMENTATION

GAMC

1. In F.Y. 2001, the GAMC program will be eliminated and replaced with the MinnesotaCare program. Beginning in January of 2000 of that year, GAMC recipients will be sent applications for MinnesotaCare at the time their 6-month GAMC income review is scheduled. If eligible, they will remain on GAMC through the end of the fiscal year and be approved for MinnesotaCare at zero premium until renewal.

MinnesotaCare

1. Renewal dates for GAMC recipients who become eligible for MinnesotaCare will be staggered. Premium amounts will be determined at the time of renewal. These changes are necessary to avoid an unusually large number of renewals due on 7-1-2001 and subsequent years.
2. Effective 1-1-2000, MinnesotaCare enrollment sites will be expanded to include county agencies. This will allow GAMC enrollees to apply for MinnesotaCare at the time of their regularly

scheduled GAMC review. It will also provide ongoing support in the application and eligibility process for groups who might have difficulty with a mail-in, premium-based system. It will also allow for closer monitoring of people with a pending disability status who may become eligible for MA.

3. Effective 7-1-2000, MinnesotaCare coverage will be provided to GA and GRH enrollees in the first month for which that payment is made. Current policy will remain in place for all other MinnesotaCare enrollees, who receive coverage on the first of the month following receipt of the initial premium payment. There will still be coverage outside of MinnesotaCare for people in Institutions for Mental Disease (IMDs) who would be eligible for MA except for residency in an IMD.
4. Effective 7-1-2000, a zero premium is established for MinnesotaCare enrollees who are receiving GA or GRH payments, beginning with the first month of GA or GRH payment and continuing until the first renewal after GA or GRH eligibility ends.

ADMINISTRATIVE EFFORT

Administrative funds are requested to support the following:

1. F.Y. 1998: Two staff for project planning. They will coordinate procedural and technological changes; communicate plans to counties and current GAMC recipients; and establish a county advisory committee.
2. F.Y. 1999: Eight trainers prepare training curriculum and materials. Six months later, 8 additional trainers added to perform on-site training throughout Minnesota through 12-1-99.
3. F.Y. 2000: Policy and systems support. Counties and state begin dual application process in preparation for 7-1-2000 conversion.
4. F.Y. 2001: GAMC program converted to MinnesotaCare. Staff for this effort are reduced to 4 trainers who continue to train new county workers. Enrollees are provided a choice of state or county processing after initial MinnesotaCare determination.

Existing MinnesotaCare administrative resources will be used to handle the state enrollment in MinnesotaCare. County administrative involvement in MinnesotaCare enrollment efforts at the local level are anticipated to be supported by the elimination of GAMC efforts provided by the counties.

[Note: This proposal assumes that the department and the counties provide MinnesotaCare processing of applications and that the state provides the training to counties in preparation of their role in that processing.

PROGRAM OUTCOMES:

Beneficiaries: Most current GAMC recipients who lack access to other health coverage will be able to obtain MinnesotaCare coverage at an affordable cost. Alternatives will be developed to assure access to health care for people who are not eligible for MinnesotaCare such as those with access to other coverage, including employer-subsidized coverage within the last 18 months, and those with higher incomes (above 135% of federal poverty guidelines for adults without children and 275% for parents) with large one-time expenses. Currently, these higher income groups could qualify for GAMC or MA with a large spenddown, which leaves the individual or family responsible for a large share of the cost even when GAMC pays the balance. Other affected groups include non-citizens who are unable to

AGENCY: Human Services, Department of
PROGRAM: Basic Health Care Grants
ACTIVITY: General Assistance Medical Care Grants
ITEM TITLE: Transition General Assistance Medical Care into MinnesotaCare

(Continuation)

obtain a Social Security Number and/or who don't meet MinnesotaCare residency requirements, and people otherwise eligible for MinnesotaCare who incur expenses prior to becoming eligible.

Counties: County agencies will no longer be required to maintain GAMC cases; however, these reductions will likely be offset by the addition of counties as MinnesotaCare application sites. Some beneficiaries and new applicants may choose to apply for MinnesotaCare through their local county agencies on an ongoing basis. The addition of MinnesotaCare may result in some initial administrative costs for counties as a result of staff training time.

DHS: Some of the administrative costs previously borne by counties will be shifted to MinnesotaCare as some GAMC beneficiaries choose to apply for MinnesotaCare through DHS. MinnesotaCare will need enough staff to handle the increased efforts in beneficiary and provider education. Expenditures will be required for training counties and providers, producing notices and public service announcements, and for systems changes.

LONG-RANGE IMPACT:

This proposal will position the state for further steps toward its long range vision of a premium-based health system. It would promote mutual responsibility for health care costs to the extent individuals and families are able to contribute. It will simplify program administration by merging two of the health care programs into a single program with multiple access sites and will help to target limited resources to those most in need as a step towards integration of all publicly funded Minnesota health care programs.

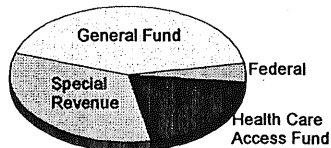
974041.d88
02-28-97 1:06 pm jms

1998-99 Biennial Budget

PROGRAM: Health Care Management
AGENCY: Human Services, Department of

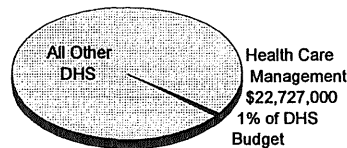
BUDGET SCOPE:

Health Care Management
Total Program Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$53,871,000

Department of Human Services
State General Fund - 1998 Base Level
(Direct Appropriation)



DHS Total \$2,459,465,000

PROGRAM DESCRIPTION: Health Care Management exists to ensure effective and efficient management of the health care services purchased by the department.

Health Care Policy Administration

This activity manages the coordination of and access to services under the Medical Assistance (MA), the General Assistance Medical Care (GAMC) and MinnesotaCare programs in compliance with state and federal laws. This activity develops rules and policies on managed health care delivery and eligibility. It oversees the utilization, quality improvement, and federal relations functions of health care administration.

Responsibilities include initiation and administration of major managed care capitation contracts under which contractors provide health services for a monthly per person rate paid on a prospective basis; development and implementation of new and innovative delivery systems; eligibility policy development and management; quality improvement and data analysis program management; integration of the MA/GAMC/MinnesotaCare programs; promulgation of appropriate administrative rules; preparing and maintaining the MA state plan as required by the federal government; providing technical assistance in securing federal MA waivers and monitoring outcomes; and communication of these policies to health plans, counties, enrollees, advocates, and other interested parties.

Health Care Operations

This activity is responsible for administering centralized medical payment systems for the combined programs of MA, GAMC, and MinnesotaCare. It is the mission of this activity to ensure that all claims for health care services are paid promptly; all identified third parties are required to pay for medical expenses if liable; Medicare participation in the cost of long-term care (LTC) services is maximized; the medical care surcharge is properly billed to nursing facilities and inpatient hospitals and complies with federal laws and regulations; the new Medicaid Management Information System (MMIS) is federally certified; electronic media claims activity is increased, reducing state and

provider cost; program integrity is ensured through a viable post-payment review activity, and drug rebates are negotiated and recovered from drug manufacturers.

The MMIS is federally required technology which enhances Minnesota's efficiency in administering MA. The system is also used for joint administration of state health care programs serving populations not covered under MA (i.e., GAMC and MinnesotaCare). The current MMIS, implemented in Minnesota on 5-31-94, replaces the original MMIS implemented in 1974.

The Customer Service component of Health Care Operations recruits and enrolls health care providers, delivers training, provides technical assistance, and disseminates information regarding Minnesota's Health Care programs, including MA, GAMC and MinnesotaCare policies. This activity serves 24,000 enrolled health care providers and 400,000 clients.

The Customer Service activity utilizes a toll-free Provider and Client Help Desk, customer service specialists in each service area, frequent training opportunities, and user-friendly publications and tools to encourage provider participation, increase provider satisfaction, and decrease client confusion when dealing with Minnesota's Health Care Programs.

MinnesotaCare Administration exists to provide the administrative structure for extending health coverage to uninsured Minnesotans under the MinnesotaCare law and the MinnesotaCare Waiver Administration efforts focus on the administrative structure necessary for expanding access to quality health care and implementing the 1994 MinnesotaCare Health Care Reform Waiver.

PROGRAM STATUS:

- While it operates perhaps the biggest health coverage program in Minnesota, including the private sector, both administration and operations have been kept under 3% of dollars spent. This compares favorably with private sector insurers who typically have between 10 and 15% administrative costs. Health care cost increases have been related to health care inflation, a large past emphasis on institutional care, and increasing numbers of enrollees, rather than increases in administrative costs.
- When administrative costs have gone up, they have typically been driven by short term costs of transitioning from one way of doing business to another. These costs of doing business include adapting to changes in the marketplace. For example, at the same time it's been operating its fee-for-service system, Minnesota has increasingly become a purchaser of service packages through provider networks. This resulted in retention of fee-for-service administration, while investing in the new types of administrative oversight needed to assure that enrollees are getting what the state is paying for in managed care contracts.

PLANNED RESULTS:

- The department will continue to focus on directing available administrative resources to better management and purchasing strategies that reflect access, choice, and best practice for health care recipients.
- Support for the development of alternative health care purchasing models with tribes.
- Support for transitioning of GAMC into MinnesotaCare.

BUDGET SUMMARY:

Additional funds are requested to support county administration costs for Prepaid Medical Assistance Program (PMAP) enrollment and advocacy activities.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: HEALTH CARE MANAGEMENT

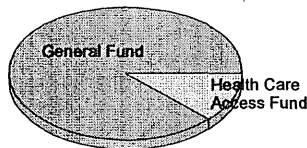
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
HEALTH CARE POLICY ADMIN	4,745	4,784	4,857	4,857	4,857	4,931	4,931	4,931
HEALTH CARE OPERATIONS	38,292	52,011	49,014	50,274	50,616	48,484	50,431	51,967
TOTAL EXPENDITURES BY ACTIVITY	43,037	56,795	53,871	55,131	55,473	53,415	55,362	56,898
AGENCY PLAN ITEMS:		FUND						
COUNTY ADMIN COSTS FOR PMAP		GEN		785			1,822	
PURCHASING MA/GAMC BY TRIBES		GEN		150			125	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN		325				
TOTAL AGENCY PLAN ITEMS				1,260			1,947	
GOV'S INITIATIVES:		FUND						
(B) TRANSITION GAMC INTO MNCARE		HCA			342			1,536
TOTAL GOV'S INITIATIVES					342			1,536
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	10,557	12,089	22,727	23,987	23,987	22,958	24,905	24,905
HEALTH CARE ACCESS	6,185	11,351	10,800	10,800	11,142	10,960	10,960	12,496
STATUTORY APPROPRIATIONS:								
GENERAL	1	88						
SPECIAL REVENUE	25,319	30,853	17,896	17,896	17,896	17,560	17,560	17,560
FEDERAL	963	2,414	2,448	2,448	2,448	1,937	1,937	1,937
GIFT	12							
TOTAL EXPENDITURES	43,037	56,795	53,871	55,131	55,473	53,415	55,362	56,898
FTE BY EMPLOYMENT TYPE:								
REGULAR	390.7	429.4	438.6	439.6	441.6	435.1	436.1	453.1
TEMP/SEAS/PART_TIME	23.2	27.0	37.2	37.2	37.2	37.2	37.2	37.2
OVERTIME	5.6	4.1	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL FTE	419.5	460.5	478.8	479.8	481.8	475.3	476.3	493.3

1998-99 Biennial Budget

BUDGET ACTIVITY: Health Care Policy Administration
PROGRAM: Health Care Management
AGENCY: Human Services, Department of

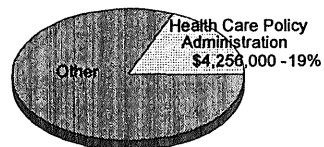
BUDGET SCOPE:

Health Care Policy Administration
Total Activity Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$4,857,000

Health Care Management
State General Fund - 1998 Base Level
(Direct Appropriation)



Total \$22,727,000

ACTIVITY DESCRIPTION:

This administrative activity is responsible for health care policy for Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare. Its decisions, day-to-day administration and recommendations, affect over \$8 billion dollars in public expenditures each biennium. Rules, policies, contract management, managed care delivery, federal relations, service quality improvement, compliance with state and federal law are all part of this area. Over a half million Minnesotans are enrolled in programs affected by the decisions of this function.

Major milestones for this area include:

- Drafting and securing federal MA waivers that have expanded prenatal care for women on MinnesotaCare and have allowed, for the first time in the country, MA and Medicare funds to be pooled together to serve enrollees in managed care;
- Expanding access to provider networks for MinnesotaCare enrollees by negotiating managed care contracts; and
- Insuring that during times of welfare reform and health care reform transitions, Minnesota remains in compliance with federal policies and therefore continues to receive federal funding.

BUDGET ISSUES:

Additional funding requested for this budget activity is shown with other policy initiatives in other sections of the budget.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: HEALTH CARE MANAGEMENT
ACTIVITY: HEALTH CARE OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	14,788	17,991	18,677	18,726	18,780	18,748	18,797	19,429
OPERATING EXPENSES	21,516	31,788	28,105	28,531	28,819	27,504	27,580	28,484
CAPITAL OUTLAY	4							
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	36,308	49,779	46,782	47,257	47,599	46,252	46,377	47,913
LOCAL ASSISTANCE	1,984	2,232	2,232	3,017	3,017	2,232	4,054	4,054
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	38,292	52,011	49,014	50,274	50,616	48,484	50,431	51,967
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
COUNTY ADMIN COSTS FOR PMAP		GEN		785			1,822	
PURCHASING MA/GAMC BY TRIBES		GEN		150			125	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN		325				
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				1,260			1,947	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) TRANSITION GAMC INTO MNCARE		HCA			342			1,536
=====		=====			=====		=====	
TOTAL GOV'S INITIATIVES					342			1,536
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	6,517	7,892	18,471	19,731	19,731	18,642	20,589	20,589
HEALTH CARE ACCESS	5,480	10,764	10,199	10,199	10,541	10,345	10,345	11,881
STATUTORY APPROPRIATIONS:								
GENERAL	1	88						
SPECIAL REVENUE	25,319	30,853	17,896	17,896	17,896	17,560	17,560	17,560
FEDERAL	963	2,414	2,448	2,448	2,448	1,937	1,937	1,937
GIFT	12							

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: HEALTH CARE MANAGEMENT
ACTIVITY: HEALTH CARE OPERATIONS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	38,292	52,011	49,014	50,274	50,616	48,484	50,431	51,967
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	20,532	25,217	19,170	19,170	19,170	18,834	18,834	18,834
FEDERAL	332	619	632	632	632	632	632	632
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	20,864	25,836	19,802	19,802	19,802	19,466	19,466	19,466
FTE BY EMPLOYMENT TYPE:								
REGULAR	337.2	380.4	389.6	390.6	392.6	386.1	387.1	404.1
TEMP/SEAS/PART_TIME	21.5	23.3	33.5	33.5	33.5	33.5	33.5	33.5
OVERTIME	5.3	4.1	3.0	3.0	3.0	3.0	3.0	3.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	364.0	407.8	426.1	427.1	429.1	422.6	423.6	440.6

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: STATE OPERATED SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
RTC FACILITIES	212,898	218,163	217,415	216,728	216,728	220,951	212,168	212,168
STATE OPERATED COMM SERV MI	5,403	6,114	6,114	6,181	6,181	6,114	6,250	6,250
STATE OPERATED COMM SERV DD	29,414	39,197	46,179	47,385	47,385	46,179	48,639	48,639
TOTAL EXPENDITURES BY ACTIVITY	247,715	263,474	269,708	270,294	270,294	273,244	267,057	267,057
AGENCY PLAN ITEMS:		FUND						
RTC DD DOWNSIZING		GEN		<1,978>			<9,850>	
SOCS - COLA ADJUSTMENT		GEN		1,206			2,460	
ADULT MH PILOTS PHASE II		GEN		860				
MH TRANSITION SERVICES-COLA		GEN		67			136	
PSYCHOPATHIC PERSONALITY ADDL STAFFING		GEN		431			1,067	
TOTAL AGENCY PLAN ITEMS				586			<6,187>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	202,938	209,451	207,685	208,271	208,271	211,293	205,106	205,106
STATUTORY APPROPRIATIONS:								
GENERAL	28,407	36,596	44,733	44,733	44,733	44,665	44,665	44,665
SPECIAL REVENUE	851	1,198	1,145	1,145	1,145	1,145	1,145	1,145
FEDERAL	133	143	142	142	142	138	138	138
AGENCY	3,866	4,223	4,153	4,153	4,153	4,153	4,153	4,153
GIFT	15	41	28	28	28	28	28	28
ENDOWMENT	13	22	22	22	22	22	22	22
CHEMICAL DEPENDENCY TREATMENT	11,492	11,800	11,800	11,800	11,800	11,800	11,800	11,800
TOTAL EXPENDITURES	247,715	263,474	269,708	270,294	270,294	273,244	267,057	267,057
FTE BY EMPLOYMENT TYPE:								
REGULAR	4,543.9	4,378.7	4,530.7	4,401.7	4,401.7	4,528.0	4,251.0	4,251.0
TEMP/SEAS/PART_TIME	10.3	10.3	10.3	10.3	10.3	10.2	10.2	10.2
OVERTIME	31.0	30.9	29.6	29.6	29.6	29.6	29.6	29.6
TOTAL FTE	4,585.2	4,419.9	4,570.6	4,441.6	4,441.6	4,567.8	4,290.8	4,290.8

This page intentionally left blank.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: STATE OPERATED SERVICES
ACTIVITY: RTC FACILITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	178,248	179,605	181,485	180,143	180,143	185,845	176,386	176,386
OPERATING EXPENSES	29,912	33,725	31,167	31,822	31,822	30,344	31,020	31,020
CAPITAL OUTLAY	192	36	41	41	41	41	41	41
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	208,352	213,366	212,693	212,006	212,006	216,230	207,447	207,447
PAYMENTS TO INDIVIDUALS	4,495	4,777	4,702	4,702	4,702	4,701	4,701	4,701
LOCAL ASSISTANCE	1							
OTHER EXPENSES	50	20	20	20	20	20	20	20
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	212,898	218,163	217,415	216,728	216,728	220,951	212,168	212,168
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
RTC DD DOWNSIZING		GEN		<1,978>			<9,850>	
ADULT MH PILOTS PHASE II		GEN		860				
PSYCHOPATHIC PERSONALITY ADDL STAFFING		GEN		431			1,067	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				<687>			<8,783>	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	190,772	194,337	194,225	193,538	193,538	197,833	189,050	189,050
STATUTORY APPROPRIATIONS:								
GENERAL	5,990	7,000	6,493	6,493	6,493	6,425	6,425	6,425
SPECIAL REVENUE	617	597	552	552	552	552	552	552
FEDERAL	133	143	142	142	142	138	138	138
AGENCY	3,866	4,223	4,153	4,153	4,153	4,153	4,153	4,153
GIFT	15	41	28	28	28	28	28	28
ENDOWMENT	13	22	22	22	22	22	22	22
CHEMICAL DEPENDENCY TREATMENT	11,492	11,800	11,800	11,800	11,800	11,800	11,800	11,800
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	212,898	218,163	217,415	216,728	216,728	220,951	212,168	212,168

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: STATE OPERATED SERVICES
ACTIVITY: RTC FACILITIES

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	7,235	6,625	6,380	6,380	6,380	6,286	6,286	6,286
SPECIAL REVENUE	753	774	755	755	755	732	732	732
FEDERAL	139	140	138	138	138	138	138	138
AGENCY	3,734	4,264	4,387	4,387	4,387	4,402	4,402	4,402
GIFT	11	25	25	25	25	25	25	25
ENDOWMENT	10	10	10	10	10	10	10	10
CHEMICAL DEPENDENCY TREATMENT	12,022	12,052	11,952	11,952	11,952	11,952	11,952	11,952
NONDEDICATED:								
GENERAL	65	49	35	1,851	1,851	35	1,627	1,627
TOTAL REVENUES COLLECTED	23,969	23,939	23,682	25,498	25,498	23,580	25,172	25,172
FTE BY EMPLOYMENT TYPE:								
REGULAR	3,812.4	3,581.1	3,576.4	3,447.4	3,447.4	3,573.7	3,296.7	3,296.7
TEMP/SEAS/PART_TIME	6.1	6.1	6.1	6.1	6.1	6.0	6.0	6.0
OVERTIME	7.4	8.0	7.4	7.4	7.4	7.4	7.4	7.4
TOTAL FTE	3,825.9	3,595.2	3,589.9	3,460.9	3,460.9	3,587.1	3,310.1	3,310.1

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: State Operated Services
ACTIVITY: Regional Treatment Center Facilities

ITEM TITLE: Psychopathic Personality Additional Staffing Needs

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General fund				
RTC Facilities	\$431	\$1,067	\$1,067	\$1,067
Revenues: (\$000s)				
General Fund	\$43	\$107	\$107	\$107

Statutory Change? Yes ____ No X

If yes, statutes(s) affected: M.S. 252.025

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$431,000 in F.Y. 1998 and \$1,067,000 in F.Y. 1999 for a total of 26 additional FTE staff needed to meet the security and treatment needs of persons committed as Psychopathic Personality/Sexually Dangerous Persons.

RATIONALE:

The increase in the number of individuals served as Sexual Psychopathic Personality/Sexually Dangerous Persons (SPP/SDP) has fluctuated over the past 5 years, but has averaged an increase of 12 persons per year. However, in the most recent 12 month period the increase has been 16 persons. In addition to committed individuals, the increase includes persons on hold orders and the commitment of 2 juvenile sexual offenders upon reaching the age of 19. The latter population represents a potential growth element and is in addition to the historic population projections of 12 per year.

In addition, public concern has heightened surrounding the development of therapeutic activities and discharge planning for those clients attaining the requisite treatment progress. It can be anticipated that this public concern will only increase with the sex offender community notification requirements which became effective 1-1-97. These concerns are expected to result in increased lengths of stay and more staff-intensive efforts directed at client placements in the community.

The Minnesota Sexual Psychopathic Personality Treatment Center (MSPPTC) at Moose Lake has a capacity of 100 and a current population of 98 clients. As the population nears 100, it has been necessary to develop increased program flexibility at the Minnesota Security Hospital (MSH) at St. Peter. Review of programming components and available space against current population projections results in the need to develop a fully integrated treatment program located at 2 sites. This request enables that development is consistent with population projections for the 1998-99 biennium.

PROGRAM OUTCOMES:

A single, integrated treatment program at 2 sites which provides genuine, viable treatment with the goal of rehabilitation and reintegration into the community.

LONG-TERM IMPACT:

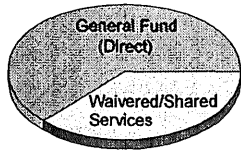
Maintains provision of services in secure settings and in recognition of public safety interests.

1998-99 Biennial Budget

BUDGET ACTIVITY: State-Operated Community Services for the Mentally Ill
PROGRAM: State-Operated Services
AGENCY: Human Services, Department of

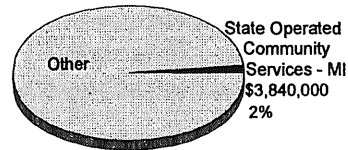
BUDGET SCOPE:

State Operated Community Services - MI
Total Activity Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$6,114,000

State Operated Services
State General Fund - 1998 Base Level
(Direct Appropriation)



Total \$207,685,000

ACTIVITY DESCRIPTION:

With the closure of the Moose Lake Regional Treatment Center in 1995, mental health services provided were reconfigured. This activity describes that reconfiguration serving the Moose Lake catchment/service area.

INPATIENT PSYCHIATRIC SERVICES (EVELETH)

The program focus of the 15-bed inpatient psychiatric hospital unit, located in Eveleth, is to serve persons with mental illness who require hospitalization for longer than 45 to 60 days.

MOBILE CRISIS TEAM (EVELETH)

This small-scale crisis team is co-located with the 15-bed inpatient psychiatric unit and is responsible for responding to off-hours (evenings and weekend) crisis calls. As many interventions as possible are made by phone contact. However, staff also provide on-site assistance within a radius of 1 hour driving time.

This team serves former clients of the 15-bed inpatient unit, and former clients of Moose Lake Regional Treatment Center that have been identified by the case manager as potentially at risk. Meetings with the staff of Mesabi Medical Center's psychiatric unit, the 15-bed state-operated unit, Range Mental Health Center and county case managers occur on a regular basis to identify clients who are potentially at risk or have been served by the crisis team. The team also responds to needs in area nursing facilities.

12 BED TRANSITIONAL FACILITY, INCLUDING 8 STABILIZATION BEDS AND 4 CRISIS BEDS (DULUTH)

The other residential program provides services to persons: 1) who do not require hospitalization but need evaluation and/or stabilization; or 2) to shorten the length of hospital stay by providing a

structured transition program until the person is ready to return to independent living. The 8 bed stabilization unit was designed to serve those individuals who no longer need active treatment or do not need to be hospitalized but still require the level of services and supervision that would fall between a hospital setting and a Rule 36. It also serves clients who can be discharged on a commitment. An additional 4 beds are available as crisis beds. Referrals include clients from the contract beds in Duluth and the 15-bed unit in Eveleth, as well as clients seen by the crisis team in need of crisis/respite care. Admissions are jointly approved by the unit's program manager and the county case manager. Coordination with the case manager is ongoing.

MOBILE CRISIS TEAM (DULUTH)

This program is similar to the Eveleth program but services are provided on a 24-hour, seven-day-a-week schedule within a radius of 1 hour driving time from Duluth.

In addition to crisis services, the team also provides:

1. Psychiatrist and RN consultation to identified target population in Lake and Cook Counties -- i.e., one day per month medication management "clinic".
2. Consultation to area nursing facilities for behavioral management.
3. Psychiatric examinations for persons who are committed to Miller Dwan contract beds.

CRISIS/TRANSITIONAL SERVICES (REGION 7E - CAMBRIDGE)

Region 7E includes counties in the southern half of the former MLRTC catchment area. A crisis/transitional services team delivers individualized services to prevent relapse and avert hospitalization for the 12-15 Region 7E clients who have used MLRTC extensively in the past. These services are coordinated with the case manager, CSP and psychiatrist. Services include, but are not limited to, teaching daily living skills to clients in their homes, accompanying clients to medical/dental appointments, crisis planning, medication monitoring, accompanying clients to community-based services (i.e., day treatment, social/recreational activities). In addition, crisis services are provided to these individuals. Services are delivered in the community or, if clinically indicated, the client is transported to the appropriate setting.

BUDGET ISSUES:

- Negotiated cost-of-living increases for state employees working in state-operated mental-health services are not currently funded by statute and are requested.

REVENUE:

The 15-bed inpatient psychiatric unit in Eveleth is funded with direct appropriations. Revenue is generated to cover the cost of care for clients. Cost of care is calculated on a per-diem basis. The per-diem for the Eveleth inpatient unit as of 7-1-96 is \$377. Revenues are collected by the Reimbursement Division and deposited into the general fund. Information regarding Reimbursement Division collections for the Eveleth inpatient unit is included on the financial operations budget page.

Mobile crisis teams and crisis/transitional services are funded with state mental-health grants. Grants are awarded to the counties and service agreements are entered into between the county and Moose Lake Regional State Operated Services Center to provide the services. Revenues are collected and deposited into the appropriate accounts.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: STATE OPERATED SERVICES
ACTIVITY: STATE OPERATED COMM SERV DD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	24,325	30,795	37,703	38,909	38,909	37,703	40,163	40,163
OPERATING EXPENSES	4,850	8,072	8,146	8,146	8,146	8,146	8,146	8,146
CAPITAL OUTLAY	10							
SUBTOTAL STATE OPERATIONS	29,185	38,867	45,849	47,055	47,055	45,849	48,309	48,309
PAYMENTS TO INDIVIDUALS	214	330	330	330	330	330	330	330
OTHER EXPENSES	15							
TOTAL EXPENDITURES	29,414	39,197	46,179	47,385	47,385	46,179	48,639	48,639
AGENCY PLAN ITEMS:		FUND						
SOCS - COLA ADJUSTMENT		GEN		1,206			2,460	
TOTAL AGENCY PLAN ITEMS				1,206			2,460	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	8,802	11,274	9,620	10,826	10,826	9,620	12,080	12,080
STATUTORY APPROPRIATIONS:								
GENERAL	20,378	27,322	35,966	35,966	35,966	35,966	35,966	35,966
SPECIAL REVENUE	234	601	593	593	593	593	593	593
TOTAL EXPENDITURES	29,414	39,197	46,179	47,385	47,385	46,179	48,639	48,639
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	21,281	28,879	36,365	36,365	36,365	36,365	36,365	36,365
SPECIAL REVENUE	390	525	525	525	525	525	525	525
TOTAL REVENUES COLLECTED	21,671	29,404	36,890	36,890	36,890	36,890	36,890	36,890

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: STATE OPERATED SERVICES
ACTIVITY: STATE OPERATED COMM SERV DD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	669.4	735.5	892.2	892.2	892.2	892.2	892.2	892.2
TEMP/SEAS/PART_TIME	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
OVERTIME	22.5	21.8	21.1	21.1	21.1	21.1	21.1	21.1
TOTAL FTE	695.8	761.2	917.2	917.2	917.2	917.2	917.2	917.2

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
COMMUNITY SERVICES BLOCK GRANT	100,820	95,945	92,883	92,883	92,883	92,883	92,883	92,883
CONSUMER SUPPORT GRANTS		1,232	1,757	1,757	1,757	1,757	1,757	1,757
AGING ADULT SERVICES GRANTS	20,290	25,238	25,043	25,043	25,043	25,046	25,046	25,046
DEAF & HARD OF HEARING GRANTS	502	650	1,119	1,119	1,119	1,119	1,119	1,119
MENTAL HEALTH GRANTS	47,855	53,366	51,843	52,543	52,543	51,843	53,871	53,871
DD COMMUNITY SUPPORT GRANTS	7,480	6,208	6,218	6,218	6,218	6,168	6,168	6,168
MA LTC WAIVERS & HOME CARE	417,575	475,169	489,222	522,666	505,588	489,222	598,983	570,771
MA LONG TERM CARE FACILITIES	1,219,176	1,213,536	1,282,061	1,244,833	1,203,114	1,282,061	1,275,618	1,214,232
ALTERNATIVE CARE GRANTS	37,965	47,072	45,729	53,227	50,584	45,729	58,254	54,394
GROUP RESIDENTIAL HOUSING	50,652	60,083	59,447	73,621	65,276	59,447	82,205	68,840
CD ENTITLEMENT GRANTS	58,967	76,204	64,235	56,144	56,144	64,744	58,281	58,281
CD NON-ENTITLEMENT GRANTS	19,726	21,347	20,650	20,650	20,650	20,650	20,650	20,650
TOTAL EXPENDITURES BY ACTIVITY	1,981,008	2,076,050	2,140,207	2,150,704	2,080,919	2,140,669	2,274,835	2,168,012
AGENCY PLAN ITEMS:		FUND						
ADULT MH PILOTS PHASE II		GEN		700			2,028	
RSDI AND MEDICARE PROJECT		GEN		<30>			<127>	
RSDI AND MEDICARE PROJECT		GEN		<444>			<1,869>	
ICF - MR INFLATION		GEN		1,507			3,797	
NF INFLATION & WAIVER LIMIT INCREASES		GEN		27			91	
NF INFLATION & WAIVER LIMIT INCREASES		GEN		11,772			25,441	
EXPANSION OF ALTERNATE CARE PROGRAM		GEN		7,597			12,610	
EXPANSION OF ALTERNATE CARE PROGRAM		GEN		<6,330>			<12,561>	
ELIMINATE DUPLICATE SERVICE FUNDING		GEN		<472>			<688>	
NF COST BASED & CONTRACT RATESETTING		GEN		<1,948>			<4,299>	
NF VOLUNTARY CLOSURE OR DECERTIFY		GEN					<260>	
NF VOLUNTARY CLOSURE OR DECERTIFY		GEN					60	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN					<1,223>	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN					<1,327>	
LIMIT RATE INCREASES UNDER CCDTF		GEN		<451>			<1,410>	
ADJUST MAINT. OF EFFORT FOR CD FUND		GEN		1,500			1,500	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		550			2,278	
FORECAST ADJUSTMENT		GEN		<7,423>			10,290	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		2,132			5,833	
PURCHASING MA/GAMC BY TRIBES		GEN		1,594			1,372	
RTC DD DOWNSIZING		GEN		<3,235>			<7,204>	

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
FORECAST ADJUSTMENT		GEN		12,498			21,300	
FORECAST ADJUSTMENT		GEN		<10,734>			<7,925>	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		2,592			4,015	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		<99>			<85>	
FORECAST ADJUSTMENT		GEN		20,038			57,385	
FORECAST ADJUSTMENT		FED		11,247			47,719	
FORECAST ADJUSTMENT		FED		<32,091>			<22,575>	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS				10,497			134,166	
GOV'S INITIATIVES:		FUND						
=====	=====	=====						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		3,161			<436>	
(B) ELIMINATE COUNTY SHARE		GEN		<11,506>			<12,929>	
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		973			<229>	
(B) ELIMINATE COUNTY SHARE		GEN		<3,616>			<3,631>	
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		15,465			<2,436>	
(B) ELIMINATE COUNTY SHARE		GEN		<57,184>			<58,950>	
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN		6,331			<1,120>	
(B) ELIMINATE COUNTY SHARE		GEN		<23,409>			<27,092>	
=====	=====	=====		=====			=====	
TOTAL GOV'S INITIATIVES				<69,785>			<106,823>	
EXPENDITURES BY FUND:								
=====	=====	=====						
DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	50,499							
GENERAL	820,818	958,501	1,042,029	1,068,195	1,094,125	1,041,982	1,138,963	1,134,742
STATUTORY APPROPRIATIONS:								
GENERAL	74,805	90,224	92,439	97,614	1,899	92,439	104,480	1,878
SPECIAL REVENUE	61,328	79,802	21,987	21,987	21,987	22,496	22,496	22,496
FEDERAL	973,541	947,499	983,744	962,900	962,900	983,744	1,008,888	1,008,888
GIFT	17	24	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,981,008	2,076,050	2,140,207	2,150,704	2,080,919	2,140,669	2,274,835	2,168,012

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								
REGULAR	30.6	28.6	26.6	26.6	26.6	26.6	26.6	26.6
TEMP/SEAS/PART_TIME	.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
OVERTIME	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
=====								
TOTAL FTE	32.1	30.6	28.6	28.6	28.6	28.6	28.6	28.6

This page intentionally left blank.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: MA LTC WAIVERS & HOME CARE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	416,658	453,834	468,014	498,485	498,485	468,017	570,771	570,771
LOCAL ASSISTANCE	917	21,335	21,208	24,181	7,103	21,205	28,212	
TOTAL EXPENDITURES	417,575	475,169	489,222	522,666	505,588	489,222	598,983	570,771
AGENCY PLAN ITEMS:		FUND						
NF INFLATION & WAIVER LIMIT INCREASES		GEN		27			91	
NF VOLUNTARY CLOSURE OR DECERTIFY		GEN					60	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN					<1,327>	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		2,132			5,833	
FORECAST ADJUSTMENT		GEN		20,038			57,385	
FORECAST ADJUSTMENT		FED		11,247			47,719	
TOTAL AGENCY PLAN ITEMS				33,444			109,761	
GOV'S INITIATIVES:		FUND						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			6,331			<1,120>
(B) ELIMINATE COUNTY SHARE		GEN			<23,409>			<27,092>
TOTAL GOV'S INITIATIVES					<17,078>			<28,212>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	174,031	210,529	217,189	237,254	243,585	217,189	273,398	272,278
STATUTORY APPROPRIATIONS:								
GENERAL	15,652	21,022	21,540	23,672	263	21,540	27,373	281
FEDERAL	227,892	243,618	250,493	261,740	261,740	250,493	298,212	298,212
TOTAL EXPENDITURES	417,575	475,169	489,222	522,666	505,588	489,222	598,983	570,771

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Medical Assistance Long-Term Care Waivers and Home Care

ITEM TITLE: Medical Assistance Long-Term Care Waivers and Home Care Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Medical Assistance				
Long-term Care Waivers and Homecare	\$20,038	\$57,385	\$92,448	\$128,728
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$20,038,000 in F.Y. 1998 and \$57,385,000 in F.Y. 1999 to fully fund the forecasted Medical Assistance (MA) expenditures for long-term care waivers and home care.

RATIONALE:

An unusually large change (a reduction of 1.46 percentage points) in the rate of federal funding for Minnesota's MA program adds \$8 million to F.Y. 1998 costs and \$10 million per year to costs for the later years.

Apart from this effect, about 2/3 of the increases in requested funding for this activity is for waiver services for the developmentally disabled (DD) waivers, about 9% is for the Traumatic Brain Injury (TBI) waiver, and about 12% (after F.Y. 1998) is for personal care services.

Increasing costs for the DD waivers are driven about 75% by growth in the number of recipients and about 25% by growth in the average cost of waiver services. Increases in the average cost of waiver services are driven primarily by: 1) increase in service utilization; 2) additions of enriched services such as state operated crisis and community support services; and 3) serving increasing numbers of persons with more intense service needs in community based residential services.

TBI waiver costs are driven about 60% by increases in the number of recipients and 40% by growth in the average cost of services.

Increased costs for personal care result from projected increases in the number of recipients.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Medical Assistance Long-Term Care Waivers and Home Care

ITEM TITLE: Demonstration Projects for Persons with Disabilities

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MA Basic Health Care				
Grants-Elderly and Disabled	\$-0-	\$17,696	\$(6,723)	\$(8,150)
MA LTC Waivers and Home Care	-0-	(1,327)	(4,230)	(5,178)
MA LTC Facilities	-0-	(1,223)	(4,056)	(4,906)
Cont.Care & Com Support				
Mgmt.	975	455	305	305
Health Care Operations	<u>325</u>	<u>- 0-</u>	<u>- 0-</u>	<u>0-</u>
TOTAL	\$1,300	\$15,601	\$(14,704)	\$(17,929)
Revenues: (\$000s)				
General Fund	\$325	\$195	\$120	\$120

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 256B

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$1,300,000 in F.Y. 1998 and \$15,601,000 in F.Y. 1999, and expects savings of \$14,704,000 in F.Y. 2000 and \$17,929,000 in F.Y. 2001 as the result of implementation of comprehensive managed care demonstration projects for persons with disabilities. These projects will test the effectiveness of a managed care approach to control the growth of health care costs for this population while providing services that are more flexible and more appropriate to client needs. This request assumes a cash flow cost in F.Y. 1999 as a result of a partial switch to pre-payment and a savings of 5% on service dollars in the first 2 years of each project (in comparison to forecasted costs per person). Rates will be adjusted based on forecasted growth in costs per person in the first 2 years with no adjustment in subsequent years.

RATIONALE:

Medical Assistance payments for services to persons with disabilities have been one of the fastest growing parts of the department's budget, and now totals over a billion dollars per year. These payments have been made under a fee-for-service system which has encouraged increased utilization of a variety of state-specified services, without any significant incentives to control costs, to coordinate services, or to tailor services to meet individual needs. People who are MA-eligible, based on a disability, have been exempt from enrollment in pre-paid managed care, partly because

traditional HMOs and other existing managed care structures are very limited in their ability to address the needs of persons with disabilities and partly because there have been no financial incentives for persons with disabilities to be served in managed care systems.

Under current statutory mandates, counties use local and state funds to provide a large variety of non-MA reimbursed services for persons with disabilities. Often, health care for persons with disabilities is not effective unless the individual's non-health care needs are also met in a coordinated approach. An extreme but simple example is the person with clinical depression who loses job and home because of the illness, spends two weeks in a hospital for the depression, but then is discharged without the necessary supports to survive in the community and thus returns to the hospital in a short period. Health and non-health care services are both essential for this person, and they must be provided in a coordinated manner that supports the person's ability to function in the community.

These demonstration projects will address the complexity of providing care for persons with disabilities by testing a number of different, locally designed approaches. The projects will develop public/private partnerships that utilize the expertise and resources of the various systems now serving persons with disabilities. All of the projects will incorporate the following major policy changes:

1. **Integration of Demonstration Projects for Persons With Disabilities.** This proposal integrates diverse pilot projects and initiatives under one demonstration project, which encompasses the current developmental disabilities pilot project sites, which are Olmsted County and the multi-county group including Blue Earth, Rice, Freeborn and LeSueur; Itasca County; the Northeast Joint Powers group, which includes St. Louis, Lake, Cook, Carlton and Koochiching; and will include one site in the metropolitan area. The project will provide for locally designed models to serve persons with physical, mental, or developmental disabilities who are eligible for medical assistance. The demonstration will permit the phase-in of various disability groups. Models will include acute and continuing care services and supports and will coordinate or integrate other state and local funding sources at the option of the local agency. In addition, DHS may seek federal waivers to integrate Medicare and Medicaid funding and services. Funds for county start-up costs are requested, as counties have invested significant development costs and they will not be able to complete project design and implementation without some state financial support. Currently, state funds are provided to cover a portion of county administrative expenses for PMAP.

At least one of the sites will integrate an adult mental health pilot project with a demonstration project for persons with disabilities. The mental health pilots focus on a narrower population and have more emphasis on building community-based service capacity and broader integration of the overall mental health system, particularly inclusion of state-operated services. Since state-operated mental health services are not usually reimbursed by MA, they are not expected to be a major part of most demonstration projects for persons with disabilities.

2. **Testing of Alternative Case Management Systems.** This project will create innovative, consumer-responsive delivery systems for persons with disabilities as alternatives to the current highly prescribed case management systems which apply to various persons. These alternative case management systems will provide flexibility for innovation at the service delivery level, while maintaining strong consumer protections.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Medical Assistance Long-Term Care Waivers and Home Care

ITEM TITLE: Demonstration Projects for Persons with Disabilities
(Continuation)

3. **Testing of Alternative Guardianship Services.** The demonstration models provide for counties to be Managed Care Organizations (MCOs) for long term support services. Counties will assume financial risk for a package of services. New county roles as at-risk MCOs present potential conflicts with their current roles as public guardians for vulnerable consumers. An independent guardianship role will need to be established for those persons under public guardianship in the project.
4. **Maximization of Medicare Revenues.** MCOs participating in the demonstration will be required to maximize the use of Medicare as a funding source. The discount on the capitation rates assumes increased use of Medicare revenues, which has historically been low in Minnesota. (NOTE: This may be a problem, as HCFA sets Medicare capitation using a state's prior history. If we succeed in getting a Medicare cap from HCFA., it will be based on the adjusted average per capita cost (ADJUSTED AVERAGE PER CAPITA COST (AAPCC)), which will reflect our past history of failure to maximize Medicare revenues. The result might be an underpayment of managed care organizations.)

For the first 2 years of each project, the capitation will be based on 95% of the per person costs that would otherwise have been paid under Medical Assistance fee-for-service. Therefore, for 2 years, the capitation will grow at the same rate as the current forecasted budget for this population (4.6% for F.Y. 1999 and 2.0% for F.Y. 2000). This growth is essential while these projects are in their start-up phase. After 2 years, the projects should be able to become more effective and provide appropriate services without any additional growth in costs per person.

Cash flow costs for this proposal assume that only the portion of costs related to basic ("acute") health care will be pre-paid (43% of total costs). The rest of the capitation will be paid on the same timeliness as currently apply to fee-for-service.

DHS has obtained private foundation grants to fund part of the administrative start-up costs of this project. The following table describes the balance of administrative costs which are proposed to be funded with state funds (dollars in thousands):

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Actuary contract	\$-0-	\$90	\$90	\$90
Consumer enrollment and advocacy	163	190	40	40
Evaluation	262	-0-	-0-	-0-
Guardianship services (.5 FTE)	75	75	75	75
Quality assurance	200	-0-	-0-	-0-
DHS clerical and quality management - 2 FTE	25	100	100	100
County start-up grants (50% state share)	250	-0-	-0-	-0-
Total Continuing Care and Community Support Management	\$975	\$455	\$305	\$305
Health Care Operations -MMIS (25% state share)	325	-0-	-0-	-0-

PROGRAM OUTCOMES:

This project will test the effectiveness of various delivery models to serve the needs of persons with disabilities. The following changes in the system will be measured and evaluated: county delivery models with financial risk; new partnerships between counties and health care delivery networks; consumer self-determination models; risk-adjusted capitation payments; integration of acute and long term care services; integration of Medicare and Medicaid funding and services; new guardianship models; innovative care management systems; and innovative performance measures encompassing both clinical and quality of life indicators. The demonstration project will include a formal, comprehensive evaluation, focusing on costs, quality, access, societal impacts, and consumer and family satisfaction.

LONG-TERM IMPACT:

This initiative will tie together locally-led efforts to develop demonstration projects. DHS will work in partnership with counties to design the models and service delivery networks. We will also work closely with health plans and other care delivery networks, as well as providers and consumers. Models will provide the flexibility and incentive to maintain and create supports for persons with disabilities through family and community connections. In order to implement a demonstration project which provides for maximum flexibility in care management and service delivery to cost effectively meet the needs of consumers, waivers of applicable laws and regulations will be needed.

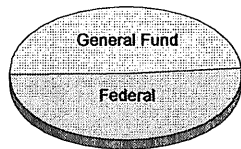
This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: MA Long Term Care Facilities
PROGRAM: Continuing Care and Community Support Grants
AGENCY: Human Services, Department of

BUDGET SCOPE:

MA Long Term Care Facilities
Total Activity Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$1,282,061,000

Continuing Care & Community Support Grants
State General Fund - 1998 Base Level
(Direct Appropriation)



Total \$1,042,029,000

ACTIVITY DESCRIPTION:

When the time comes, nursing home care can be the safest and most appropriate living situation for the elderly. Nursing home care, though, is costly. And for seniors with modest incomes, paying for care can exhaust life savings. The state and federal government have made a commitment to pay for nursing home care, through Medical Assistance (MA), when an individual has no other options. The purpose of this area of Continuing Care and Community Support Grants is to buy quality nursing home care for seniors who cannot afford it, yet also, at a price that the public, through its tax dollars, can afford. MA is the only publicly funded program where state revenues pay for nursing home care. MinnesotaCare and General Assistance Medical Care (GAMC) do not.

In addition to nursing home care, this activity funds facility-based residential care and day training and habilitation for persons with mental retardation or related conditions who need 24-hour care and supervision.

There are more than 1,000 long term care (LTC) facilities whose payment rates are established annually by the Department of Human Services. Types of facilities include approximately:

- 441 certified nursing facilities (NFs) and boarding care homes;
- 324 intermediate care facilities for the mentally retarded (ICFs/MR); and
- 236 day training and habilitation (DT&H) vendors.

In F.Y. 1997, MA certified NFs and boarding care homes are providing services to almost 30,000 persons per month receiving MA at a monthly average payment of \$2,434 per person. ICFs/MR are serving approximately 3,500 persons per month receiving MA at a monthly average payment of \$4,075 per person. DT&Hs are serving approximately 3,100 persons per month receiving MA at a monthly average payment of \$1,133 per person.

BUDGET ISSUES:

- According to Minnesota Planning, by 2020, the median age of Minnesotans will reach 40 and nearly a quarter of the population will be over 65. As the population grows older, so will the need for subsidized long-term care. It is crucial that state policy makers develop and commit to a long term strategy that addresses the health and social service needs of the elderly and disabled in a manner that includes nursing facilities for those with the greatest needs and that enhances alternative care and informal supports such as family and community for others.
- Minnesota has the 6th highest rate in the nation for institutionalizing the elderly. Institutionalizing is one of the most expensive options, particularly if an individual could live independently and safely if lower-cost alternative care was available and affordable.

By and large, when given a choice, elderly Minnesotans would rather live in their own homes for as long as possible rather than move to an institution.

- A number of steps have been taken over the years to divert seniors from nursing homes when they do not need that level of care. A moratorium was placed on building more nursing home beds. Alternative care has been developed and funded.

DHS is working with providers, consumers, and Medicare in a project to integrate Medicare and MA funding within a managed care framework. This will help reduce the cost-shifting between these programs which can result in clients being moved to different settings to maximize revenues.

Additionally, DHS has been working with the nursing home industry to try different ways of payment to increase the flexibility homes have in serving clients.

Last year, DHS and the nursing home industry began an important project that involves contracting with nursing homes to set their payment rates. This contracting is less prescriptive and its intent is to become more outcome focused through development of outcome measures and incentive payments. As of 1-1-97, 112 NFs have signed contracts under the Contractual Alternative Demonstration project. Also passed last year was legislation that makes high functioning class A individuals ineligible for NF placement. These individuals will be eligible for special service allowance grants, instead.

- This year's legislative package includes several initiatives that promote this long-term care strategy. This includes:
- A proposal to reduce the statewide NF institutional capacity and increase community capacity. This will be accomplished through selection of nursing facilities for voluntary closure or decertification.
- The redesign of the prepaid MA program to include 1 year of nursing facility benefit.
- Adjustments to NF cost-based and contract rate setting.
- Rate adjustments to support the continued operation of NFs and intermediate care facilities for persons with mental retardation (ICFs/MR).

REVENUE:

MA grants are funded with approximately 54% federal dollars and 46% state and local dollars.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: MA LONG TERM CARE FACILITIES

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	1,216,508	1,157,614	1,225,531	1,185,763	1,185,763	1,225,531	1,214,232	1,214,232
LOCAL ASSISTANCE	2,668	55,922	56,530	59,070	17,351	56,530	61,386	
TOTAL EXPENDITURES	1,219,176	1,213,536	1,282,061	1,244,833	1,203,114	1,282,061	1,275,618	1,214,232
AGENCY PLAN ITEMS:		FUND						
RSDI AND MEDICARE PROJECT		GEN		<30>			<127>	
ICF - MR INFLATION		GEN		1,507			3,797	
NF INFLATION & WAIVER LIMIT INCREASES		GEN		11,772			25,441	
EXPANSION OF ALTERNATE CARE PROGRAM		GEN		<6,330>			<12,561>	
NF COST BASED & CONTRACT RATESETTING		GEN		<1,948>			<4,299>	
NF VOLUNTARY CLOSURE OR DECERTIFY		GEN					<260>	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		550			2,278	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN					<1,223>	
RTC DD DOWNSIZING		GEN		<3,235>			<7,204>	
FORECAST ADJUSTMENT		GEN		<7,423>			10,290	
FORECAST ADJUSTMENT		FED		<32,091>			<22,575>	
TOTAL AGENCY PLAN ITEMS				<37,228>			<6,443>	
GOV'S INITIATIVES:		FUND						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			15,465			<2,436>
(B) ELIMINATE COUNTY SHARE		GEN			<57,184>			<58,950>
TOTAL GOV'S INITIATIVES					<41,719>			<61,386>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	506,273	534,898	568,095	562,408	577,873	568,095	581,949	579,513
STATUTORY APPROPRIATIONS:								
GENERAL	47,459	55,101	57,269	57,819	635	57,269	59,547	597
FEDERAL	665,444	623,537	656,697	624,606	624,606	656,697	634,122	634,122

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: MA LONG TERM CARE FACILITIES

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,219,176	1,213,536	1,282,061	1,244,833	1,203,114	1,282,061	1,275,618	1,214,232
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Medical Assistance Long-Term Care Facilities

ITEM TITLE: Medical Assistance Long-Term Care Facilities Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Medical Assistance				
Long-term Care Facilities	\$(7,423)	\$10,290	\$21,755	\$32,869
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$7,423,000 in F.Y. 1998 and an increase of \$10,290,000 in F.Y. 1999 to fully fund the forecasted Medical Assistance expenditures for long-term care facilities.

RATIONALE:

An unusually large change (a reduction of 1.46 percentage points) in the rate of federal funding for Minnesota's MA program adds \$13 million to F.Y. 1998 costs and \$18 million per year to costs for the later years. If not for this federal change, this request would show reductions for F.Y. 1998 and F.Y. 1999 because nursing facility caseload is lower than the projection on both the F.Y. 1997 appropriation was based.

The steady increment in funding in this request results from forecasted increases in the nursing facility caseload. Forecasted caseload increases are approximately 2% per year. The current law provides no inflation increases for nursing facilities, so no increases are included in the forecast.

Forecasted cost increases for nursing facilities are offset about 10% by small decreases for Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) and Day Training and Habilitation services. These decreases result from small case load reductions in community ICFs/MR facilities.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Medical Assistance Long-Term Care Facilities

ITEM TITLE: Intermediate Care Facilities for the Mentally Retarded Rate Adjustment

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (000s):				
General Fund				
Medical Assistance				
Long-Term Care				
Facilities	\$1,507	\$3,797	\$4,528	\$4,437
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes ____ No X

If yes, statute affected: rider

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$1,507,000 in F.Y. 1998 and \$3,797,000 in F.Y. 1999 to increase payment rates each year of the biennium for all Intermediate Care Facilities for the Mentally Retarded (ICFs/MR).

RATIONALE:

This proposal grants increases to the allowable operating costs of each ICFs/MR, using the factor specified in law under current fee-for-service payment mechanisms.

PROGRAM OUTCOMES:

ICFs/MR will receive additional funding to continue providing services to Minnesotans with developmental disabilities in need of an ICF/MR level of care.

LONG-TERM OUTCOMES:

Rate adjustments will support continued operation of ICF/MR services which Minnesota purchases through a fee-for-service mechanism.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Medical Assistance Long-Term Care Facilities

ITEM TITLE: Nursing Facility Rate Adjustments and Waiver Limit Increases

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (000s):				
General Fund				
MA, Long Term Care Facilities	\$11,772	\$25,441	\$27,554	\$28,326
MA LTC Waivers and Home Care	<u>27</u>	<u>91</u>	<u>126</u>	<u>154</u>
TOTAL	\$11,799	\$25,532	\$27,680	\$28,480

Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statute affected: rider

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$11,799,000 in F.Y. 1998 and \$25,532,000 in F.Y. 1999 to provide fee-for-service rate increases to nursing facilities (NFs).

Because certain waived service program limits are indexed to NF rates, this page also shows the effect of granting rate increases to NFs on the following waivers and programs: Elderly Waiver, Community Alternatives for Disabled Individuals Waiver (CADI), and Traumatic Brain Injury Waiver for people at risk of NF placement.

RATIONALE:

In F.Y. 1998, the state is projected to spend \$427 million (non-federal share) for NF services. This proposal grants increases to each NF's allowable operating costs, using the inflation factor specified in law. The rate increases resulting from the inflation factors are projected at 2.8% for F.Y. 1998 and 2.6% for F.Y. 1999.

The increases to the above waived services and programs occur because their limits (or caps) are based on the average NF rate. When NF rates increase, the waiver limits automatically increase. Although there is not an automatic increase in all service rates, as new recipients enter the waiver, a proportion will have care plans developed with service costs exceeding the prior limit.

PROGRAM OUTCOMES:

By providing rate increases, NFs will receive funding to continue providing services to elderly Minnesotans in need of NF care.

LONG-TERM OUTCOMES:

Rate adjustments will support operations of NFs.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: MA Long Term Care Facilities

ITEM TITLE: Nursing Facility Cost-based and Contract Ratesetting Changes

	1998-99 Biennium		200-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (000s):				
General Fund				
MA Long Term Care Facilities:	\$(1,948)	\$(4,299)	\$(4,589)	\$(4,639)
Continuing Care and Community Support Management	275	175	75	75
TOTAL	\$(1,673)	\$(4,124)	\$(4,514)	\$(4,564)
Revenues: (\$000s):				
General Fund	\$138	\$88	\$38	\$38

Requires Statutory Change? Yes X No _____
If yes, statute affected: 256B.431 and 256B.434

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$1,673,000 in F.Y. 1998 and \$4,124,000 in F.Y. 1999 for changes to nursing facility (NF) cost-based and contract payment rates and to develop and implement outcome measurements that will improve services to clients, improve satisfaction among clients, simplify administrative and regulatory oversight, and reduce the growth of health care increases into the future.

RATIONALE:

In F.Y. 1998, the state is projected to spend approximately \$440 million (non-federal share) for NF services. This proposal adjusts NF expenditures by modifying the cost-based rate setting method (Rule 50) and reducing contract facility rates. This results in a reduction in state spending of approximately \$2 million in F.Y. 1998; a decrease of less than 1/2 percent. The Governor's budget also includes approximately \$12 million to grant increase inflation increases. Therefore, even with this rate adjustment, NFs will receive inflation increases resulting in an overall rate increase of \$10 million.

Across cost-based facilities, there continues to be a substantial range in NF rates across the state. To reduce this range and promote greater equity, it is reasonable to adjust payments to the higher cost facilities within similar groups. Therefore, proposed reductions for F.Y. 1998 focus on the highest cost facilities (which are in the best position to absorb additional limits) and contract facilities (which are not subject to the cost-based limits scheduled to take effect in 1997).

- For cost-based facilities, NFs with rates between the median plus .3 and 1.0 standard deviations above the median of their group would have a 3% high cost reduction. NFs with an operating rate above the median plus 1.0 standard deviation for their group would have a 4% reduction. No rate would be reduced below their median plus .3 std deviation limit. This change will affect 76 (of 368) NFs.

- The efficiency incentive calculation would be changed for hospital-attached facilities. The other operating limits applied to freestanding facilities would be used to calculate their efficiency incentive. This change will affect 63 (of 368) NFs.

Sixteen NFs would be affected by both the high cost limit and the efficiency incentive change. Therefore, a total of 123 NFs would be affected by the proposed rate adjustments.

- NFs participating in the Contractual Alternative Payment Demonstration Project for Nursing Homes have rates that are not subject to the cost-based payment system. For these contract NFs, the base payment rate would be reduced by 2% effective 7-1-98. There are currently 73 facilities (out of 441) which have signed contracts under this project. Up to 40 more will be participating before the end of F.Y. 1997. Under existing law, they are scheduled to receive their existing rate, plus inflation at the CPI.

Contract NFs, on average, have substantially higher rates than cost-based NFs, even after accounting for differences in average case mix. For example, the average 7-1-96 case mix F rate for contract facilities is \$101.06, while the average case mix class F rate for cost-based facilities is \$92.42. Using these rates as an example, a 2% reduction to the contract NF rate would result in an average average class F rate of \$99.04; still substantially above cost-based facilities.

The proposal assumes cost-based facility reductions would become effective 7-1-97. Contract rate changes will be effective 7-1-98. (Because contracts are renewed April 1st of each year, contracts for the 7-1-97 rate year will be signed before the 1997 session is completed, which is too late to adjust their rate for the 1997 contract period.)

The affect to contract and cost-based facilities is shown below

	Dollars in Thousands			
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Contract facilities	\$(0)	\$(2,019)	\$(2,267)	\$(2,301)
Cost-based	\$(1,948)	\$(2,280)	\$(2,322)	\$(2,338)
Total	\$(1,948)	\$(4,299)	\$(4,589)	\$(4,639)

This proposal includes \$75,000 per year to provide administrative funds to support external evaluation of the department's application of rate setting methodology and \$300,000 for the biennium to fund the development of outcome measures for contract facilities.

	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
External rate setting analysis/evaluation	\$75	\$75	\$75	\$75
Outcomes study	\$200	\$100	\$-0-	\$-0-

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: MA Long Term Care Facilities

ITEM TITLE: Nursing Facility Cost-based and Contract Ratesetting System Changes
(Continuation)

Outcome Measures for Contract Facilities: The Contractual Alternative Payment Demonstration Project for Nursing Homes statutes include the development of outcome based measures, data collection, and incentive payments for NFs participating in the contract project. Originally, funding for this project was to come from a fee of \$50 per NF bed per year. DHS sought approval for this from the U.S. Department of Health and Human Services (DHHS). DHHS would not approve this and instead approved a charge of \$1,000 per year per participating facility, which raises up to \$115,000 toward development. This sum, however, is not enough to fully fund development and implementation of the outcome-measures process. This proposal requests supplemental funding of \$200,000 in F.Y. 1998 and \$100,000 in F.Y. 1999 to move the outcomes project forward.

The funding will be used to pay for consultants to develop the outcome measures, set up data collection processes, and perform analysis and evaluation. The outcome measures developed will be used to provide incentive payments (in addition to the base contract rate) for NFs participating in the contract project who achieve certain outcomes.

Examples of possible outcomes may be: 1) decreased length of NF stays through increases in rehabilitation; 2) decreased pharmacy utilization; 3) incentives to improve case mix; and 4) reduced MA paid hospital (acute care) admissions.

PROGRAM OUTCOMES:

Applying reduction measures to both contract and cost-based facilities is a more equitable result than impacting only cost-based facilities.

Development of outcome measures and incentive payments will benefit residents, as outcomes can be selected that improve quality of life (i.e. reduced hospitalizations). It will benefit NFs by providing additional payments for achieving outcomes.

LONG-TERM OUTCOMES:

Continued targeting of the highest cost facilities will reduce the gap between the lowest and highest cost providers. Implementation of incentive payments for achieving cost-effective outcomes will encourage providers to achieve outcomes that benefit residents while slowing the growth in MA spending. The project's goal in this area is to develop outcomes that would decrease health care expenditures in other areas of the budget.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: MA Long Term Care Facilities
ITEM TITLE: Redesign the Prepaid Medical Assistance Program to Include One Year of Nursing Facility Benefit

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MA-Long Term Care Facilities	\$-0-	\$-0-	\$245	\$(1,848)
Continuing Care and Community Support Mgmt	<u>-0-</u>	<u>150</u>	<u>100</u>	<u>75</u>
TOTAL	\$-0-	\$150	\$345	\$(1,773)
Revenues: (\$000s)				
General Fund	\$-0-	\$75	\$50	\$38

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 256B.69, and 256B.0915.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$150,000 in F.Y. 1999 to redesign the Prepaid Medical Assistance Program (PMAP) to include a nursing facility (NF) stay of up to one year in the capitation for persons at risk of nursing home placement living in the community.

Estimated state share savings through F.Y. 2005 are approximately \$22 million .

RATIONALE:

Within Continuing Care and Community Support Grants there are a number of efforts to bridge acute and continuing care services using forms of managed care. For example, there are pilot project expansions proposed for serving the disabled in ways that effectively package health care, residential, and social services. There are mental health projects that pull together different levels of care for severely mentally ill people, so that a more coordinated continuum of services exists. This proposal addresses a need to explore better coordination of acute and nursing facility care by incorporating a year of nursing home benefits into the service package for elderly served by PMAP. Capitated PMAP providers will have strong incentives to keep PMAP elderly in the community through use of alternative services.

This proposal does not affect individuals who are already in nursing homes and not in PMAP.

The PMAP expansion with the inclusion of a long term care NF benefit is a natural progression of the current Minnesota policy of utilizing managed care for achieving both cost containment and integration of acute and long term care services. This proposal will not supplant the Minnesota Seniors Health Options Demonstration Waiver (which integrates Medicare and Medicaid funds in delivery of services to some elderly Minnesotans), but to augment it. This proposal would expand our collective experience in serving the elderly and integrating the care continuum, while demonstrating savings.

This proposal includes \$150,000 for actuarial services and consultation in F.Y. 1999, \$100,000 in F.Y. 2000 and \$75,000 each year thereafter.

PROGRAM OUTCOMES:

The proposal will foster acute and long term care service integration, as well as cost effective community and home based services options to nursing facility care.

LONG-TERM IMPACT:

The proposal further implements Minnesota's current policy direction, and will provide a valuable knowledge base for deciding whether, and to what extent, managed care will work for the MA elderly. The savings associated with this proposal results from building discounts of projected long term care expenditures for NF care and waived services into prepaid health care contracts. The savings also assumes that PMAP would be statewide by July 2001 and that NF capitation would begin in July 1999.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: ALTERNATIVE CARE GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	37,965	42,875	41,946	49,189	49,189	41,946	54,394	54,394
LOCAL ASSISTANCE		4,197	3,783	4,038	1,395	3,783	3,860	
TOTAL EXPENDITURES	37,965	47,072	45,729	53,227	50,584	45,729	58,254	54,394
AGENCY PLAN ITEMS:								
EXPANSION OF ALTERNATE CARE PROGRAM		GEN		7,597			12,610	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		<99>			<85>	
TOTAL AGENCY PLAN ITEMS				7,498			12,525	
GOV'S INITIATIVES:								
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			973			<229>
(B) ELIMINATE COUNTY SHARE		GEN			<3,616>			<3,631>
TOTAL GOV'S INITIATIVES					<2,643>			<3,860>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	33,429	41,885	41,013	48,610	49,583	41,013	53,623	53,394
STATUTORY APPROPRIATIONS:								
GENERAL	4,536	5,187	4,716	4,617	1,001	4,716	4,631	1,000
TOTAL EXPENDITURES	37,965	47,072	45,729	53,227	50,584	45,729	58,254	54,394
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	4,536	5,187	4,716	4,617	1,001	4,716	4,631	1,000
NONDEDICATED:								
GENERAL	48	100	100	100	100	100	100	100

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: ALTERNATIVE CARE GRANTS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	4,584	5,287	4,816	4,717	1,101	4,816	4,731	1,100
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Alternative Care Grants

ITEM TITLE: Expansion of Alternative Care Program

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Alternative Care Grants	\$7,597	\$12,610	\$12,610	\$12,610
MA LTC Facilities	<u>(6,330)</u>	<u>(12,561)</u>	<u>(13,550)</u>	<u>(13,215)</u>
TOTAL	\$1,267	\$49	\$(940)	\$(605)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$1,267,000 dollars in F.Y. 1998 and \$49,000 dollars in F.Y. 1999 to increase expenditures in the Alternative Care (AC) program. This results in some savings to Medical Assistance (MA) by reducing the number of individuals requiring nursing facility services.

RATIONALE:

Most seniors, if given a choice, would rather remain independent in their own homes than go into a nursing facility. This proposal increases funding for a program that provides those choices.

The additional funding requested is sufficient to permit the average number of people receiving AC services to increase by about 700 each year. For each 100 recipients added to AC, a reduction of 41 MA nursing facility recipients is projected, producing MA savings in state dollars equal to 90% of the cost of AC services. Funding requirements for the AC program are increased by 15% to allow for imperfect allocation of funds to the counties, which causes a significant proportion of appropriated funds to go unspent. The value of the 15% overfunding is anticipated to cancel to the MA account, and MA funding requirements are reduced by a like amount.

The resulting savings to MA is shown on the following table:

	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>
MA NF effect	\$(5,339)	\$(10,916)	\$(11,905)	\$(11,570)
Cancel to MA	<u>(991)</u>	<u>(1,645)</u>	<u>(1,645)</u>	<u>(1,645)</u>
Total savings to MA	\$(6,330)	\$(12,561)	\$(13,550)	\$(13,215)

The additional funding includes an amount of \$250,000 in F.Y. 1998 and \$470,000 in F.Y. 1999 for use by counties as a service allowance for persons identified as "high functioning class A's" in accordance with Minnesota Statutes, section 256B.0913, subdivision 15.

PROGRAM OUTCOMES:

Additional people will have access to the AC program and have more options about where they live. In turn, Minnesota will see savings to the MA account which are projected to exceed the additional AC funding by the end of 1999.

LONG-TERM IMPACT:

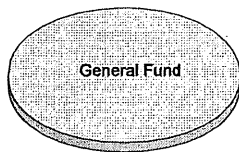
Expansion of the AC program assists in maintaining the nursing facility bed moratorium by partially meeting the demand for long term care through an array of alternative community-based services.

1998-99 Biennial Budget

BUDGET ACTIVITY: Group Residential Housing
PROGRAM: Continuing Care and Community Support Grants
AGENCY: Human Services, Department of

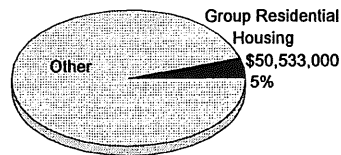
BUDGET SCOPE:

Group Residential Housing
Total Activity Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$59,447,000

Continuing Care & Community Support Grants
State General Fund - 1998 Base Level
(Direct Appropriation)



Total \$1,042,029,000

ACTIVITY DESCRIPTION:

The Group Residential Housing (GRH) program provides supplemental payments on behalf of eligible persons to pay for room and board and other related housing services. Eligible persons are those approved by the county, whose illness or incapacity prevents them from living independently. Presently, there are over 3,600 GRH settings serving over 10,000 persons (monthly) statewide. In order for its residents to be eligible for GRH payments, a setting must be licensed by the Department of Human Services as an adult foster home, or by the Department of Health as a boarding and lodging establishment, supervised living facility or board and care home. GRH settings serve a variety of dependent persons, including persons with mental retardation, mental illness, chemical dependency, physical disabilities, advanced age, or brain injuries.

Currently, the basic GRH room and board rate is \$589 per month, which is based on the Minnesota Supplemental Aid grant amount for aged, blind or disabled persons in the community when adjusted for the value of food stamps. The maximum GRH payment rate for settings that provide services in addition to room and board, such as difficulty of care in adult foster care, is \$1,015 per month. In limited cases, and upon county and state approval, GRH will also fund up to \$1,015 per month, based on documented costs for persons whose needs require specialized housing arrangements. Although GRH is 100% state-funded, these rates are offset by the recipient's own income contribution (usually Supplemental Security Income or Social Security Disability Income contributions of at least \$470).

Persons receiving GRH often also receive personal care services through MA Home Care or a home and community-based waiver under Title XIX of the Social Security Act. In these cases, the GRH rate is restricted to the room and board rate only. The combination of GRH room and board supports and Medical Assistance services comprise a continuum of care that supports the person in the community at a cost that is generally less than the cost in an institution.

BUDGET ISSUES:

- A principle feature of GRH is that it separately identifies housing costs from service costs provided under other programs. Room and board costs tend to be the same for most persons, regardless of their service needs. GRH provides a standard rate of payment for housing for disabled persons in licensed, congregate settings. The result is an adequate resource of housing for disabled adults at a clearly defined rate.
- Although GRH is not strictly an entitlement, increases to the program are budgeted as a result of forecasted caseload increases.

REVENUE:

GRH is primarily a state funded program based on a caseload forecast. There is no federal match, but there is still a small county participation based on state takeover of the General Assistance and Minnesota Supplemental Aid programs.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: GROUP RESIDENTIAL HOUSING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	43,565	51,443	51,061	62,306	62,306	51,061	68,840	68,840
LOCAL ASSISTANCE	7,087	8,640	8,386	11,315	2,970	8,386	13,365	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	50,652	60,083	59,447	73,621	65,276	59,447	82,205	68,840
AGENCY PLAN ITEMS:		FUND						
-----		-----						
RSDI AND MEDICARE PROJECT		GEN		<444>			<1,869>	
ELIMINATE DUPLICATE SERVICE FUNDING		GEN		<472>			<688>	
FORECAST ADJUSTMENT		GEN		12,498			21,300	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		2,592			4,015	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				14,174			22,758	
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			3,161			<436>
(B) ELIMINATE COUNTY SHARE		GEN			<11,506>			<12,929>
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					<8,345>			<13,365>
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	43,494	51,169	50,533	62,115	65,276	50,533	69,276	68,840
STATUTORY APPROPRIATIONS:								
GENERAL	7,158	8,914	8,914	11,506		8,914	12,929	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	50,652	60,083	59,447	73,621	65,276	59,447	82,205	68,840
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	7,158	8,914	8,914	11,506		8,914	12,929	

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: GROUP RESIDENTIAL HOUSING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL REVENUES COLLECTED	7,158	8,914	8,914	11,506		8,914	12,929	
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP GRANTS
ACTIVITY: CD ENTITLEMENT GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	57,700	74,782	62,813	54,722	54,722	63,322	56,859	56,859
LOCAL ASSISTANCE	1,267	1,422	1,422	1,422	1,422	1,422	1,422	1,422
TOTAL EXPENDITURES	58,967	76,204	64,235	56,144	56,144	64,744	58,281	58,281
AGENCY PLAN ITEMS:		FUND						
LIMIT RATE INCREASES UNDER CCDTF		GEN		<451>			<1,410>	
ADJUST MAINT. OF EFFORT FOR CD FUND		GEN		1,500			1,500	
PURCHASING MA/GAMC BY TRIBES		GEN		1,594			1,372	
FORECAST ADJUSTMENT		GEN		<10,734>			<7,925>	
TOTAL AGENCY PLAN ITEMS				<8,091>			<6,463>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL			43,734	35,643	35,643	43,734	37,271	37,271
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	58,967	76,204	20,501	20,501	20,501	21,010	21,010	21,010
TOTAL EXPENDITURES	58,967	76,204	64,235	56,144	56,144	64,744	58,281	58,281
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	32,991	33,533	21,564	21,564	21,564	22,073	22,073	22,073
TOTAL REVENUES COLLECTED	32,991	33,533	21,564	21,564	21,564	22,073	22,073	22,073
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Chemical Dependency Entitlement Grants

ITEM TITLE: Chemical Dependency Entitlement Grants Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Chemical Dependency Entitlement Grants	\$(10,734)	\$(7,925)	\$(4,967)	\$(1,832)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$10,734,000 in F.Y. 1998 and \$7,925,000 in F.Y. 1999 to fully fund the forecast for Chemical Dependency Entitlement Grants.

RATIONALE:

Changes from the budget base are negative because the number of placements paid for in F.Y. 1996 fell 6.5% from the previous year's level, instead of increasing as expected. Requested funding for F.Y. 1998 and F.Y. 1999 is less than the base level because the new forecast recognizes the decrease in placements in F.Y. 1996 and projects no increase in placements in F.Y. 1997 and only slight annual increases (2% per year) in number of placements in F.Y. 1998 and later years.

The reversal of the increasing trend in number of placements is mainly the result of increasing coverage of medical assistance (MA) and general assistance medical care (GAMC) recipients by managed care (including chemical dependency services). Continued expansion of managed care in MA and GAMC is expected to result in little growth in the number of placements paid for by the Consolidated Chemical Dependency Fund.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Chemical Dependency Entitlement Grants

ITEM TITLE: Rate Increases under the Chemical Dependency Treatment Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (000s):				
General Fund				
Chemical Dependency				
Entitlement Grants	\$(451)	\$(1,410)	\$(1,985)	\$(2,104)
Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No _____

If yes, statute affected: Chapter 254B

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends a decrease in the budget base of \$451,000 in F.Y. 1998 and \$1,410,000 in F.Y. 1999 to provide Chemical Dependency (CD) Treatment Fund programs rate increases of up to 3% for programs receiving less than the current median rate. Programs receiving the median rate or greater would not be eligible for a rate increase.

RATIONALE:

Targeting rate increases to providers receiving lower than the current median rate will result in greater equity in payment while controlling the growth in service costs. CD providers have operated under a statutory rate freeze since 7-1-95. Prior to that, some counties had granted limited or no rate increases in order to contain costs. As a result, a number of programs, especially in Greater Minnesota, are operating at very marginal rates. Some of these programs will not survive without a rate increase. This could cause access problems, as well as damaging the CD treatment infrastructure at a time when Minnesota is establishing provider networks for managed care.

PROGRAM OUTCOMES:

Payment rates will have greater equity across providers. Programs in greater Minnesota will become more stable.

LONG-TERM OUTCOMES:

The CD infrastructure will be preserved and providers will be limited to a modest increase in rates over the biennium.

F.Y. 1998 - 99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Continuing Care and Community Support Grants
ACTIVITY: Chemical Dependency Entitlement Grants

ITEM TITLE: Purchasing of MA/GAMC Services Provided by Tribes

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (000s):				
General Fund				
CD Entitlement Grants	\$1,594	\$1,372	\$1,086	\$724
Health Care Operations	<u>150</u>	<u>125</u>	<u>-0-</u>	<u>-0-</u>
TOTAL	\$1,744	\$1,497	\$1,086	\$724

Revenues: (\$000s):				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Requires Statutory Change? Yes X No

If yes, statute affected: Sec. 254B.02, subd. 1, Sec. 254B.09, subd. 4, 5 and 7

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$1,744,000 in F.Y. 1998 and \$1,497,000 in F.Y. 1999 to: (1) maintain, for the biennium, the current Consolidated Chemical Dependency Treatment Fund allocation for American Indians living on a reservation while tribes explore development of an alternative purchasing model for MA and GAMC covered services (including primary chemical dependency treatment) provided to American Indians on the reservation; and, (2) provide the necessary administrative tools (systems, actuarial services, and personnel) for development of alternative purchasing models.

RATIONALE:

Maintaining the current CCDTF allocation for American Indians living on reservations is necessary while tribes plan for development of an alternative purchasing model that more broadly addresses health care for American Indians on reservations. Without this appropriation, tribes will receive reduced funding for CD treatment based on a formula that takes into account managed care expansion from which tribal members on the reservation are currently excluded.

Without the current CCDTF allocation, the state will be forced to maintain a costly fee-for-service payment system or enroll American Indian MA and GAMC recipients living on reservations into current managed care models, potentially resulting in costly litigation due to issues of sovereignty.

PROGRAM OUTCOMES:

The appropriation will allow for development of models for purchasing MA and GAMC covered services in a comprehensive manner for American Indian MA and GAMC recipients who live on a reservation.

LONG-TERM OUTCOMES:

The appropriation will allow for development and enhancement of culturally sensitive service delivery for American Indians, improved tribal relations, and purchase of MA and GAMC services on a comprehensive care delivery basis.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP MGMT
ACTIVITY: CONT CARE & COMM SUPP MGMT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	12,617	14,057	14,268	14,402	14,402	14,449	14,662	14,662
OPERATING EXPENSES	12,718	17,208	16,830	17,861	17,861	16,236	17,227	17,227
SUBTOTAL STATE OPERATIONS	25,335	31,265	31,098	32,263	32,263	30,685	31,889	31,889
PAYMENTS TO INDIVIDUALS	2							
LOCAL ASSISTANCE	629	1,278	1,057	1,307	1,307	1,027	1,027	1,027
TOTAL EXPENDITURES	25,966	32,543	32,155	33,570	33,570	31,712	32,916	32,916
AGENCY PLAN ITEMS:		FUND						
REDESIGN PMAP INCLUDE 1 YR NF BENEFIT		GEN					150	
NF COST BASED & CONTRACT RATESETTING		GEN		275			175	
NF VOLUNTARY CLOSURE OR DECERTIFY		GEN		165			424	
DEMO PROJECT FOR PERSONS WITH DISABIL.		GEN		975			455	
TOTAL AGENCY PLAN ITEMS				1,415			1,204	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	15,677	18,384	18,319	19,734	19,734	18,544	19,748	19,748
STATE GOVERNMENT SPECIAL REVENUE	103	110	111	111	111	112	112	112
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	1,298	2,133	2,512	2,512	2,512	1,846	1,846	1,846
FEDERAL	8,883	11,900	11,206	11,206	11,206	11,206	11,206	11,206
GIFT	5	16	7	7	7	4	4	4
TOTAL EXPENDITURES	25,966	32,543	32,155	33,570	33,570	31,712	32,916	32,916
REVENUE COLLECTED:								
DEDICATED:								

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: CONT CARE & COMM SUPP MGMT
ACTIVITY: CONT CARE & COMM SUPP MGMT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
GENERAL		44						
SPECIAL REVENUE	950	1,882	2,356	2,356	2,356	1,690	1,690	1,690
FEDERAL	22,936	26,963	25,897	25,897	25,897	25,392	25,392	25,392
DEBT SERVICE	328	347	347	347	347	347	347	347
GIFT		1	7	7	7	4	4	4
TOTAL REVENUES COLLECTED	24,214	29,237	28,607	28,607	28,607	27,433	27,433	27,433
FTE BY EMPLOYMENT TYPE:								
REGULAR	247.4	260.8	258.8	262.3	262.3	256.8	262.3	262.3
TEMP/SEAS/PART_TIME	4.7	9.5	7.7	7.7	7.7	7.7	7.7	7.7
OVERTIME	.2							
TOTAL FTE	252.3	270.3	266.5	270.0	270.0	264.5	270.0	270.0

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
ASSISTANCE TO FAMILIES GRANTS				286,904	286,904		315,737	315,737
ASSIST FAMILY GRANTS - CO MGMT				21,512	21,512		21,512	21,512
WORK GRANTS	29,076	29,998	32,461	34,043	34,043	33,127	37,041	37,041
MN FAMILY INVESTMENT PLAN-MFIP	44,570	58,562	182,443	185,071	185,071	235,366	203,050	203,050
AID TO FAMS W/DEPENDENT CHILD	305,417	282,760	311,584	24,492	7,695	318,433	25,676	
CHILD SUPPORT ENFORCEMENT	70,637	71,926	69,557	69,807	69,807	69,451	69,501	69,501
GENERAL ASSISTANCE	58,904	56,824	59,605	66,173	56,331	59,605	64,782	50,214
MINNESOTA SUPPLEMENTAL AID	25,292	26,746	28,909	28,231	25,572	28,909	31,945	27,659
REFUGEE SERVICES	7,850	8,908	8,512	8,812	8,812	8,512	8,512	8,512
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	541,746	535,724	693,071	725,045	695,747	753,403	777,756	733,226
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
CHILD SUPPORT FEDERAL MANDATES		GEN		250			50	
FORECAST ADJUSTMENT - CHILD CARE		GEN		2,116			210	
FORECAST ADJUSTMENT - CASH GRANTS		GEN		3,745			<1,976>	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		182			669	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		1,780			1,937	
FORECAST ADJUSTMENT		GEN		<11,052>			<5,480>	
RESTRUCTURE FUNDING		GEN		125,975			131,647	
RESTRUCTURE FUNDING		GEN		<5,187>			<5,365>	
MFIP STATEWIDE		GEN					<17,983>	
RESTRUCTURE FUNDING		GEN		<120,788>			<126,282>	
MFIP STATEWIDE		GEN					7,840	
MFIP STATEWIDE		GEN		<29,200>			<26,450>	
SPONSER DEEMING		GEN		<74>			<181>	
SPONSER DEEMING		GEN		<123>			<283>	
MFIP CHILD CARE TRANSFER		GEN		<6,322>			<4,416>	
MFIP STATEWIDE		GEN		300				
TEMPORARY ASSISTANCE NON-CITIZENS		GEN		2,700				
MFIP STATEWIDE - EA COUNTY GRANT		GEN		1,189			1,241	
MFIP STATEWIDE		GEN		2,600				
MFIP STATEWIDE - CASH GRANTS		GEN		<10,482>			<3,469>	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		<2,173>			<1,067>	
FORECAST ADJUSTMENT		GEN		7,349			8,786	
FORECAST ADJUSTMENT		GEN		<860>			2,367	
FORECAST ADJUSTMENT - CASH GRANTS		FED		3,089			<153>	

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS

			FY 1998			FY 1999		
			Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
FORECAST ADJUSTMENT		FED		<26,195>			<28,630>	
RESTRUCTURE FUNDING		FED		156,875			163,906	
RESTRUCTURE FUNDING		FED		<123,137>			<127,092>	
MFIP STATEWIDE		FED		29,200			26,450	
MFIP STATEWIDE - EA COUNTY GRANTS		FED		1,189			1,241	
MFIP STATEWIDE		FED		9,681			13,614	
MFIP STATEWIDE		FED					<7,998>	
MFIP STATEWIDE		FED		1,852			4,187	
ADMINISTRATIVE FREEZE		FED		21,512			21,512	
ADMINISTRATIVE FREEZE		FED		<270>			<273>	
ADMINISTRATIVE FREEZE		FED		<3,747>			<4,206>	
=====			=====			=====		
TOTAL AGENCY PLAN ITEMS				31,974			24,353	
GOV'S INITIATIVES:			FUND					
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			7,076			<697>
(B) ELIMINATE COUNTY SHARE		GEN			<23,873>			<24,979>
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			3,941			<628>
(B) ELIMINATE COUNTY SHARE		GEN			<13,783>			<13,940>
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			1,003			<137>
(B) ELIMINATE COUNTY SHARE		GEN			<3,662>			<4,149>
=====			=====			=====		
TOTAL GOV'S INITIATIVES					<29,298>			<44,530>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	234,908	239,949	250,555	212,691	224,711	250,561	210,817	209,355
STATUTORY APPROPRIATIONS:								
GENERAL	105,804	96,392	97,405	97,194	55,876	97,405	98,944	55,876
SPECIAL REVENUE	19	2,400	106	106	106			
FEDERAL	201,010	196,965	345,000	415,049	415,049	405,432	467,990	467,990
GIFT	5	18	5	5	5	5	5	5
=====			=====			=====		
TOTAL EXPENDITURES	541,746	535,724	693,071	725,045	695,747	753,403	777,756	733,226

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL FTE	1.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

This page intentionally left blank.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants

ITEM TITLE: Acceleration of County Income Maintenance Reimbursement Schedule

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MA LTC Facilities	\$15,465	\$(2,436)	\$(3,250)	\$(3,666)
MA LTC Waiver & Home Care	6,331	(1,120)	(1,691)	(2,091)
MA Basic Health Care Grants: Elderly and Disabled	8,930	(1,580)	(2,359)	(2,959)
MA Basic Care: Families and Children	9,266	(1,609)	(2,352)	(2,787)
GAMC Grants	4,707	(703)	(977)	(1,112)
Alternative Care Grants	973	(229)	(232)	(233)
Group Residential Housing	3,161	(436)	(668)	(916)
Aid to Families with Dependent Children	7,076	(697)	(845)	(1,101)
General Assistance	3,941	(628)	(618)	(716)
Minnesota Supplemental Assistance	<u>1,003</u>	<u>(137)</u>	<u>(224)</u>	<u>(294)</u>
TOTAL	\$60,853	\$(9,575)	\$(13,216)	\$(15,875)

Revenues: (\$000s)
General Fund

Statutory Change? Yes X No

If yes, statutes(s) affected: MS 256.025, MS 256.026, MS 256.736, MS 256.82, MS 256.871, MS 256.935, MS 256B.19, MS 256B.0913, MS 256D.03, MS 256D.36, MS 256I

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$60,853,000 in F.Y. 1998 and a decrease in the budget base of \$9,575,000 in F.Y. 1999 in order to accelerate the current schedule for reimbursing counties for their share in the cost of income maintenance and health care programs. This acceleration of the schedule will simplify planning, forecasting, and budgeting for the Department of Human Services (DHS) and its County Partners. This proposal results in savings to counties totaling \$5,547,000 in F.Y. 1998 and \$5,547,000 in F.Y. 1999.

RATIONALE:

Because of fiscal constraints at the time of passage, state funding of the non-federal share of certain health care and income maintenance programs incorporated a county share billing for 6 months of each fiscal year and a 6 month delay in reimbursement from DHS to counties. This provision was designed to phase out over a number of years and the phase out was dubbed "split the hit". Under current law the phase out will be completed in 4 years, at the beginning of F. Y. 2002. However, the continuing need for collection of a county share and subsequent reimbursement in the next state fiscal year has created an ongoing pattern of fiscal exchanges between counties and DHS that is confusing and complicates planning, forecasting, and budgeting for both partners. With federal welfare reform, there will no longer be a set federal and non-federal share. Nor will the historic county share of Aid to Families with Dependent Children, Family General Assistance, and Emergency Assistance be relevant with the elimination of those programs and their inclusion in the MFIP-based Assistance to Families activity. Without this proposal, a county share will have to be imposed for the remaining 4 years of the state financing schedule for the cash assistance programs.

PROGRAM OUTCOMES:

Accelerating the reimbursement schedule will simplify fiscal operations for both partners and will improve county/state relations. Simplification is particularly important with federal reform measures imminent. Federal reform will almost surely mean complex upheavals in many programs and increased complexity in county/state relationships. Working through the implementation of federal reform will be much easier if the fiscal operations are simplified. Some forecasting complexity will be reduced. Increased effort can be concentrated on services to clients.

The fiscal effect on the state and counties of the scheduled acceleration for the remaining years is:

	STATE	COUNTIES
SFY 1998	\$ 60,853	\$ (5,547)
SFY 1999	(9,575)	(5,547)
SFY 2000	(13,216)	(5,547)
SFY 2001	(15,875)	(5,547)
NET	\$ 22,190*	\$(22,190)*

*Numbers may not total due to rounding.

LONG-TERM IMPACT:

Fiscal operations at the state and county levels will be simplified. Implementation of federal reforms will be facilitated and more effort will be concentrated on services to clients. County/State relationships will be improved. County budget relief will be provided.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants

ITEM TITLE: Summary of Budget Impact of the Minnesota Family Investment Plan Statewide Implementation; Create Federal Fund TANF Reserve

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Funds Available (000s)				
General Fund	\$96,775	\$105,197	\$116,285	\$114,794
Federal Funds				
TANF Block Grant	267,985	267,985	267,985	267,985
FY 1997 federal earnings	<u>29,122</u>			
Sub-total funds available	393,882	373,182	384,270	382,779
Expenditures (000s)				
General Fund	96,775	105,197	116,285	114,794
Federal funds	<u>253,469</u>	<u>252,693</u>	<u>261,135</u>	<u>264,370</u>
Sub-total expenditures	350,244	357,890	377,420	379,164
Balances				
Current year balance	43,638	15,292	6,850	3,615
TANF Reserve applied toward balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Remaining TANF Reserve	\$43,638	\$58,930	\$65,780	\$69,395

Statutory Change? Yes X No _____
 If yes, statutes(s) affected: M.S. 256, M.S. 256D

GOVERNOR'S RECOMMENDATION:

The Governor recommends establishment of the Minnesota Family Investment Program statewide. The Governor recommends the appropriation of \$253,469,000 in F.Y. 1998 and \$252,693,000 in F.Y. 1999 in federal TANF block grant money for MFIP. The Governor recommends a General Fund appropriation of \$96,775,000 in F.Y. 1998 and \$105,197,000 in F.Y. 1999 for this program. The Governor recommends that all federal earnings in excess of the federal funds appropriated be retained in the Federal Fund and held for use in the MFIP program in subsequent fiscal years.

RATIONALE:

MFIP will be funded within existing available resources. To the extent possible federal earnings will be maximized and held in a fund for expenditure in out years. In this manner, the Department can maximize its draws of TANF funds within the scope of the Federal Cash Management Improvement Act. Absent the ability to hold federal earnings, federal draws may be lower, state cash flow may be affected and Congress might take adverse action on earned but unexpended balances.

The reserve totals reflect the level of TANF funds carried forward. The state may be able to retain a portion of these funds within a protected fund in the state treasury. The remainder would be available to draw from federally held balances.

PROGRAM OUTCOMES:

MFIP is a comprehensive reform of welfare which moves families into work, reduces dependence on welfare and reduces child poverty.

LONG-TERM IMPACT:

The TANF block grant is fixed at \$268 million throughout the 4 year budget period. Minnesota will not get more than this amount. Thus, should costs and caseloads rise above our current forecast, only state funds are available to fill the extra need if our TANF funds are insufficient.

With the ability to hold federal earnings, the funds can be protected and the General Fund impact of the MFIP proposal can be kept within available resources in F.Y.s 2000 and 2001.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants

ITEM TITLE: Welfare Reform: Restructure Funding and Establish Assistance to Families Grants

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Assistance to Families Grants	\$125,975	\$131,647	\$140,200	\$141,359
AFDC Grants				
AFDC/EA Grants	(116,282)	(121,649)	(129,530)	(130,519)
IV-D Pass through	(3,863)	(3,882)	(3,881)	(3,881)
Non-Citizens FFP loss	(643)	(751)	(873)	(990)
TOTAL	(120,788)	(126,282)	(134,284)	(135,390)
GA Grants				
Eliminate Family GA	(5,187)	(5,365)	(5,916)	(5,969)
Federal Funds				
Financial Operations				
AFDC Housing Allowance	(3,689)	(3,612)	(3,589)	(3,589)
IV-D Admin Offset	(33,738)	(36,814)	(37,354)	(37,965)
Assistance to Families Grants				
Assistance to Families Grants	156,875	163,906	173,167	174,407
Work Grants				
JOBS Work Grants	(14,245)	(14,245)	(14,245)	(14,245)
MFIP-S Work Grants	14,245	14,245	14,245	14,245
MFIP Grants				
MFIP Cash Grants AFDC	(11,377)	(7,998)	-0-	-0-
MFIP Cash Grants TANF	11,377	7,998	-0-	-0-
AFDC Grants				
AFDC/EA Grants	(127,643)	(131,725)	(140,567)	(141,313)
Non citizens FFP	643	751	873	990
IV-D Pass through	3,863	3,882	3,881	3,881
Revenues: (\$000s)				
General Fund				
AFDC Grants	\$(3,689)	\$(3,612)	\$(3,589)	\$(3,589)

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 256.879

GOVERNOR'S RECOMMENDATION:

This decision page establishes a new budget activity for a new program. The Governor recommends an increase in the newly created Assistance to Families program of \$125,975,000 for F.Y. 1998 and

\$131,647,000 for F.Y. 1999. The Governor recommends a corresponding decrease in the general fund budget base of \$125,975,000 for F.Y. 1998 and \$131,647,000 for F.Y. 1999 for the elimination of the state Aid to Dependent Children (AFDC) program, the Family General Assistance (FGA) program, and the Emergency Assistance (EA) program.

The Governor recommends an increase of \$182,497,000 in F.Y. 1998 and \$186,149,000 in F.Y. 1999 in federal funding to be allocated to the state's Assistance to Families program from the Temporary Assistance to Needy Families Block grant. The Governor recommends a corresponding decrease in the federal fund budget base of \$123,127,000 in F.Y. 1998 and \$136,442,000 in F.Y. 1999 for eliminating the federal AFDC, EA and Job Opportunities and Basic Skills (JOBS) program. The Governor recommends a decrease in the federal budget base of \$33,738,000 in F.Y. 1998 and \$36,814,000 in F.Y. 1999 of child support enforcement federal administrative aid to reflect the changed treatment of the federal share of child support collections. The Governor recommends eliminating \$3,689,000 in F.Y. 1998 and \$3,612,000 in F.Y. 1999 in federal AFDC revenue received by the General Fund to offset the cost of the property tax refund under chapter 290A.

RATIONALE:

The federal AFDC program will end upon implementation Minnesota's Temporary Assistance to Needy Families (TANF) plan. Title I of the Personal Responsibility and Work Opportunity Act of 1996 established the TANF block grant as a replacement for titles IV-A and F of the Social Security Act. Also repealed is the AFDC child care entitlement. The act provides for the funding of all child care services and administration through the Child Care and Development block grant which is now provided to the Minnesota Department of Children, Families and Learning.

This proposal discontinues the old funding streams for the program and establishes funding through the new TANF program.

- Federal state AFDC programs are eliminated and replaced with a temporary Assistance to Families program. All funds in the base formerly appropriated as AFDC or EA are eliminated and an equal amount of Assistance to Families Funding is provided. Federal JOBS funding is eliminated and replaced by similarly functioning Assistance to Families Work programs. The Assistance to Families Grants program would be a transition to a statewide MFIP.
- The Supplemental Housing Allowance under MS 256.879 would be eliminated and the federal funds this allowance would have earned will become available to the Assistance to Families program. The elimination would reduce General Fund revenues.
- The federal share of child support collections would no longer offset the federal cash grant program, previously AFDC, but would offset the federal Child Support IV-D Administration grant.

PROGRAM OUTCOMES:

This proposal provides a budgetary starting point to the Assistance to Families grants budget that will allow other decision items to operate off of the Family Assistance grant budget base rather than the old AFDC, EA and JOBS programs.

LONG-TERM IMPACT:

This is a technical necessity which creates the budget base for the new Assistance to Families Program.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants
ITEM TITLE: Welfare Reform: Freeze Federal Administrative Funding for Assistance to Families Programs

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
Federal Funds				
Financial Operations				
AFDC Fraud Prevention	\$ (577)	\$ (594)	\$ (612)	\$ (630)
AFDC County Admin..	(20,034)	(20,635)	(21,254)	(21,892)
AFDC Operations Support	(79)	(82)	(84)	(87)
AFDC Indirect	(1,820)	(1,875)	(1,931)	(1,989)
Assist. To Families Operations Support	75	75	75	75
Assistance to Families County Management				
Federal Administrative Aid	21,512	21,512	21,512	21,512
Work Grants				
JOBS/DES	(302)	(302)	(302)	(302)
JOBS county Admin.	(180)	(180)	(180)	(180)
JOBS Indirect	(90)	(93)	(96)	(98)
DES Services	302	302	302	302
AFDC Grants				
County EA-Admin.	(2,103)	(2,166)	(2,231)	(2,298)
Local Collaborative EA	(1,644)	(2,040)	(2,400)	(2,544)
Economic Support Operations				
MAXIS Admin.	(4,263)	(4,391)	(4,522)	(4,658)
MAXIS Indirect	(248)	(256)	(263)	(271)
EBT	(705)	(727)	(748)	(771)
Assist. to Families MAXIS	4,018	4,018	4,018	4,018

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Assist to Families MAXIS-Indirect	234	234	234	234
Assist to Families EBT	665	665	665	665
Assist to Families FPI	443	443	443	443
Assistance to Families State Management				
Assist to Families Indirect	1,800	1,800	1,800	1,800

SUMMARY

Admin. funding eliminated

State	(7,507)	(7,725)	(7,946)	(8,176)
County	<u>(24,538)</u>	<u>(25,616)</u>	<u>(26,677)</u>	<u>(27,544)</u>
TOTALS	(32,045)	33,341	(34,623)	(35,720)

Total Assistance to Families Funding allocated

State	7,095	7,095	7,095	7,095
County	<u>21,955</u>	<u>21,955</u>	<u>21,955</u>	<u>21,955</u>
TOTALS	\$ 29,050	\$ 29,050	\$ 29,050	\$ 29,050

Revenues: (\$000s):

General Fund

AFDC/EA/JOBS	\$(2,158)	\$(2,223)	\$(2,289)	\$(2,358)
Assistance to Families	<u>2,035</u>	<u>2,035</u>	<u>2,035</u>	<u>2,035</u>
TOTAL	\$ (123)	\$ (188)	\$ (254)	\$ (323)

Requires Statutory Change? Yes ☒ No ☐

If yes, statute affected:

M.S. 256.879, M.S 256.8711

GOVERNOR'S RECOMMENDATION:

The Governor recommends freezing federal funding for state, and county administrative costs at the F.Y. 1996 levels. This freeze in funding would represent an allocation of \$29,050,000 in F.Y. 1998 and \$29,050,000 in F.Y. 1999 in federal money from the federal Temporary Assistance to Needy Families (TANF) block grant. This funding replaces the corresponding federal administrative funding streams in Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and the Federal JOBS program.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants

ITEM TITLE: Welfare Reform: Freeze Administrative Funding for Assistance
to Families Programs

(Continuation)

RATIONALE:

The federal AFDC program will end upon the implementation of Minnesota's TANF plan. Title I of the Personal Responsibility and Work Opportunity Act of 1996 established the Temporary Assistance to Needy Families block grant as a replacement for AFDC and jobs (Titles IV-A and F of the Social Security Act). Also repealed is the AFDC child care entitlement. The act shifts funding of all child care services and administration through the Child Care and Development Block grant. These funds are now administered by the Minnesota Department of Children, Families and Learning.

This proposal discontinues the old funding streams for program administration and makes several restructuring changes in establishing funding through the new Assistance to Families Program funded by TANF.

- Open ended administrative funding streams supporting AFDC and EA would be eliminated and replaced with capped administrative funds for both the state and counties. Total state and federal funding would be capped at the F.Y. 1996 level and would be allocated between the state and counties and among counties proportionate to that F.Y. 1996 level. Several minor funding streams would be consolidated.
- Emergency Assistance funding which provided partial (8% federal earnings) of 4 child welfare collaborative pilots would end and the F.Y. 1996 fund base would be split among all counties proportionately.

PROGRAM OUTCOMES:

This proposal would freeze administrative funding at F.Y. 1996 levels and make more funds available to Assistance to Families Grants. It will simplify financial administration as well as consolidate federal administrative funding streams.

LONG-TERM IMPACT:

The administrative funding strategy in this proposal is to freeze funding levels as a way to make more funds available to Assistance to Families Grants and related services. Eventually, inflation will erode the value of the frozen administrative funding base. Simplification of program administration can reduce but not eliminate the pressure for potential future increases in this area.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants

ITEM TITLE: Welfare Reform: Establish the Minnesota Family Investment Program Statewide

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Funds				
MA Basic Health Care Grants				
Families and Children	\$5,184	\$11,806	\$12,463	\$12,734
MFIP Grants (Field Trial)				
Sunset 6/98		(10,146)		
Transfer AFDC and GA redirect		(7,837)		
Assistance to Families Grants				
MFIP-S Cash Grants	(9,828)	(2,066)	(12,721)	(12,866)
EA County Grant	1,189	1,241	1,241	1,241
EA Grant (transfer above)	(654)	(1,403)	(1,529)	(1,655)
Reduce General Fund Base	(29,200)	(\$26,450)	(23,915)	(26,565)
Transfer from Field Trial		7,840		
Extend 30 and 1/3	2,600			
General Assistance Grants	2,700	-0-	-0-	-0-
Refugee Services	300	-0-	-0-	-0-
Economic Support Policy	1,359	318	296	296
Economic Support Operations	750	250	250	250
Federal Funds				
Assistance to Families Grants				
MFIP Cash Grants	17,605	33,347	32,714	31,919
IV-D Collections Efforts	3,030	3,068	3,060	3,066
Field Trial 6/98	-0-	7,998	-0-	-0-
Eliminate pass-through	(6,778)	(6,887)	(6,881)	(6,873)
Two tier grant	(245)	(334)	(443)	(473)
New hire reporting	(305)	(754)	(770)	(770)
\$100 Subsidized (20% households)	(7,073)	(14,929)	(15,238)	(15,273)
\$100 Subsidized (35% households				
Increment)	(4,180)	(8,822)	(9,009)	(9,025)
EA county grant (transfer from				
Assistance to Families Grants)	(1,189)	(1,241)	(1,241)	(1,241)
EA County Grant	1,189	1,241	1,241	1,241
Replace General Fund gash grants	9,828	2,066	12,721	12,866
Replace base reduction	29,200	26,450	23,915	26,565
State Financing Cash flow	<u>(1,012)</u>	<u>102</u>	<u>462</u>	<u>457</u>
Net MFIP	40,070	41,305	40,536	42,459
Work Grants	1,852	4,187	4,137	4,210
MFIP Grants (Sunset Field Trial)	-0-	(7,998)	-0-	-0-
TOTAL COST	\$41,922	\$37,494	\$44,673	\$46,669
Revenues: (\$000s)				
State Total	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 256, M.S. 256D

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the state budget base of \$25,600,000 in F.Y. 1998 and \$26,450,000 in F.Y. 1999. The Governor recommends allocating \$41,922,000 in F.Y. 1998 and \$37,494,000 in F.Y. 1999 in federal funds for the statewide implementation of the Minnesota Family Investment Program (MFIP).

This proposal:

- Complies with the federal requirement to replace the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) block grant.
- Implements MFIP statewide, promoting work and providing families with supports that enable them to work.
- Incorporates the Family General Assistance Program into the statewide MFIP program.
- Expands the use of Child Support Registry data, to provide information as to whether or not a public assistance recipient is working.
- Provides MA to all MFIP-S recipients. Unless HCFA approves the requested waiver, the state will bear the full cost for any MFIP-S recipient who would not otherwise meet a category of eligibility for MA (parents in intact families who do not meet an incapacitated or liberalized unemployed basis).
- Provides transitional Medicaid (extended MA) to any family who loses eligibility for MFIP-S due to increased earnings, hours of employment, loss of earnings disregards, or increased child support. Families losing eligibility due to earnings, hours or loss of disregards will be eligible for up to 12 months of extended MA. During the second 6 months the family's gross earnings less actual child care must be at or under 185% FPG. Families losing eligibility due to increased child support will be eligible for up to 4 months of extended MA.
- Extends the AFDC 30 1/3 income disregard to all recipients with earned income until the MFIP income disregards are implemented.
- Requires that applicants meet a 30 day residency requirement to receive assistance.
- Requires that families who move to Minnesota meet certain requirements or the family will receive the lesser of Minnesota's payment standard or the payment standard from the previous state of residence for a year.
- Budgets a portion of subsidized housing benefits in the calculation of the MFIP household grant.
- Limits family assistance cases to a lifetime total of 60 months.
- Establishes grant amounts based only upon family size.
- Eliminates the \$50 pass-through for child support collected for recipients.
- Provides counties with a one-time grant to help mitigate the effects of the loss of SSI and food stamp eligibility by lawfully present non-citizens
- Provides one-time funding to support statewide implementation.
- Provides for citizenship training for non-citizens.

RATIONALE:

On August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 became law. This bill ends the AFDC program and replaces it with the Temporary Assistance for Needy Families (TANF) program, funded by a block grant. This legislation also makes changes to the Food Stamp program, Supplemental Security Income (SSI) benefits to some immigrants, and

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants

ITEM TITLE: Welfare Reform: Establish the Minnesota Family Investment Plan Statewide
(Continuation)

the Child Support Enforcement program. These changes require that the state redesign its family cash assistance program to comply with federal requirements and to use the opportunity federal reform provides to change the state's welfare system.

Minnesota is currently conducting field trials of the MFIP program. Early evaluation data shows encouraging results in reaching the goal of increasing work and lifting children and their families out of poverty through work. In response to the federal legislation, Minnesota proposes to expand MFIP, with modifications, statewide.

PROGRAM OUTCOMES:

Statewide MFIP is a comprehensive reform of welfare for families that replaces AFDC, Food Stamps, Family General Assistance and Project STRIDE. The goal of this initiative is to move families into work, reduce dependence on welfare and reduce child poverty. Under proposed reforms:

- Recipients will work or prepare for work
- A 60 month lifetime limit on assistance will be implemented
- Overlap between public assistance programs will be eliminated
- Simplification will occur, whenever possible, consistent with program principles to reduce administrative costs for the state and counties

LONG-TERM IMPACT:

Dependency upon income assistance will decrease.

- Work will be expected
- Many families will move out of poverty
- There will be a social contract with families in which both the government and client have responsibilities
- There will be a focus on employment, ongoing training and educational opportunities

1998-99 Biennial Budget

BUDGET ACTIVITY: Assistance to Families Grants
PROGRAM: Economic Support Grants
AGENCY: Human Services, Department of

BUDGET SCOPE:

This is a new budget activity with no F.Y. 1998 base.

ACTIVITY DESCRIPTION:

Background

In August 1996 the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 became law. This bill ended the Aid to Families with Dependent Children (AFDC) program which had been in effect since 1935.

In place of AFDC, the federal government, through PRWORA, will provide states with federal funds under a block grant. This block grant, which includes both benefit and administrative funds, is called Temporary Assistance for Needy Families (TANF). This budget proposes that TANF money and money the state had committed in its forecast to the old AFDC program as matching funds would be used to fund Minnesota's transitional program called Assistance to Families Grants and, subsequently, a statewide Minnesota Family Investment Program (MFIP). Assistance to Families Grants would provide a bridge between the time that AFDC must end in July 1997 and the time that MFIP would be implemented statewide in January 1998. The current AFDC program would be in place until July 1997.

Under TANF, there are new federal and state roles. Federal review of the state's plan would be for completeness rather than control; compliance and regulation making authority is limited to specific provisions in the PRWORA law. Minnesota can make eligibility and administrative procedures and have direct control over a number of key elements including:

- benefit levels
- standard of need
- eligibility areas previously in waivers such as earnings disregards, asset limits and exemptions, vehicle limits and exemptions, and sanctions

Assistance to Families Grants

Assistance to Families Grants would be a new welfare approach in Minnesota guided by a stronger focus on work. A 60-month time limit on lifetime receipt of assistance funded with dollars would begin under Assistance to Families Grants as would residency requirements. The 60-month limit is a national standard but is not retroactive. TANF allows for 20% of the caseload to be exempt from this limit if hardships, as defined by the state, are met. These elements would then be extended into the larger frame of MFIP statewide.

Additionally, Assistance to Families Grants and then MFIP would form the basis to meet new federal work participation rates that must be achieved in order to continue receiving full TANF funding. Most families will be required to work immediately. For example, the hours of work are specified at the individual participant level in TANF; work participants who can be in vocational educational training or teens in high school is capped at 20%; and individuals exempt from the 60-month limit are not exempt from work requirements. Under TANF, work requirements start with 25% of the single parent caseload working 20 hours per week in F.F.Y. 1997. It increases to 50% working 30 hours per week by 2002. Using current numbers, that translates to approximately 38,000 families.

Under TANF, access to federal funding to begin an effort like Assistance to Families Grants begins with the submission of a state plan deemed complete. The deadline for this state plan is July 1, 1997, but submission may be earlier. Under TANF rules, Minnesota must maintain 80% of its historic level of state spending for families with children. This is reduced to 75% if federally mandated work rates are achieved. The base year for determining how much federal money the state gets in the block grant and its level of mandated continued commitment is federal fiscal year 1994.

BUDGET ISSUES:

This activity provides a transitional account into which the state will receive the portion of the TANF block grant dedicated to grants to individuals.

TANF funding is frozen each year for the next 5 years regardless of changes in caseload. The block grant amount is \$268 million per year for the next 5 years.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: ASSISTANCE TO FAMILIES GRANTS

			FY 1998			FY 1999		
ACTIVITY SUMMARY			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
	FY 1996	Est. FY 1997						
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS				284,526	284,526		313,255	313,255
LOCAL ASSISTANCE				2,378	2,378		2,482	2,482
=====								
TOTAL EXPENDITURES				286,904	286,904		315,737	315,737
=====								
AGENCY PLAN ITEMS:		FUND						

RESTRUCTURE FUNDING		GEN		125,975			131,647	
MFIP STATEWIDE - CASH GRANTS		GEN		<10,482>			<3,469>	
SPONSER DEEMING		GEN		<123>			<283>	
MFIP STATEWIDE - EA COUNTY GRANT		GEN		1,189			1,241	
MFIP STATEWIDE		GEN		<29,200>			<26,450>	
MFIP STATEWIDE		GEN		2,600				
MFIP STATEWIDE		GEN					7,840	
RESTRUCTURE FUNDING		FED		156,875			163,906	
MFIP STATEWIDE		FED		9,681			13,614	
MFIP STATEWIDE		FED		29,200			26,450	
MFIP STATEWIDE - EA COUNTY GRANTS		FED		1,189			1,241	
=====				=====		=====		
TOTAL AGENCY PLAN ITEMS				286,904			315,737	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL				89,959	89,959		110,526	110,526
STATUTORY APPROPRIATIONS:								
FEDERAL				196,945	196,945		205,211	205,211
=====								
TOTAL EXPENDITURES				286,904	286,904		315,737	315,737
=====								
REVENUE COLLECTED:								

DEDICATED:								
FEDERAL				292,189	292,189		263,067	263,067

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: ASSISTANCE TO FAMILIES GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED				292,189	292,189		263,067	263,067
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Assistance to Families County Management
PROGRAM: Economic Support Grants
AGENCY: Human Services, Department of

BUDGET SCOPE:

This is a new budget activity with no F.Y. 1998 base.

ACTIVITY DESCRIPTION:

Background

In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) became law. This bill ended the Aid to Families with Dependent Children (AFDC) program which had been in effect since 1935.

In place of AFDC, the federal government, through PRWORA, will provide states with federal funds under a block grant. This block grant, which includes both benefit and administrative funds, is called Temporary Assistance for Needy Families (TANF). This budget proposes that TANF money and money the state had committed in its forecast to the old AFDC program as matching funds would be used to fund Minnesota's transitional program called Assistance to Families Grants and subsequently a statewide Minnesota Family Investment Program (MFIP). The current AFDC program would be in place until July 1997. Assistance to Families Grants would provide a bridge between the time that AFDC must end in July 1997 and the time that MFIP would be implemented statewide in January 1998.

Changing roles of federal, state, and county governments

In addition to changing the fundamental nature of welfare, TANF changes the role between the federal government and the state, the state and county, and the county and local clients.

TANF requires major changes in expectations for welfare recipients and for what human services does relative to making welfare work. Under reform, much more will be expected from counties in terms of tailoring specific interventions: child care, training, community informal supports, and cash assistance, to individual families. In addition, determining work barriers and making welfare offices more like work offices will be important goals. Counties will have to determine work program options, including determining the best employment and training models to meet local needs. Counties will have to work even more closely with employment and training providers and the local business and non-profit communities to move people to jobs and connect them with non-welfare supports.

Account Activity

Administrative funding in AFDC, separate from other types of assistance funding, will now be rolled into the total block grant. Under budget recommendations, state and county administrative funding would be partitioned and this activity would be the new management activity for the county portion.

In addition to the functions mentioned above, funding from this new budget activity would support:

- verifying eligibility
- assessing employment barriers and determining how best to assist families who need help
- managing performance outcomes for clients and for employment and training strategies.

BUDGET ISSUES:

Overall, TANF requires that no more than 15% of the state's TANF block grant and the state's maintenance of effort be spent for administrative purposes. Some systems changes can be outside of this cap.

The Governor recommends freezing for state and county administrative spending as described in other welfare reform decision pages to prioritize funding toward Assistance to Families Grants.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: WORK GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	66	213	216	216	216	220	220	220
OPERATING EXPENSES	88	434	550	550	550	550	550	550
SUBTOTAL STATE OPERATIONS	154	647	766	766	766	770	770	770
PAYMENTS TO INDIVIDUALS	49							
LOCAL ASSISTANCE	28,873	29,351	31,695	33,277	33,277	32,357	36,271	36,271
TOTAL EXPENDITURES	29,076	29,998	32,461	34,043	34,043	33,127	37,041	37,041
AGENCY PLAN ITEMS:		FUND						
ADMINISTRATIVE FREEZE		FED		<270>			<273>	
MFIP STATEWIDE		FED		1,852			4,187	
TOTAL AGENCY PLAN ITEMS				1,582			3,914	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	14,977	14,662	13,786	13,786	13,786	13,792	13,792	13,792
STATUTORY APPROPRIATIONS:								
FEDERAL	14,094	15,318	18,670	20,252	20,252	19,330	23,244	23,244
GIFT	5	18	5	5	5	5	5	5
TOTAL EXPENDITURES	29,076	29,998	32,461	34,043	34,043	33,127	37,041	37,041
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	2,866	3,248	6,600	6,600	6,600	7,260	7,260	7,260
GIFT	9	9	5	5	5	5	5	5
TOTAL REVENUES COLLECTED	2,875	3,257	6,605	6,605	6,605	7,265	7,265	7,265

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: WORK GRANTS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL FTE	1.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: MN FAMILY INVESTMENT PLAN-MFIP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	37,289	45,136	173,890	180,724	180,724	223,819	203,050	203,050
LOCAL ASSISTANCE	7,281	13,426	8,553	4,347	4,347	11,547		
TOTAL EXPENDITURES	44,570	58,562	182,443	185,071	185,071	235,366	203,050	203,050
AGENCY PLAN ITEMS:								
		FUND						
FORECAST ADJUSTMENT - CHILD CARE		GEN		2,116			210	
FORECAST ADJUSTMENT - CASH GRANTS		GEN		3,745			<1,976>	
MFIP STATEWIDE		GEN					<17,983>	
MFIP CHILD CARE TRANSFER		GEN		<6,322>			<4,416>	
FORECAST ADJUSTMENT - CASH GRANTS		FED		3,089			<153>	
MFIP STATEWIDE		FED					<7,998>	
TOTAL AGENCY PLAN ITEMS				2,628			<32,316>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	21,347	29,775	24,165	23,704	23,704	24,165		
STATUTORY APPROPRIATIONS:								
GENERAL	3,479	2,670						
FEDERAL	19,744	26,117	158,278	161,367	161,367	211,201	203,050	203,050
TOTAL EXPENDITURES	44,570	58,562	182,443	185,071	185,071	235,366	203,050	203,050
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	26,225	29,181	159,267	144,450	144,450	215,819	200,999	200,999
TOTAL REVENUES COLLECTED	26,225	29,181	159,267	144,450	144,450	215,819	200,999	200,999

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants
ACTIVITY: Minnesota Family Investment Program

ITEM TITLE: Minnesota Family Investment Program Field Trials Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MFIP Cash Grants	\$3,745	\$(1,976)	\$(15,612)	\$(15,612)
MFIP Child Care Grant	2,116	210	(4,206)	(4,206)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$3,745,000 in F.Y. 1998 and a decrease in the budget base of \$1,976,000 in F.Y. 1999 to fully fund the Minnesota Family Investment Program (MFIP) Field Trials grant program, based on the department's forecast of expenditures under current law. The Governor also recommends an increase in the budget base of \$2,116,000 in F.Y. 1998 and \$210,000 in F.Y. 1999 to fully fund the MFIP child care grant program, based on the department's forecast of expenditures under current law.

RATIONALE:

The increase in F.Y. 1998 for cash grants is due to an increased MFIP caseload (as compared to the estimate on which the F.Y. 1997 appropriation was based) which results from higher numbers of people working and lower-than-anticipated attrition rates in the program. MFIP field trials under current law would end March 1999. This sunset date leaves MFIP in existence for only three-quarters of F.Y. 1999 and accounts for the projected decrease in cash grants below the budget base for this fiscal year.

The forecast increase in F.Y. 1998 for child care grants is due to the lower-than-anticipated MFIP attrition which results in higher-than-anticipated child care expenditures in the program. The reduced forecast in MFIP child care grants during F.Y. 1999 is due to the sunset of the MFIP experimental program.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: AID TO FAMS W/DEPENDENT CHILD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	278,637	256,823	281,848			288,697		
LOCAL ASSISTANCE	26,780	25,937	29,736	24,492	7,695	29,736	25,676	
TOTAL EXPENDITURES	305,417	282,760	311,584	24,492	7,695	318,433	25,676	
AGENCY PLAN ITEMS:		FUND						
FORECAST ADJUSTMENT		GEN		<11,052>			<5,480>	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		<2,173>			<1,067>	
RESTRUCTURE FUNDING		GEN		<120,788>			<126,282>	
FORECAST ADJUSTMENT		FED		<26,195>			<28,630>	
RESTRUCTURE FUNDING		FED		<123,137>			<127,092>	
ADMINISTRATIVE FREEZE		FED		<3,747>			<4,206>	
TOTAL AGENCY PLAN ITEMS				<287,092>			<292,757>	
GOV'S INITIATIVES:		FUND						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			7,076			<697>
(B) ELIMINATE COUNTY SHARE		GEN			<23,873>			<24,979>
TOTAL GOV'S INITIATIVES					<16,797>			<25,676>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	126,315	119,513	132,459	619	7,695	132,459	697	
STATUTORY APPROPRIATIONS:								
GENERAL	27,687	23,086	26,046	23,873		26,046	24,979	
FEDERAL	151,415	140,161	153,079			159,928		
TOTAL EXPENDITURES	305,417	282,760	311,584	24,492	7,695	318,433	25,676	

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: AID TO FAMS W/DEPENDENT CHILD

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	105,940	96,392	97,405	97,194	55,876	97,405	98,944	55,876
FEDERAL	167,436	161,587	175,915	10,859	10,859	179,058	7,367	7,367
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	273,376	257,979	273,320	108,053	66,735	276,463	106,311	63,243
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants
ACTIVITY: Aid to Families with Dependent Children

ITEM TITLE: Aid to Families with Dependent Children (AFDC) Forecast

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
AFDC Grants	\$(11,052)	\$-549-	\$2,939	\$4,033
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$11,052,000 in F.Y. 1998 and \$5,480,000 in F.Y. 1999 for Aid to Families with Dependent Children (AFDC) grants, based on the Department's forecast of expenditures under current law.

RATIONALE:

In F.Y. 1996, AFDC caseload fell to its lowest level since F.Y. 1990, with both the single parent and Unemployed Parent segments contributing to the decline. Both segments of the program have further declined in F.Y. 1997 and are projected to continue declining into F.Y. 1998. After F.Y. 1998, only a slight increase of about 2% is forecasted for the single parent caseload in F.Y. 1999, with little change in the following years. The Unemployed Parent caseload is projected to level off at the F.Y. 1998 level.

The forecast is based on a continuation of low unemployment and a continued reduction effect of MinnesotaCare on the AFDC caseload. Forecast models also project little increase in the number of out-of-wedlock births and the number of divorces.

The decline in AFDC caseloads conceals the effects of federal changes which produce increases of \$7.1 million in F.Y. 1998, \$7.3 million in F.Y. 1999, \$7.4 million in F.Y. 2000, and \$7.5 million in F.Y. 2001. These AFDC forecast increases are the result of three federal changes. The first federal change is a requirement that states begin to remit the federal share of the first fifty-dollars of child support collected on public assistance cases. The federal share of the \$50 child support pass-through accounts for about \$3.9 million each fiscal year. The second federal change is the denial of federal financial participation (FFP) for legal non-citizens in the AFDC program. This loss of FFP for non-citizens accounts for \$0.5 million in F.Y. 1998, \$0.6 million in F.Y. 1999,

\$0.7 million in F.Y. 2000, and \$0.8 million in F.Y. 2001. The third federal change is an eligibility change to the federal Supplemental Security Income (SSI) program which results in a shift of children and non-citizens from SSI to AFDC. This shift from SSI to AFDC accounts for \$2.7 million in F.Y. 1998, \$2.8 million in F.Y. 1999, \$2.8 million in F.Y. 2000, and \$2.8 million in F.Y. 2001.

A reduction in the overall federal financial participation (FFP) rate for the AFDC program accounts for an additional increase of about \$4 million each fiscal year.

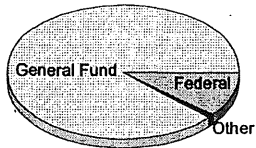
The increase in the AFDC forecast between the F.Y. 1998-1999 biennium and the F.Y. 2000-2001 biennium is due in large part to the sunset of the MFIP experimental program. Once it sunsets in F.Y. 1999, the MFIP experimental program is incorporated into the AFDC program. This shift from MFIP to AFDC accounts for about \$10 million of increase from F.Y. 1999 to F.Y. 2000.

1998-99 Biennial Budget

BUDGET ACTIVITY: Child Support Enforcement Grants
PROGRAM: Economic Support Grants
AGENCY: Human Services, Department of

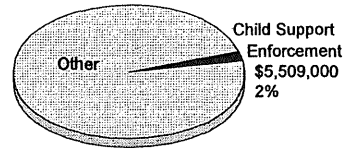
BUDGET SCOPE:

Child Support Enforcement
Total Activity Funding - 1998 Base Level
(Direct and Statutory Appropriations)



Total Budget \$69,557,000

Economic Support Grants
State General Fund - 1998 Base Level
(Direct Appropriation)



Total \$250,255,000

ACTIVITY DESCRIPTION:

Like other activities in the Economic Support Grants area, child support is an important component in helping many families become self-sufficient and stay off welfare. Failure to get child support can mean the difference between a family getting by or needing welfare. Like affordable child care and health care, enforcing child support obligations is one of Minnesota's strategies in providing support for families outside the welfare system. The grants in this area support the 87 Minnesota counties in administering child support collection services.

Child support enforcement services are provided to all Minnesota families upon request. Families already receiving Aid to Families with Dependent Children (AFDC) automatically receive services and are required to cooperate with Child Support Enforcement to stay eligible for assistance. The types of services include: establishing paternity; establishing, collecting, and enforcing support; and assuming that families on Medical Assistance are transferred to private insurance when that is available in support arrangements.

Minnesota has been creative and tough in developing tools to collect support. Minnesota already has:

- Employer-based income withholding for parents with a support order.
- Occupational and professional license revocation for failure to pay support.
- Driver's license revocation for failure to pay support.
- Administrative processes to allow parents who agree about support orders to ratify those orders and make subsequent changes non-adversarial and avoid a more expensive legal process.
- A process to intercept tax refunds and lottery winnings of non-paying parents and redirect money owed to their children.

As a result of these efforts, Minnesota is distinguished by several facts:

- From F.Y. 1991-96, the amount of child support collected in Minnesota has increased 100%--from \$161 million to \$323 million.
- Minnesota ranks first among the states--and collects more than twice the national average--in the amount of child support collected for each child support case.
- The number of paternities established for children receiving child support services increased 72% from 5,521 children in 1991 to 9,519 in 1996.
- \$55 million in AFDC was saved in state F.Y. 1996 because support was collected; and
- 8,700 families on AFDC left assistance because child support enforcement was available.

BUDGET ISSUES:

Within the federal welfare reform bill, national lawmakers have required states to adopt many of the measures Minnesota already has. The 1997 child support initiatives proposed in this budget implement other items in federal law and build on past successes. Federal law now requires these tools Minnesota already has:

- Employer reporting of new hires to match data with child support obligations.
- Suspending driver's and occupational licenses of delinquent parents.
- Acceptance of the Uniform Interstate Family Support Act.
- A centralized child support payment center.

Other proposals required by federal law and requested by the Governor are explained on subsequent decision pages.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: CHILD SUPPORT ENFORCEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	8	405	9	9	9			
SUBTOTAL STATE OPERATIONS	8	405	9	9	9			
PAYMENTS TO INDIVIDUALS	58,463	55,876	55,876	56,126	56,126	55,876	55,926	55,926
LOCAL ASSISTANCE	12,166	15,645	13,672	13,672	13,672	13,575	13,575	13,575
TOTAL EXPENDITURES	70,637	71,926	69,557	69,807	69,807	69,451	69,501	69,501
AGENCY PLAN ITEMS:		FUND						
CHILD SUPPORT FEDERAL MANDATES		GEN		250			50	
TOTAL AGENCY PLAN ITEMS				250			50	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,681	5,584	5,509	5,759	5,759	5,509	5,559	5,559
STATUTORY APPROPRIATIONS:								
GENERAL	58,463	55,876	55,876	55,876	55,876	55,876	55,876	55,876
SPECIAL REVENUE	19	2,400	106	106	106			
FEDERAL	8,474	8,066	8,066	8,066	8,066	8,066	8,066	8,066
TOTAL EXPENDITURES	70,637	71,926	69,557	69,807	69,807	69,451	69,501	69,501
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	79	120	120	120	120	120	120	120
TOTAL REVENUES COLLECTED	79	120	120	120	120	120	120	120

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants
ACTIVITY: Child Support Enforcement Grants

ITEM TITLE: Child Support Federal Mandates

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
Economic Sup Oper	\$950	\$650	\$650	\$650
Economic Supp Policy				
Admin.	800	400	400	400
Child Support				
Enforcement	<u>250</u>	<u>50</u>	<u>50</u>	<u>50</u>
TOTAL	\$2,000	\$1,100	\$1,100	\$1,100
Revenues: (\$000s)				
General Fund	\$545	\$297	\$297	\$297

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 256, 257, 518, 548

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$2,000,000 in F.Y. 1998 and \$1,100,000 in F.Y. 1999 to fund the implementation of the child support provisions of the federal Personal Responsibility and Work Opportunity Act (PRWORA).

RATIONALE:

While the federal welfare reform bill, PRWORA, gives states some discretion in operating their own welfare programs, the same reform law compels states to make specific changes in their child support enforcement efforts. A number of provisions demand immediate action by states. Minnesota has already enacted many of these provisions including the suspension of driver's licenses for non-payment of support, employer reporting of all new hires, a centralized payment, receipting and distribution center, and the adoption of the uniform model for interstate support enforcement.

Requirements of the federal bill provide more enforcement tools, make maximum use of automation and remove interstate and intrastate enforcement barriers.

Federal mandates include:

- Allowing child support officers to sign orders for genetic testing, administrative subpoenas, seizure of assets and redirection of child support and income withholding.

- Expanding driver's license and occupational license suspension laws to include recreational licenses.
- Allowing child support liens to arise by operation of law and giving full faith and credit to child support liens arising by operation of law from other states.
- Establishing paternity more efficiently with simplified procedures for submitting birth expenses, accepting genetic test results, determining paternity conclusively and increasing outreach efforts.
- Including labor union information in the employer reporting system and allowing new hire data to be shared with welfare agencies, the Department of Economic Security and Workers' Compensation.
- Providing child support agencies wider access to public and private records.
- Improving the ability of child support collections to exchange data with financial institutions to identify and seize the assets of obligers in arrears.
- Expanding locate sources to add Social Security numbers on many licenses and access to federal law enforcement networks.
- Obtaining medical support more easily for children when their parents have insurance through self-insured companies.

In addition to meeting the federal mandates, the following Governor's requests are made to improve enforcement:

- Parents who, without just cause, fail to cooperate in establishing paternity for their children will be subject to stricter sanctions. Child support workers rather than financial workers, will decide if a parent is cooperating and work with financial workers in determine if a parent has a good reason for not cooperating.
- Adjusting administrative process provisions to make the process more efficient, including allowing parents who need hearings to obtain them more quickly by by-passing settlement conferences and setting an income default standard for parents who fail to provide financial information.
- Additional funds are requested to respond to caseload growth.
- Funds are also requested to study the overall Minnesota Child support collections system in order to meet the new performance requirements of the federal law.

PROGRAM OUTCOMES:

This proposal will make collections more efficient through implementation of federal mandates and Governor's recommendations. Child support collections will have additional tools to do the job.

LONG-TERM IMPACT:

Federal mandates and Governor's additional recommendations underscore the need for children to be supported by their parents. With these recommendations, child support will continue to be a strong additional support to welfare reform and family self-sufficiency.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: GENERAL ASSISTANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	237							
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	237							
PAYMENTS TO INDIVIDUALS	45,364	45,120	47,000	52,570	52,570	47,000	50,214	50,214
LOCAL ASSISTANCE	13,303	11,704	12,605	13,603	3,761	12,605	14,568	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	58,904	56,824	59,605	66,173	56,331	59,605	64,782	50,214
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
FORECAST ADJUSTMENT		GEN		7,349			8,786	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		1,780			1,937	
RESTRUCTURE FUNDING		GEN		<5,187>			<5,365>	
TEMPORARY ASSISTANCE NON-CITIZENS		GEN		2,700				
SPONSER DEEMING		GEN		<74>			<181>	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				6,568			5,177	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			3,941			<628>
(B) ELIMINATE COUNTY SHARE		GEN			<13,783>			<13,940>
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					<9,842>			<14,568>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	46,218	45,544	47,602	52,390	56,331	47,602	50,842	50,214
STATUTORY APPROPRIATIONS:								
GENERAL	12,686	11,280	12,003	13,783		12,003	13,940	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	58,904	56,824	59,605	66,173	56,331	59,605	64,782	50,214

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants
ACTIVITY: General Assistance

ITEM TITLE: General Assistance Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
GA Grants	\$7,349	\$8,786	\$11,115	\$11,696
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the budget base of \$7,349,000 in F.Y. 1998 and \$8,786,000 in F.Y. 1999 to fully fund the General Assistance (GA) grant program, based on the Department's forecast of expenditures under current law.

RATIONALE:

The increased forecast above the budget base is primarily due to a higher Individual GA caseload driven entirely by eligibility changes in the federal Supplemental Security Income (SSI) program. This shift of recipients from SSI to Individual GA accounts for an approximate \$12 million increase over the base level for F.Y. 1998, and approximately \$13 million each year for F.Y.'s 1999, 2000, and 2001.

If not for the effects of federal SSI eligibility changes, all changes from the base level would be negative. This is the result of the total GA caseload having declined by 13% since the base level was established in F.Y. 1995. The forecast projects F.Y. 1997 and later years' caseloads at about the same low level as experienced in F.Y. 1996. The only segment of the GA program for which continued expenditure growth is forecasted is Battered Women's Shelter payments, which are expected to continue growing at about \$1.5 million per year.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT GRANTS
ACTIVITY: MINNESOTA SUPPLEMENTAL AID

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	22,110	23,200	25,064	24,412	24,412	25,064	27,659	27,659
LOCAL ASSISTANCE	3,182	3,546	3,845	3,819	1,160	3,845	4,286	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	25,292	26,746	28,909	28,231	25,572	28,909	31,945	27,659
AGENCY PLAN ITEMS:		FUND						
-----		-----						
FORECAST ADJUSTMENT		GEN		<860>			2,367	
FORECAST ADJUSTMENT - COUNTY SHARE		GEN		182			669	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				<678>			3,036	
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) ACCELERATE COUNTY IM REIMBURSEMENT		GEN			1,003			<137>
(B) ELIMINATE COUNTY SHARE		GEN			<3,662>			<4,149>
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					<2,659>			<4,286>
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	21,803	23,266	25,429	24,569	25,572	25,429	27,796	27,659
STATUTORY APPROPRIATIONS:								
GENERAL	3,489	3,480	3,480	3,662		3,480	4,149	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	25,292	26,746	28,909	28,231	25,572	28,909	31,945	27,659
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Human Services, Department of
PROGRAM: Economic Support Grants
ACTIVITY: Minnesota Supplemental Aid

ITEM TITLE: Minnesota Supplemental Aid (MSA) Forecast

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
MSA Grants	\$(860)	\$2,367	\$5,216	\$8,147
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease in the budget base of \$860,000 in F.Y. 1998 and an increase of the budget base of \$2,367,000 in F.Y. 1999 for Minnesota Supplemental Aid (MSA), based on the department's forecast of expenditures under current law.

RATIONALE:

The decrease for F.Y. 1998 results from a reduced caseload forecast compared to the forecast used for the base level appropriation, plus a reduction of approximately \$900,000 due the federal changes in the SSI program, which are expected to reduce the number of MSA recipients by about 900.

The increases for F.Y. 1999 and later years results from forecasted increases of approximately 8% per year in the MSA caseload.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ECONOMIC SUPPORT POLICY ADMIN	5,436	9,795	9,746	11,905	11,905	9,516	10,234	10,234
ECONOMIC SUPPORT OPERATIONS	50,648	62,054	67,032	69,454	69,454	65,066	67,045	67,045
ASSIST FAMILY GRANTS - ST. MGM				1,800	1,800		1,800	1,800
TOTAL EXPENDITURES BY ACTIVITY	56,084	71,849	76,778	83,159	83,159	74,582	79,079	79,079
AGENCY PLAN ITEMS:			FUND					
EBT STATEWIDE EXPANSION		GEN		175			650	
CHILD SUPPORT FEDERAL MANDATES		GEN		800			400	
CHILD SUPPORT FEDERAL MANDATES		GEN		950			650	
PROGRAM INTEGRITY		GEN		403			443	
MFIP STATEWIDE		GEN		1,359			318	
MFIP STATEWIDE		GEN		750			250	
ADMINISTRATIVE FREEZE		FED		443			443	
ADMINISTRATIVE FREEZE		FED		1,800			1,800	
ADMINISTRATIVE FREEZE		SR		<299>			<457>	
TOTAL AGENCY PLAN ITEMS				6,381			4,497	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	8,552	13,527	34,524	38,961	38,961	34,556	37,267	37,267
HEALTH CARE ACCESS	179	214	219	219	219	224	224	224
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	45,682	56,001	40,149	39,850	39,850	37,979	37,522	37,522
FEDERAL	1,547	1,657	1,671	3,914	3,914	1,678	3,921	3,921
AGENCY	2							
GIFT	122	450	215	215	215	145	145	145
TOTAL EXPENDITURES	56,084	71,849	76,778	83,159	83,159	74,582	79,079	79,079
FTE BY EMPLOYMENT TYPE:								
REGULAR	317.5	396.0	396.7	413.7	413.7	396.7	413.7	413.7
TEMP/SEAS/PART_TIME	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
OVERTIME	.3							
TOTAL FTE	320.2	398.5	399.2	416.2	416.2	399.2	416.2	416.2

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT MANAGEMENT

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
OVERTIME		.3						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	320.2	339.8	410.6	427.6	427.6	423.2	440.2	440.2

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT MANAGEMENT
ACTIVITY: ECONOMIC SUPPORT POLICY ADMIN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,684	3,405	3,577	3,777	3,777	3,659	3,869	3,869
OPERATING EXPENSES	1,722	5,175	4,968	6,927	6,927	4,651	5,159	5,159
SUBTOTAL STATE OPERATIONS	4,406	8,580	8,545	10,704	10,704	8,310	9,028	9,028
PAYMENTS TO INDIVIDUALS		5	5	5	5	5	5	5
LOCAL ASSISTANCE	1,030	1,210	1,196	1,196	1,196	1,201	1,201	1,201
TOTAL EXPENDITURES	5,436	9,795	9,746	11,905	11,905	9,516	10,234	10,234
AGENCY PLAN ITEMS:		FUND						
CHILD SUPPORT FEDERAL MANDATES		GEN		800			400	
MFIP STATEWIDE		GEN		1,359			318	
TOTAL AGENCY PLAN ITEMS				2,159			718	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,767	7,688	7,860	10,019	10,019	7,693	8,411	8,411
STATUTORY APPROPRIATIONS:								
FEDERAL	1,547	1,657	1,671	1,671	1,671	1,678	1,678	1,678
GIFT	122	450	215	215	215	145	145	145
TOTAL EXPENDITURES	5,436	9,795	9,746	11,905	11,905	9,516	10,234	10,234
REVENUE COLLECTED:								
DEDICATED:								
GENERAL		25	25	25	25	25	25	25
FEDERAL	5,119	5,222	5,133	5,133	5,133	5,140	5,140	5,140
GIFT	83	95	95	95	95	95	95	95
TOTAL REVENUES COLLECTED	5,202	5,342	5,253	5,253	5,253	5,260	5,260	5,260

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT MANAGEMENT
ACTIVITY: ECONOMIC SUPPORT POLICY ADMIN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	54.0	68.5	69.2	74.2	74.2	69.2	74.2	74.2
TEMP/SEAS/PART_TIME	.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL FTE	54.7	69.5	70.2	75.2	75.2	70.2	75.2	75.2

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT MANAGEMENT
ACTIVITY: ECONOMIC SUPPORT OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	12,443	14,327	15,058	15,302	15,302	15,677	15,927	15,927
OPERATING EXPENSES	36,337	44,528	49,960	51,495	51,495	47,373	48,459	48,459
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	48,780	58,855	65,018	66,797	66,797	63,050	64,386	64,386
PAYMENTS TO INDIVIDUALS	90		98	98	98	99	99	99
LOCAL ASSISTANCE	1,778	3,199	1,916	2,559	2,559	1,917	2,560	2,560
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	50,648	62,054	67,032	69,454	69,454	65,066	67,045	67,045
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
EBT STATEWIDE EXPANSION		GEN		175			650	
CHILD SUPPORT FEDERAL MANDATES		GEN		950			650	
PROGRAM INTEGRITY		GEN		403			443	
MFIP STATEWIDE		GEN		750			250	
ADMINISTRATIVE FREEZE		FED		443			443	
ADMINISTRATIVE FREEZE		SR		<299>			<457>	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				2,422			1,979	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	4,785	5,839	26,664	28,942	28,942	26,863	28,856	28,856
HEALTH CARE ACCESS	179	214	219	219	219	224	224	224
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	45,682	56,001	40,149	39,850	39,850	37,979	37,522	37,522
FEDERAL				443	443		443	443
AGENCY	2							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	50,648	62,054	67,032	69,454	69,454	65,066	67,045	67,045

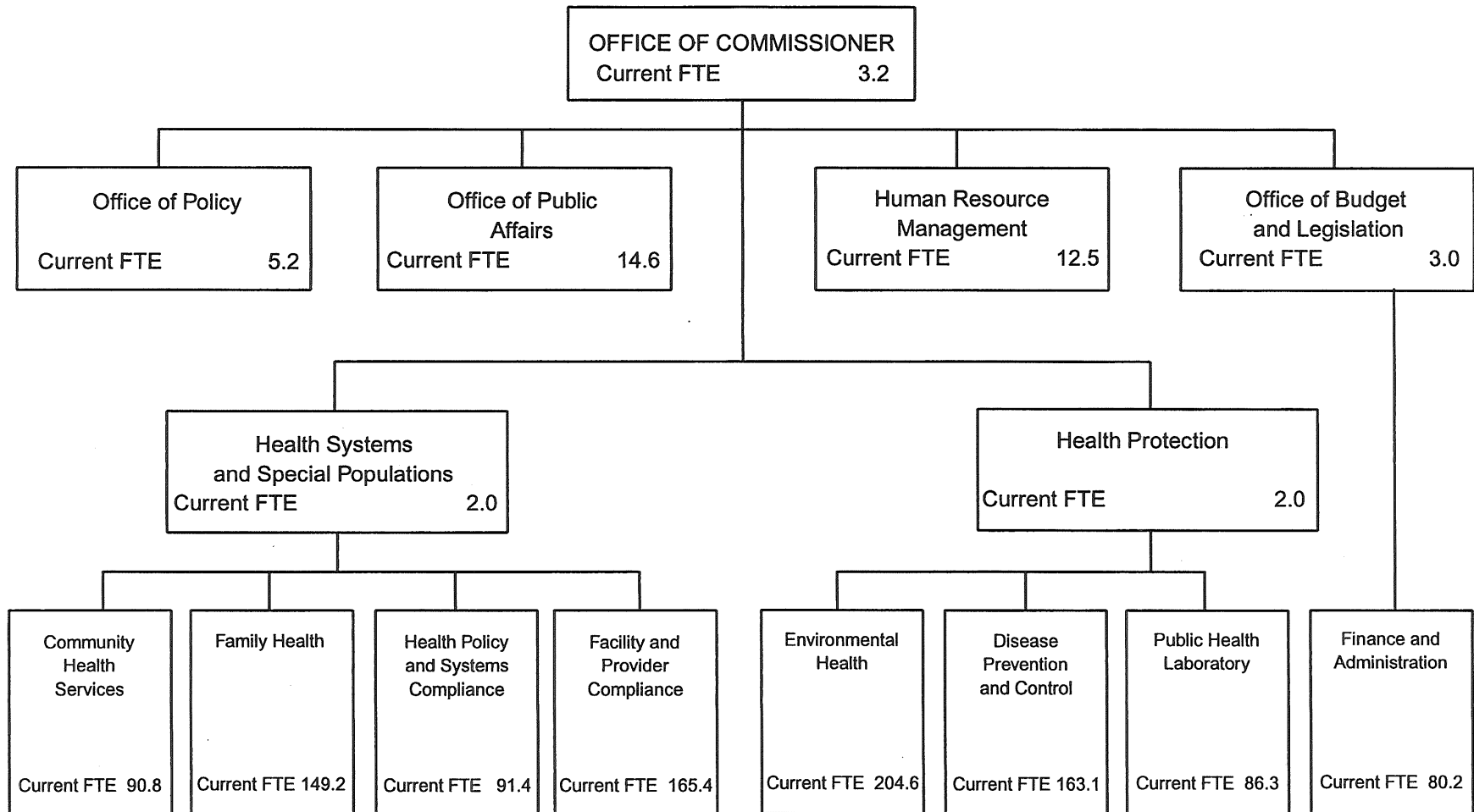
1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES DEPT
PROGRAM: ECONOMIC SUPPORT MANAGEMENT
ACTIVITY: ECONOMIC SUPPORT OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	24,852	34,239	36,561	36,262	36,262	35,413	34,956	34,956
TOTAL REVENUES COLLECTED	24,852	34,239	36,561	36,262	36,262	35,413	34,956	34,956
FTE BY EMPLOYMENT TYPE:								
REGULAR	263.5	327.5	327.5	339.5	339.5	327.5	339.5	339.5
TEMP/SEAS/PART_TIME	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5
OVERTIME	.3							
TOTAL FTE	265.5	329.0	329.0	341.0	341.0	329.0	341.0	341.0

DEPARTMENT OF HEALTH

Organizational Chart 7/1/96



Total FTE Employees: 1,073.6

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Health, Department of (MDH)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$40,521	\$40,521	\$81,042
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(2,290)	(2,290)	(4,580)
Transfers Between Agencies	(585)	(585)	(1,170)
1998-99 Salary Inflation	209	427	636
Lease Increases	<u>351</u>	<u>445</u>	<u>796</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$38,206	\$38,518	\$76,724
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$38,206	\$38,518	\$76,724
<u>GOVERNOR'S INITIATIVES</u>			
Medical Education & Research	10,000	10,000	20,000
Children's Health Initiative	8,165	9,015	17,240
Expand Family Planning	1,100	1,100	2,200
Financing Local Public Health	6,000	6,000	12,000
Establish IRM Infrastructure	250	250	500
Well Records Database Enhancement	120	120	240
Trng. To Interpret Well Water Quality Data	<u>100</u>	<u>100</u>	<u>200</u>
GOVERNOR'S RECOMMENDATIONS	\$63,941	\$65,163	\$129,104

Brief Explanation of Agency Plan:

The agency plan for this fund includes adjustments for one-time appropriations from 1997, the transfer of funds from MDH to the newly created Emergency Medical Services Regulatory Board, funds for a 2.5% per year salary increase, and a reallocation of \$158,000 from District Field Services to the Office of Mental Health Practice (\$65,000) and to prioritize the Public Health Goals (\$93,000).

The plan includes approximately \$26,000,000 per year, or 68% of the total plan, for grants to counties, non-profit organizations, and providers in the health care market. The department will be spending approximately 32% of the funding in the plan for operational costs.

Revenue Summary:

There is no revenue generated by this fund.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends additional funding for the following initiatives:

- For medical education and research activities, \$10,000,000 from the General Fund in F.Y. 1998 and \$10,000,000 in F.Y. 1999.
- For Children's Health, \$8,165,000 in F.Y. 1998 and \$9,015,000 in F.Y. 1999.
- For expanding family planning services grants, \$1,100,000 in F.Y. 1998 and \$1,100,000 in F.Y. 1999.
- For core local public health functions, \$6,000,000 in F.Y. 1998 and \$6,000,000 in F.Y. 1999.
- For the department's information resources management infrastructure, \$250,000 in F.Y. 1998 and \$250,000 in F.Y. 1999.
- For well record database enhancements to protect our water resources, \$120,000 in F.Y. 1998 and \$120,000 in F.Y. 1999.
- For training local public health agencies to interpret well water quality data, \$100,000 in F.Y. 1998 and \$100,000 in F.Y. 1999.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Health, Department of (MDH)

Fund: State Government Special Revenue

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$18,131	\$18,131	\$36,262
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(200)	(200)	(400)
1998-99 Salary Inflation	<u>717</u>	<u>968</u>	<u>1,685</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$18,648	\$18,899	\$37,547
<u>AGENCY DECISION ITEMS</u>			
Enclosed Arenas	77	79	156
X-Ray Inspection	50	50	100
Newborn Metabolic Testing	202	107	309
Food Safety Quality Assurance	110	113	223
Alcohol & Drug Counselor Licensure	265	307	572
Plumbing Program	-0-	18	18
Agency Cost Increases	<u>719</u>	<u>937</u>	<u>1,656</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$20,071	\$20,510	\$40,581
<u>GOVERNOR'S INITIATIVES</u>			
Vital Records Redesign	<u>1,523</u>	<u>1,338</u>	<u>2,861</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$21,594	\$21,848	\$43,442

Brief Explanation of Agency Plan:

The plan includes:

- an increase appropriation from the State Government Special Revenue Fund of \$3,034,000 for F.Y. 1998-99.
- funding for a 2.5% increase each year for non-salary inflationary costs.
- appropriations for an increased assessment of indirect costs to the programs in this fund.
- 2 new programs being added to the fund: Enclosed Arenas (\$156,000) and Alcohol and Drug Counselor Licensure (\$572,000).
- changes to current programs totaling \$1,222,000 for the biennium.
- an internal reallocation of \$499,000 in F.Y. 1998 and \$496,000 in F.Y. 1999 originally intended to support activities associated with the Integrated Service Networks (ISN) licensure. To date, the department has not received any ISN applications, nor is the department aware of any current or future industry interest in pursuing ISN licensure. Therefore, the department reallocated \$158,000 each year for the portion of District Field Services clerical support costs related to fee programs, and reduced the request for increased agency cost by \$341,000 for F.Y. 1998 and \$338,000 for F.Y. 1999. The department will seek authorization from the legislature to repeal ISN rulemaking authority.

Revenue Summary:

The plan includes increased revenue of approximately \$3,800,000 for the biennium. Of this amount, \$156,000 is related to the proposed new enclosed arena inspection program while the balance is related to fee programs that need adjustment to bring revenue in line with expenditures.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends an additional \$1,523,000 from the State Government Special Revenue Fund in F.Y. 1998 and \$1,338,000 in F.Y. 1999 for implementing the vital statistics information systems redesign.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Health, Department of (MDH)

Fund: Health Care Access

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$7,528	\$7,528	\$15,056
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(190)	(190)	(380)
1998-99 Salary Inflation	<u>165</u>	<u>244</u>	<u>409</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$7,503	\$7,582	\$15,085
<u>AGENCY DECISION ITEMS</u>			
Agency Costs	<u>444</u>	<u>467</u>	<u>911</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$7,947	\$8,049	\$15,996
GOVERNOR'S RECOMMENDATIONS	\$7,947	\$8,049	\$15,996

Brief Explanation of Agency Plan:

The plan includes:

- sufficient funds to carry out the same level of activity as in the base year.
- adjustments for one-time appropriations from F.Y. 1997.
- funding for a 2.5% per year salary increase.
- funding for an increased assessment of indirect costs to the programs in this fund.

Revenue Summary:

The agency plan will have no effect on the revenue generated for the fund.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

AGENCY: Health, Department of (MDH)

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Health (MDH) is to protect, maintain, and improve the health of the citizens of Minnesota.

The vision of the Minnesota Department of Health is to be a leader on behalf of the public's health, with the capacity to anticipate and meet the health needs of all Minnesotans in an ever-changing world. In this environment, our priorities will be developed collaboratively, will guide our program activities, and will be achieved through partnerships and shared leadership.

The 1995 report titled *Minnesota Public Health Goals* reflects the public health needs that have been identified by people in communities throughout Minnesota. They include measures such as promoting healthy families through improved services to parents, children and adolescents, including those with special needs; protecting the health of the citizens of Minnesota by identifying and mitigating infectious environmental health risks; and preventing and/or controlling infectious diseases. They are intended to provide a common direction for the many entities that are working to improve the public's health, including public health agencies, medical care providers, Regional Coordinating Boards (RCB's), health plan companies, and voluntary organizations. These goals have stimulated and encouraged voluntary efforts toward the development of healthy communities. The department is working on a planning process, in conjunction with the community, to develop priority goals for 1998.

The MDH is committed to improving the following performance outcomes:

- to prevent and control the transmission of communicable disease in Minnesota;
- to reduce the occurrence and severity of acute and chronic disease;
- to reduce the occurrence of disease and conditions that are environmentally induced, occupationally induced, and influenced by lifestyle choices and cultural norms;
- to ensure access to coverage for Minnesotans who are uninsured as well as ensuring financial, geographic and cultural access to quality health care for all Minnesotans;
- to safeguard and promote the health and safety of persons receiving care from health care providers;
- to assure efficient and effective coordination of health related activities and services among state and local public health agencies;
- to improve decision making and health related planning and research at all levels of government and in the private sector; and
- to reduce the rate of increase in health care expenditures in Minnesota.

The annual Performance Report for 1996 describes agency results and outcomes.

To achieve its mission, vision, and goals, and to improve its performance outcomes, the MDH performs the following public health activities: conducts public health studies and investigations; collects and analyzes health and vital data; identifies and describes health problems; designs,

implements, and supports programs and services for reducing morbidity and mortality; establishes and enforces health standards; provides education and technical assistance; coordinates local, state and federal health programs and services; assesses and evaluates the effectiveness of health service systems and public health program efforts; and advises the governor and the legislature on matters relating to the public's health. In addition, the department is working to help define and facilitate the achievement of new roles for public health in a regional health system.

The tools that MDH uses to accomplish these activities are the three "core functions" of public health:

Assessment consists of regularly and systematically collecting, assembling, and analyzing information priorities on the health of populations, factors affecting people's health, and the health system itself.

Policy Development and Planning involves leading communities in the development of public health priorities and collaborative strategies to improve population health, and assisting in the development of sound, comprehensive policies in matters related to health.

Assurance entails working both independently and with partners to assure that the appropriate activities to protect and improve public health are carried out. This has often involved the direct delivery of services to individuals not served by the private health care providers.

AGENCY ISSUES:

Public health faces many challenges stemming from the fact that we are living and working in an era of uncertainty and constant change. Advances in scientific knowledge and technology aid our work at the same time that they create more work to do. New pathogens continue to be identified, while known pathogens reappear. New populations (e.g. tiny premature babies, new immigrants, accident survivors, very old people) bring new health issues. Demographics show us a population that is both aging and more disabled than in the past. Changing geographic and income distributions have implications for public health. In addition, we face increasing changes in activity at the federal level, coupled with changing public expectations about government services.

The organization of the delivery and financing of medical care and health services has been changing rapidly in this decade. Recently, there has been a great deal of work done in developing a vision of a coordinated health system which builds on the complementary strengths of the public and private sectors to improve the health of the population.

Great strides have been made toward achieving the objectives of containing costs, increasing access to health care services, and continually improving the quality of the health care delivery system. Reductions have been made in the rate of growth in health care spending. In the area of access, about 9% of Minnesotans are uninsured at any given time, yet we have one of the highest rates of insured people in this nation. More importantly, the rate of people who are uninsured in Minnesota has remained stable since 1990, while the rate of people uninsured across the country has continued to rise. In the area of quality, the health care community faces its biggest challenge, and the public health community has the opportunity to continue to make significant contributions into the future by developing quality measures that are more predictive, preventive, and responsive to consumers' needs than today's more reactive measures.

Public-private partnerships in health care have now become a reality and the challenges facing the MDH center around issues of role definition and accountability. We are positioned to take significant steps toward the development of a coordinated health system which builds on the complementary strengths of the public and private sectors to improve the health of the population. Our challenge lies in sorting out who is responsible for what, how to hold each other accountable, and how to measure accountability.

AGENCY: Health, Department of (MDH)
(Continuation)

AGENCY STRATEGIES

Many of the factors noted above which affect MDH's ability to achieve stated outcomes are beyond the scope of the department's influence. Nevertheless, through a strategic planning process, the department has created the following five guiding principles:

1. Setting Priorities and Focusing Resources

As the state's lead public health agency, we provide leadership in setting statewide priorities to improve the health of Minnesotans, and we focus resources to solve those problems that we are uniquely qualified to address.

2. Commitment to Protecting and Promoting the Public's Health

We are committed to protecting the public's health and preventing disease, premature death, and injury, and to promoting health and quality of life through a variety of approaches, including education, incentives, and regulatory activity.

3. Partnerships

Viable and effective partnerships are essential to accomplishing our mission. We encourage collaboration and strong relationships with all of our internal and external partners, believing that we are successful when others succeed.

4. A Work Force that Ensures Success

The MDH recognizes that its employees are its most important resource. We are committed to promoting diversity; strengthening staff competence by promoting training, education and support; and building the capacity of all employees to work together in a shared leadership environment. Essential to accomplishing our mission is a work environment that ensures that all employees are prepared to meet the challenges of the future.

5. Importance of Stewardship of Public Resources

We practice sound stewardship in the use of public resources to protect and promote the health of the public. We recognize there are competing priorities for the allocation of public resources, and we acknowledge and support the agency's obligation to act as a responsible steward of the public's trust.

MDH will use these principles in conjunction with the Public Health Goals to identify and prioritize the programs that the department will implement.

SUMMARY OF BUDGET REQUEST:

Over the past year MDH has reexamined its budget structure. The first step in this process was for MDH to identify what is unique about its role as the agency of state government charged with protecting, maintaining, and improving the health of the public. The next step was to determine which

roles the state department of health must play in the future, considering the changing health care environment. Through this process the following seven issues were identified as critical to the department's future ability to achieve its mission: children-at-risk, aging, measuring population outcomes, core functions, information technology, fee supported programs, capital budget, and workforce strength. Cross-department budget workgroups were then established based on each issue. These workgroups were given the charge of restructuring the department's budget to ensure that the department will be prepared to meet its vision in the future.

A few initiatives which came out of the workgroups were deemed critical to the future success of the department, but of a scale too large to be re-allocated from within the current MDH budget. The agency plan includes funding and fee increases for a number of fee programs to continue operating at an efficient level of service, fully funding indirect costs assessed to the State Government Special Revenue Fund, and providing for a 2.5% increase to cover estimated inflation costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends additional funding for the following initiatives:

- For medical education and research activities, the Governor recommends \$10,000,000 from the General Fund in F.Y. 1998 and \$10,000,000 in F.Y. 1999.
- For Children's Health, the Governor recommends \$8,165,000 from the General Fund in F.Y. 1998 and \$9,075,000 in F.Y. 1999.
- For funding core local public health functions, the Governor recommends \$6,000,000 from the General Fund in F.Y. 1998 and \$6,000,000 in F.Y. 1999.
- For the department's information resources management infrastructure, the Governor recommends \$250,000 from the General Fund in F.Y. 1998 and \$250,000 in F.Y. 1999.
- For well record database enhancements to protect the state's water resources, the Governor recommends \$120,000 from the General Fund in F.Y. 1998 and \$120,000 in F.Y. 1999.
- For training local public health agencies to interpret well water quality data, the Governor recommends \$100,000 from the General Fund in F.Y. 1998 and \$100,000 in F.Y. 1999.
- For implementing the vital statistics information systems redesign, the Governor recommends \$1,523,000 from the State Government Special Revenue Fund in F.Y. 1998 and \$1,338,000 in F.Y. 1999.
- For expanding family planning services grants, the Governor recommends \$1,100,000 from the General Fund in F.Y. 1998 and \$1,100,000 in F.Y. 1999.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
HLTH SYST & SPEC POPULATIONS	133,070	140,373	132,920	133,543	158,831	132,178	132,943	158,956
HEALTH PROTECTION	41,304	53,304	52,167	53,468	55,188	52,707	53,927	55,647
MANAGEMENT & SUPPORT SERVICES	11,945	13,706	12,807	12,900	13,150	13,074	13,167	13,417
TOTAL EXPENDITURES BY PROGRAM	186,319	207,383	197,894	199,911	227,169	197,959	200,037	228,020
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	34,643	43,032	38,206	38,206	63,941	38,518	38,518	65,163
MINNESOTA RESOURCES				150	150			
STATE GOVERNMENT SPECIAL REVENUE	15,209	20,475	18,648	20,071	21,594	18,899	20,510	21,848
HEALTH CARE ACCESS	6,230	8,698	7,503	7,947	7,947	7,582	8,049	8,049
TRUNK HIGHWAY	1,527							
METRO LANDFILL CONTINGENCY	164	193	193	193	193	193	193	193
STATUTORY APPROPRIATIONS:								
GENERAL	478	58	58	58	58	58	58	58
STATE GOVERNMENT SPECIAL REVENUE		249	249	249	249	249	249	249
HEALTH CARE ACCESS		77	77	77	77	77	77	77
SPECIAL REVENUE	23,680	24,565	22,757	22,757	22,757	22,897	22,897	22,897
FEDERAL	103,489	108,686	109,384	109,384	109,384	108,667	108,667	108,667
GIFT	899	1,350	819	819	819	819	819	819
TOTAL EXPENDITURES	186,319	207,383	197,894	199,911	227,169	197,959	200,037	228,020
FTE BY EMPLOYMENT TYPE:								
REGULAR	1,053.1	1,092.1	1,096.9	1,104.9	1,164.4	1,099.9	1,107.9	1,167.4
TEMP/SEAS/PART_TIME	17.9	16.3	16.3	16.3	16.3	16.3	16.3	16.3
OVERTIME	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
TOTAL FTE	1,073.2	1,110.6	1,115.4	1,123.4	1,182.9	1,118.4	1,126.4	1,185.9

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Health, Department of (MDH)

REVENUE SOURCES:

The department generates revenue through fees, income contracts, and grants from the federal government. The revenue collected through fees is generated by charging user or service fees to the public, hospitals, or other medical providers, and license or regulation fees to various occupational groups, individuals, or businesses. Fee revenue (approximately \$17.8 million for F.Y. 1997) is deposited as non-dedicated revenue in the State Government Special Revenue Fund.

Revenue from income contracts is generated from the many service contracts that the department has with other state agencies, local governmental agencies and other private organizations. Revenue generated through contracts is deposited as dedicated receipts to the Special Revenue Fund and is estimated to be \$22.6 million, approximately 11% of the department's budget.

The department actively seeks grants from the federal government. As a result the department has over 50 separate grants for F.Y. 1997 totaling \$107 million. This represents about 52% of the total department resources in F.Y. 1997.

FEE STRUCTURE:

There are numerous state statutes that require the MDH to regulate occupational groups, individuals, and businesses in order to carry out the mission of the department, which is, in part, to protect the health of the citizens of Minnesota. These statutes require licensing or registration, enforcement of rules, and providing education. Fees are established to recover the cost of providing these services to various clients, such as nursing homes, restaurants, and occupational therapists. The department has 18 separate fee programs of which 13 are occupation related and 5 are service related fees.

Many of the inter-agency agreements for which the department receives funds are for providing supplemental services related to those already assigned to the department. An example is the inspection of nursing homes. The department is required to inspect nursing homes for state licensure and the Department of Human Services is required to inspect these same nursing homes for certification for the Medicaid Program. An inter-agency agreement is established to transfer funds from the Department of Human Services to the MDH to hire staff to provide one coordinated inspection. The department has several similar types of agreements for coordinated laboratory services with the Pollution Control Agency and the Department of Transportation. The fees established for these services recover the cost of providing the services.

Finally, there are many federal programs that require the MDH to be the recipient agency, or in some cases the department has been designated the recipient agency by executive order. The department carries out the provision of services required by the federal statute, rules, or guidelines. In some cases, the provision of services is determined at the discretion of the state. Often, the MDH receives input from advisory groups relative to spending priorities. Federal grant applications submitted by the department request sufficient funding to recover the cost of providing services.

RECENT CHANGES:

The revenue streams coming to the MDH have remained fairly constant through 1996. In 1997, there was a small reduction in the amount of federal grant revenue and inter-agency agreement revenue received by the department primarily due to the federal government making changes on budget allocations and priorities. Generally, these changes have not had an effect on services provided to the general population, but have affected those areas where a federal grant has been targeted, such as the State Trauma Plan and Office of Rural Health.

FORECAST BASIS:

The department had expected some significant changes to the revenue stream during the past 2 years due to federal reductions, reorganization of state government and other downsizing. However, the revenue received by the department has remained relatively stable for the past 2 years and the agency is projecting the same stable pattern for the next 2 years. One exception to this forecast is that revenue from fees will be up \$1.5 million in F.Y. 1998 and \$2.3 million in F.Y. 1999 for 2 reasons. First, the agency is adopting 2 new fee programs: licensure of drug and alcohol counselors; and, inspection of enclosed arenas. Second, there are a number of fee programs that need fee adjustments to remain self-supporting.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
STATE GOVERNMENT SPECIAL REVENUE	18,459	17,836	18,599	20,063	20,063	18,756	20,551	20,551
HEALTH CARE ACCESS	77							
TRUNK HIGHWAY	38							
OTHER REVENUES:								
GENERAL	1	1						
STATE GOVERNMENT SPECIAL REVENUE	17							
=====								
TOTAL NON-DEDICATED RECEIPTS	18,592	17,837	18,599	20,063	20,063	18,756	20,551	20,551
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
SPECIAL REVENUE	3,031	3,097	3,097	3,097	3,097	3,097	3,097	3,097
DEPARTMENTAL EARNINGS (INTER-AGENC								
SPECIAL REVENUE	8,564	8,422	8,632	8,632	8,632	8,632	8,632	8,632
GRANTS:								
FEDERAL	102,842	106,766	109,219	109,219	109,219	108,504	108,504	108,504
GIFT	713	182	479	479	479	479	479	479
OTHER REVENUES:								
GENERAL	516	54	58	58	58	58	58	58
STATE GOVERNMENT SPECIAL REVENUE	50	50	50	50	50	50	50	50
SPECIAL REVENUE	10,598	11,131	10,835	10,835	10,835	10,975	10,975	10,975
FEDERAL	64							
AGENCY	138	175	175	175	175	175	175	175
GIFT	202	273	190	190	190	190	190	190
OTHER SOURCES:								
SPECIAL REVENUE	146							
=====								
TOTAL DEDICATED RECEIPTS	126,864	130,150	132,735	132,735	132,735	132,160	132,160	132,160
=====								
AGENCY TOTAL REVENUES	145,456	147,987	151,334	152,798	152,798	150,916	152,711	152,711

**1998-99 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

Agency: Health, Department of (DOH)

Federal Funds Summary

Federal funds are a major resource for departmental activities. The department receives approximately \$108,000,000 of federal funds, which makes up about 48% of the proposed 1998 budget. Federal dollars also account for 365 positions or 32.7% of the work force of the department.

The department receives 1 very large grant, Women, Infants and Children Food Supplement Program, \$57.7 million, which is about 53% of the total federal funds received by the department. The department also receives 2 block grants: 1) Maternal and Child Health, \$9.5 million; and, 2) Preventive Health and Health Services, \$5.0 million.

The balance of the federal funds comes from programs where the department has either been designated the state agency to receive funds, such as Medicare Title XVIII and Safe Drinking Water, or the department is the lead agency in addressing public health issues, such as Lead Paint Poisoning, or AIDS/HIV.

The department had anticipated major changes in the level of federal funding as a result of new formulas, block grants, or program reductions. However, the department has seen little reduction in funding as a result of congressional action.

The department did receive a substantial increase to the federal Immunization Program and new funding for the construction of Drinking Water Protection projects. With the exception of these 2 projects and project-type grants that are time limited, the department projects the same level of funding for F.Y. 1998 and F.Y. 1999 as was awarded in F.Y. 1997.

**1998-99 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Health, Department of (DOH)

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
Women, Infants and Children Food Supplement	Yes	Grants Individuals	61,740	58,859	58,862	58,862
Maternal and Child Health (MCH)	Yes	Grants Political Subd.	9,730	9,832	9,491	9,491
Immunization	No	Grants Political Subd.	4,127	7,446	7,446	7,446
Preventive Health Block Grant	No	State Operations	4,405	5,018	5,017	5,015
Breast and Cervical Cancer	No	Grants Individuals	3,496	4,270	4,265	4,265
Medicare Certification	Yes	State Operations	3,724	4,127	4,127	4,127
HIV Prevention Activities	Yes	State Operations	2,315	2,878	2,820	2,820
Safe Drinking Water Protection	Yes	State Operations	2,374	2,688	2,686	2,686
State Revolving Fund	Yes	State Operations		690	1,820	2,110
Cancer Control	No	State Operations	2,121	2,292	2,097	1,593
AIDS Surveillance	Yes	State Operations	543	1,465	1,465	1,465
Ryan White	No	Grants Political Subd.	926	1,250	1,250	1,250
Housing Opportunities for Persons with AIDS	No	State Operations	218	1,188	1,188	1,188
CDC Investigations & Technical Assistance	No	State Operations	1,428	1,399	1,196	1,121
Diabetes Control	No	State Operations	585	725	725	725
Sexually Transmitted Diseases	No	State Operations	516	711	711	711
Toxic Substance & Disease Research	No	State Operations	417	590	588	588
TB Cooperative Agreement	No	State Operations	466	552	552	552
Childhood Lead Poisoning	Yes	State Operations	11	840	433	433
Commodity Supplement Food	No	Grants Individuals	481	405	405	405
Early Childhood Intervention	No	State Operations	226	399	399	399

**1998-99 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

Agency: Health, Department of (DOH)

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
Accreditation of State Lead Programs	Yes	State Operations	333	306	306	306
Primary Care Cooperative	No	State Operations	274	277	276	276
Indoor Radon Program	No	State Operations	404	235	235	235
Lyme Disease	No	State Operations	220	222	222	222
Occupational Safety & Health Research	No	State Operations	99	238	194	180
MCH Consolidation Program	No	State Operations	316	263	250	150
Medical Assistance	No	State Operations	155	107	107	107
National Health Service Corps Loan Repayment	Yes	Grants Individuals	30	135	100	100
Indochina Refugee Health	No	State Operations	71	62	62	62
Wellhead Protection	No	State Operations	72	67	17	17
Microbiological & Infectious Diseases	No	State Operations	78			
Office of Rural Health	No	State Operations	41	57		
EMS Needs of Children	No	State Operations	173	3		
Diabetes in Indian Youth	No	State Operations	149	189	190	
Rural Health Network Reform	No	State Operations	139			
Lead Paint Reduction	Yes	State Operations	161			
Injury Prevention	No	State Operations	352	324	78	
Comprehensive School Health	No	State Operations	2	157	46	
Emerging Flood Relief	No	State Operations	156			
Agency Total			103,074	100,266	109,726	108,901

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HLTH SYST & SPEC POPULATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
COMMUNITY HEALTH SERVICES	21,680	24,595	22,337	22,630	30,153	22,398	22,708	30,046
FAMILY HEALTH	86,431	90,357	86,795	86,847	94,612	85,843	85,895	94,570
HLTH POLICY & SYST COMPLIANCE	9,594	7,473	6,535	6,824	16,824	6,627	6,969	16,969
FACILITY/PROVIDER COMPLIANCE	15,365	17,948	17,253	17,242	17,242	17,310	17,371	17,371
TOTAL EXPENDITURES BY ACTIVITY	133,070	140,373	132,920	133,543	158,831	132,178	132,943	158,956
AGENCY PLAN ITEMS:			FUND					
AGENCY COST INCREASES			SGS			401		
TECHNICAL REALLOCATIONS			GEN			65		
TECHNICAL REALLOCATIONS			SGS			<435>		
HEALTH CARE ACCESS INDIRECT			HCA			467		
ALCOHOL AND DRUG COUNSELOR LICENSURE			SGS			307		
NEWBORN METABOLIC TESTING			SGS			52		
TOTAL AGENCY PLAN ITEMS			623			765		
GOV'S INITIATIVES:			FUND					
(B) MEDICAL EDUCATION AND RESEARCH COSTS			GEN			10,000		
(B) FINANCING LOCAL PUBLIC HEALTH			GEN			6,000		
(B) CHILD'S HLTH INITIATIVE-HLTHY BEGINNINGS			GEN			140		
(B) CHILD'S HLTH INITIATIVE-ADOLESCENT REPRO			GEN			875		
(B) CHILD'S HLTH INITIATIVE-TOBACCO FREE COM			GEN			2,000		
(B) CHILD'S HLTH INITIATIVE-FAS			GEN			2,000		
(B) CHILD'S HLTH INITIATIVE-WIC-SOFT LANDING			GEN			650		
(B) CHILD'S HLTH INITIATIVE-JJ ASSESSMT CTR			GEN			1,000		
(B) EXPANSION OF FAMILY PLANNING GRANT			GEN			1,100		
(B) VITAL RECORDS REDESIGN			SGS			1,523		
TOTAL GOV'S INITIATIVES			25,288			26,013		
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	25,454	32,758	27,897	27,962	51,727	27,968	28,033	52,708
STATE GOVERNMENT SPECIAL REVENUE	4,375	7,997	7,242	7,356	8,879	7,345	7,578	8,916
HEALTH CARE ACCESS	6,114	8,551	7,354	7,798	7,798	7,431	7,898	7,898

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HLTH SYST & SPEC POPULATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TRUNK HIGHWAY	1,512							
STATUTORY APPROPRIATIONS:								
GENERAL	314	58	58	58	58	58	58	58
STATE GOVERNMENT SPECIAL REVENUE		50	50	50	50	50	50	50
SPECIAL REVENUE	11,495	10,142	9,915	9,915	9,915	9,915	9,915	9,915
FEDERAL	83,189	80,122	79,859	79,859	79,859	78,866	78,866	78,866
GIFT	617	695	545	545	545	545	545	545
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	133,070	140,373	132,920	133,543	158,831	132,178	132,943	158,956
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	487.9	496.5	487.3	491.3	540.3	486.3	490.3	539.3
TEMP/SEAS/PART_TIME	8.4	7.0	7.0	7.0	7.0	7.0	7.0	7.0
OVERTIME	.5	.5	.5	.5	.5	.5	.5	.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	496.8	504.0	494.8	498.8	547.8	493.8	497.8	546.8

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Community Health Services

ITEM TITLE: Vital Statistics Redesign

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
State Government	\$1,523	\$1,338	\$1,288	\$852
Special Revenue Fund				
Revenues: (\$000s)				
State Government	\$1,050	\$1,050	\$1,050	\$1,050
Special Revenue Fund				

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 144.226

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1,523,000 in F.Y. 1998 and \$1,338,000 in F.Y. 1999 to implement the vital statistics information system redesign.

RATIONALE:

There is a significant opportunity for efficiency, customer service, and support of health reform activities through the development of computer network systems for vital statistics. Minnesota's vital statistics system uses a paper and (limited) microfilm-based records system, neither of which has had any major technology upgrade in the past 25 years. The department proposes implementing a reengineered system incorporating current technologies of computer networks and electronic storage in order to: support public health information requirements; further support health reform efforts; and provide better service to citizens. The reengineering has 2 interrelated components.

- A clear need exists to automate the entry, storage, retrieval, and copying of vital statistics records. In updating and automating this system, the statewide structure supporting the system (87 county and 7 municipal local registrars) must be accommodated in order that the redesigned system will provide better, quicker, and more accessible records without loss of data during system implementation. Based on 1996 legislative directives and funding, the department has worked with a county and state advisory work group to complete a comprehensive plan for the automation of the vital records system, including establishing the structure, equipment and personnel needs for implementation. There is consensus on system requirements among counties, provider groups, state agencies, and other interested parties necessary to the ongoing support of the vital statistics system.

- Electronic Birth and Death Records. The Electronic Birth Certificate (EBC) is a system by which hospitals provide computerized birth certificate data directly to the department. The department has begun implementation of the reengineered statewide electronic birth and death certificate system and requests funding for completion. This includes the completion of the Electronic Birth Certificate (EBC)—a system by which 75 hospitals (representing 85% of the state's births) provide computerized birth certificates directly to the department—and includes further implementation of the Electronic Death Certificate (EDC)—a system by which mortuaries provide computerized death certificates. The department will extend the EBC to cover 90% of the state's births and will bring similar numbers of the state's mortuaries onto the Electronic Death System (EDC).

Expenditures include \$5,000,000 of State Government Special Revenue funds over a four-year period for the Vital Statistics Redesign Project and for implementing the EBC/EDC system. A \$3 surcharge on birth and death records will generate \$1,050,000 per year to the State Government Special Revenue Fund to sustain the vital statistics redesign. The surcharge will be in place for 5 years, generating a total of \$5,250,000. The 4-year expenditure budget covered by a 5-year revenue budget for a systems automation project is within the guidelines of the Department of Finance.

PROGRAM OUTCOMES:

- A better, quicker, more accessible, more flexible, and more secure vital records system which can provide records rapidly and without loss or compromise of data. Local governments will have further data available for use in their public health efforts related to family health, disease prevention and control, and health care delivery policy.
- A fee-based system where the costs will be more uniformly allocated among the users of the system.
- An increase in child support collections for the Department of Human Services, local social services agencies, and the courts resulting from implementation of the EBC system. The EDC will provide more current statistics, will help prevent fraud, and will increase responsiveness to customers - usually families seeking to claim death benefits. The EBC and EDC will allow local governments to use these data in their public health efforts and will help prevent fraud in the use of these records.

LONG-TERM IMPACT:

Health care systems will be enhanced by accessible, current, population-wide data useable for systems planning and evaluation. Health care providers will be able to use population-wide data to design and evaluate the services and activities provided to their members and will be able to make comparisons of the health status of their members with that of the general population. Public health agencies responsible for core public health functions will have useable population-wide data to assess communities' health status, to meet planning and health assurance core responsibilities, and to measure the effectiveness of public and private health efforts in communities.

1998-99 Biennial Budget

BUDGET ACTIVITY: Family Health
PROGRAM: Health Systems and Special Populations
AGENCY: Health, Department of (MDH)

ACTIVITY DESCRIPTION:

The Family Health activity is responsible for ensuring optimal health outcomes for children, families, and communities. Its mission is to use science-based approaches to promote the health of all Minnesotans throughout the life cycle by providing leadership in systems development through the use of the core functions of public health: assessment, policy development and planning, and assurance. Stakeholders in this activity include: communities, families, and individuals; health and social service professionals; health plans; community-based organizations; other state agencies; federal agencies; other state health departments; state and national professional associations; and grocery stores, pharmacies, and licensed liquor establishments. Specific program activities include:

1. providing statewide assessment and analysis of maternal, child, family, and community health status;
2. providing technical assistance, training, and consultation to communities relating to maternal, child, and community health;
3. developing public policies related to maternal, child, and community health issues;
4. promoting a system of quality comprehensive health services that are coordinated, family-centered, community-based, and culturally-competent;
5. developing and implementing local and statewide health promotion and health education activities targeted at mothers, children, families, and communities;
6. identifying appropriate intervention strategies, and developing and implementing programs targeted at vulnerable populations;
7. providing community grants for maternal and child health, nutrition education and supplemental foods, dental health, injury prevention, prevention of secondary complications of diabetes, tobacco use and alcohol misuse prevention, family planning services, abstinence education, prevention of chronic disease and promotion of good health, and prevention of child abuse and neglect;
8. supporting a bone marrow registry program;
9. providing surveillance activities targeted at traumatic brain and spinal cord injury, gun shot wounds, maternal and child nutrition, and fetal alcohol syndrome; and
10. assuring access to necessary services for children with special health needs through direct service delivery to families or communities when local capacity is not sufficient to meet their needs.

BUDGET ISSUES:

- The Supplemental Nutrition Program for Women, Infants, and Children (WIC) is not an entitlement program and federal funds do not meet total needs. Every month, the Minnesota WIC Program currently provides supplemental foods, nutritional counseling, and health screening for about 98,000 low-income and high-risk pregnant, breastfeeding, and postpartum women, infants, and children under the age of 5. About 73% of the eligible Minnesota population is currently served. Currently, 72% of WIC's funds come from the United States Department of Agriculture (USDA), (the federal funding agency), 24% from an infant formula rebate, and 4% from the General Fund.

Minnesota may receive a reduction in funding for F.F.Y. 1997; current estimates of the reduction range from \$1 million to \$4 million. USDA projects that Minnesota will be able to serve approximately 2,150 to 8,600 fewer participants each month.

- The Family Health division will implement an infant tracking system, in collaboration with the Public Health Laboratory, to ensure that infants who screen positive for various metabolic disorders will obtain appropriate follow-up and treatment.

REVENUE:

The revenue generated by this activity is primarily from federal categorical grants. Other sources of revenue include contracts with other state agencies, third-party reimbursements for clinic services, and drivers license reinstatement fees. The department is not proposing any policy changes that will affect the revenues of this activity. Uncertainty of federal funding and the continuing availability of categorical grants may affect the revenue base of this budget activity.

GRANTS:

1. Maternal and Child Health

- a. **Statutory references:** Title V, Social Security Act, Sec. 501-509; M.S. 145.88-145.889
- b. **Purpose of grant:** To provide services to women and children through programs for improving pregnancy outcome, young children at risk for handicapping conditions and chronic disease, family planning services, and reduction of childhood injury. Grants to Minneapolis, St. Paul and Goodhue-Wabasha are also used for child and adolescent health programs established before 1981 as "pre-block" projects.
- c. **Recipient identification and eligibility criteria:**
 - Grantees. State law specifies that funds are to be allocated to Community Health Service (CHS) areas for distribution by local boards of health. By law, the CHS agencies conduct a sub-granting process within their CHS areas to make funds available to appropriate community providers.
 - Clients. Services provided by the boards of health are targeted at low-income, high-risk persons as defined in state statute.
- d. **Criteria and formulas determining amount of payment to recipient.** The amount of funding for each CHS area is determined through a needs-based formula established in M.S. 145.882, subd. 4. The formula includes 3 variables: the number of women, the number of low-birth-weight infants, and the number of low-income children and women.
- e. **Source of funding:**

Dollars in Thousands				
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
General	\$1,000	\$1,000	\$1,000	\$1,000
Federal	6,401	6,383	6,383	6,383
TOTAL	\$7,401	\$7,383	\$7,383	\$7,383

2. Family Planning Special Project Grants

- a. **Statutory references:** M.S. 145.925
- b. **Purpose of grant:** To improve and expand pre-pregnancy family planning services, including education, counseling, and method provision to persons in their reproductive years

1998-99 Biennial Budget

BUDGET ACTIVITY: Family Health
PROGRAM: Health Systems and Special Populations
AGENCY: Health, Department of (MDH)
 (Continuation)

as a means to reduce the number of unintended pregnancies, reduce the number of high-risk pregnancies and births, and increase the availability of services to infertile couples.

c. Recipient identification and eligibility criteria:

- Grantees. Cities, counties, groups of cities or counties, and non-profit corporations are eligible to apply. One grant is awarded on a competitive basis for a statewide family planning hotline. Other grants are awarded on a competitive basis following evaluation of applications in accordance with the authorizing legislation (M.S. 145.925) and the Family Planning Rule (4700.1900-.2500). Factors considered in selecting grant recipients include, but are not limited to:

- the probable effectiveness and cost effectiveness of the project;
- the equitable distribution of funds statewide;
- the extent funds will be used to increase availability and accessibility of services or to serve under-served populations;
- the extent proposed services are coordinated with other family planning services in the geographic area to be served;
- the extent high risk populations are served; and
- the extent other sources of funding are used.

When equivalent and competing applications are submitted for a geographic area, priority is given to local boards of health.

- Clients. Services provided by grantees are targeted at persons who are at risk for unintended pregnancy or problems during pregnancy.

d. Criteria and formulas determining amount of payment to recipient.

To ensure equitable access to family planning services to residents throughout the state, grant funds are allocated on a regional basis according to a needs-based formula established in Rule. Competition for funds occurs within each region; applicants are limited by statute to an annual award of \$75,000 per agency, per region. Applicants for the statewide family planning hotline are limited to an annual award of 5% of the funds available or \$100,000, whichever is less.

e. Source of funding:

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General	\$3,805	\$3,805	\$3,805	\$3,805

3. Minnesota Children with Special Health Needs (MCSHN)

- a. Statutory references:** Title V, Social Security Act, Sec. 501-509; M.S. 145.146

- b. Purpose of grant:** To pay for the medical care of children with special health care needs by making payments to hospitals and private physician, dental, and surgical providers throughout Minnesota for authorized treatment and rehabilitative services.

- c. Recipient identification and eligibility criteria:** As established by Minnesota Rule 4705, payment for medical services is made for children with a disease or physiological condition that might hinder normal growth and development; families with incomes above the level established in rule are required to financially participate in the cost of medical services. The rule defines criteria for eligible providers of medical services, based on their training and experience in treating children with special health care needs.

- d. Criteria and formulas determining amount of payment to recipient.** Payment for medical services is made in accordance with the same Rule, and is consistent with the rate schedule established by the Department of Human Services for Medical Assistance reimbursements. Families must utilize all available third party reimbursement.

e. Source of funding:

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General	\$1,302	\$1,302	\$1,302	\$1,302
Federal	<u>100</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL	\$1,402	\$1,302	\$1,302	\$1,302

4. Supplemental Nutrition Program for Women, Infants, and Children (WIC)

- a. Statutory references:** Child Nutrition Act of 1966, as amended.

- b. Purpose of grant:** To provide nutrition education and supplemental foods throughout the state to eligible persons in order to improve their health status and prevent the occurrence of nutrition-related health problems.

c. Recipient identification and eligibility criteria:

- Grantees. Grants are provided to local public and private non-profit health or human service agencies and Indian tribes that provide health services, either directly or through contract. Applicant agencies must have adequate, competent, professional staff with the capability to perform certification procedures, provide nutrition education, and determine the amounts and types of supplemental foods that are appropriate for each participant. In the event 2 or more agencies apply to administer the program in the same geographical area, the department gives priority as follows:

- community health board;
- public or private non-profit health agency;
- public human service agency; and
- private non-profit human service agency.

- Participants. WIC benefits are provided to pregnant women, breastfeeding women up to 12 months after delivery, postpartum non-breastfeeding women up to 6 months after delivery, infants, and children up to the 5th birthday who meet the following criteria:

- residence in the state of Minnesota;
- income less than 185% of poverty, or receiving cash assistance, Food Stamps, or Medical Assistance; and

1998-99 Biennial Budget

BUDGET ACTIVITY: Family Health
PROGRAM: Health Systems and Special Populations
AGENCY: Health, Department of (MDH)
 (Continuation)

- at nutritional risk, as determined by an evaluation of height and weight measurements, hematocrit or hemoglobin test, dietary evaluation, and medical history.

When available funds are not adequate to serve all eligible persons, participants are selected on the basis of highest nutritional risk.

d. Criteria and formulas determining amount of payment to recipient.

- Grantees. The base level of administrative funding for grantees is determined by multiplying the proportion of each local agency's authorized WIC caseload to the statewide caseload against the total funding available. (The authorized caseload is set at a number which ensures that all local agencies are serving participants at the same level of nutritional risk.) Additional funding is provided to meet the special needs of seasonal agencies, as well as those serving very few participants or very large geographic areas.
- Participants. The amount of supplemental foods received by participants is determined individually by a competent professional authority, based on nutritional need. Federal regulation sets the type and maximum amount of food that may be issued to each category of participant. Participants are issued vouchers which can be exchanged at approved vendors for specified foods.

e. Source of funding:

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General	\$402	\$5,578	\$2,990	\$2,990
Federal	44,290	40,869	40,869	40,869
Formula Rebate	<u>13,939</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>
TOTAL	\$58,631	\$57,859	\$57,859	\$57,859

5. Commodity Supplemental Food Program for Mothers and Children (MAC) and Nutrition Assistance Program for Seniors (NAPS)

- a. Statutory references:** Agriculture Appropriations Act of 1968, as amended.
- b. Purpose of grant:** To provide nutrition information and supplemental nutritious foods donated by the USDA to low-income women, infants, children, and elderly who are vulnerable to malnutrition.
- c. Recipient identification and eligibility criteria:**
- Grantees. Eligible grantees are public or private non-profit agencies, including Indian tribes. Agencies must have adequate staff to determine eligibility of applicants, distribute supplemental foods, provide nutrition information, and manage food inventory as well as have adequate facilities to warehouse the supplemental foods.

- Participants. MAC benefits are provided to pregnant women, postpartum women up to 12 months after delivery, infants, and children up to the 6th birthday who are Minnesota residents and whose income is less than 185% of poverty. NAPS benefits are provided to elderly men and women who are at least 60 years of age, residents of a geographic area served by a NAPS local agency, and have an income less than 130% of poverty.

When available funds are not adequate to serve all eligible persons, those in greatest need are served first, as defined by federal regulation:

- pregnant and breastfeeding women, and infants;
- children ages 1 to 3;
- children ages 4 to 5;
- postpartum non-breastfeeding women; and
- elderly men and women.

d. Criteria and formulas determining amount of payment to recipient.

- Grantees. Administrative funding for grantees is determined by multiplying the proportion of each agency's MAC/NAPS caseload to the statewide caseload against the total funding available. (The authorized caseload is limited by the caseload allocated to the department by USDA and is negotiated with each local agency on the basis of relative need for MAC/NAPS services in the community and the agency's service capacity.)
- Participants. The amount of supplemental foods received by participants is set by federal regulation, based on participant category and age. Participants are issued commodity supplemental foods each month.

e. Source of funding:

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Federal	\$375	\$375	\$375	\$375

6. Dental Health Grants

- a. Statutory references:** M.S. 144.697, Subd. 1.
- b. Purpose of grant:** To initiate, develop, and implement new demonstration projects and programs that promote oral disease prevention and oral health promotion. Current areas of emphasis include dental sealants, baby bottle tooth decay prevention, private well water fluoride testing, oral injury prevention, smokeless tobacco use prevention, oral health care access, oral home health care, and innovative oral disease prevention programs.
- c. Recipient identification and eligibility criteria:** Community Health Service Boards, school districts and other public or private non-profit agencies are eligible to apply. Applications are ranked according to the degree that the proposed activities serve children and families in: low-income counties; children in schools with a large percentage of students receiving free or reduced price lunches; rural counties; or special population groups.
- d. Criteria and formulas determining amount of payment to recipient.** The amount of the grant award varies depending on the estimated cost of each approved project. Grants for the current 2-year funding period are about \$9,000 each.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HLTH SYST & SPEC POPULATIONS
ACTIVITY: FAMILY HEALTH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	6,996	7,200	6,475	6,522	7,217	5,947	5,994	6,692
OPERATING EXPENSES	5,017	6,247	6,763	6,768	8,038	6,596	6,601	7,928
SUBTOTAL STATE OPERATIONS	12,013	13,447	13,238	13,290	15,255	12,543	12,595	14,620
PAYMENTS TO INDIVIDUALS	50,172	51,855	48,990	48,990	49,490	48,990	48,990	48,990
LOCAL ASSISTANCE	24,241	25,055	24,567	24,567	27,167	24,310	24,310	28,260
OTHER EXPENSES	5							
TRANSFERS					2,700			2,700
TOTAL EXPENDITURES	86,431	90,357	86,795	86,847	94,612	85,843	85,895	94,570
AGENCY PLAN ITEMS:		FUND						
NEWBORN METABOLIC TESTING		SGS		52			52	
TOTAL AGENCY PLAN ITEMS				52			52	
GOV'S INITIATIVES:		FUND						
(B) CHILD'S HLTH INITIATIVE-HLTHY BEGINNINGS		GEN			140			1,700
(B) CHILD'S HLTH INITIATIVE-ADOLESCENT REPRO		GEN			875			875
(B) CHILD'S HLTH INITIATIVE-TOBACCO FREE COM		GEN			2,000			2,000
(B) CHILD'S HLTH INITIATIVE-FAS		GEN			2,000			2,000
(B) CHILD'S HLTH INITIATIVE-WIC-SOFT LANDING		GEN			650			
(B) CHILD'S HLTH INITIATIVE-JJ ASSESSMT CTR		GEN			1,000			1,000
(B) EXPANSION OF FAMILY PLANNING GRANT		GEN			1,100			1,100
TOTAL GOV'S INITIATIVES					7,765			8,675
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	8,451	15,002	11,891	11,891	19,656	11,932	11,932	20,607
STATE GOVERNMENT SPECIAL REVENUE	34	94	64	116	116	64	116	116

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HLTH SYST & SPEC POPULATIONS
ACTIVITY: FAMILY HEALTH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
HEALTH CARE ACCESS		99						
STATUTORY APPROPRIATIONS:								
GENERAL	178	58	58	58	58	58	58	58
STATE GOVERNMENT SPECIAL REVENUE		50	50	50	50	50	50	50
SPECIAL REVENUE	716	1,053	898	898	898	898	898	898
FEDERAL	77,038	73,952	73,785	73,785	73,785	72,792	72,792	72,792
GIFT	14	49	49	49	49	49	49	49
TOTAL EXPENDITURES	86,431	90,357	86,795	86,847	94,612	85,843	85,895	94,570
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	178	54	58	58	58	58	58	58
STATE GOVERNMENT SPECIAL REVENUE		50	50	50	50	50	50	50
SPECIAL REVENUE	543	657	705	705	705	705	705	705
FEDERAL	76,427	72,442	73,802	73,802	73,802	72,809	72,809	72,809
GIFT	18	18	47	47	47	47	47	47
TOTAL REVENUES COLLECTED	77,166	73,221	74,662	74,662	74,662	73,669	73,669	73,669
FTE BY EMPLOYMENT TYPE:								
REGULAR	146.9	152.2	143.9	144.9	159.4	142.9	143.9	158.4
TEMP/SEAS/PART_TIME	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
TOTAL FTE	149.2	154.3	146.0	147.0	161.5	145.0	146.0	160.5

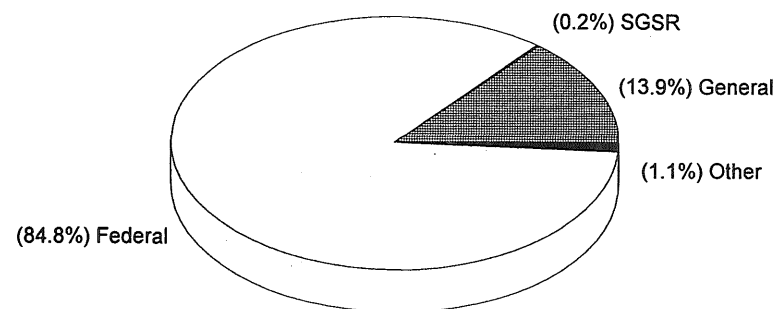
Minnesota Department of Health

Fiscal Summary

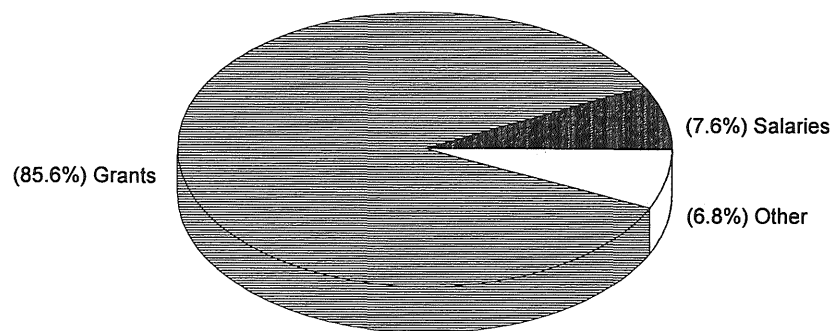
Family Health

F.Y. 1998 Agency Plan

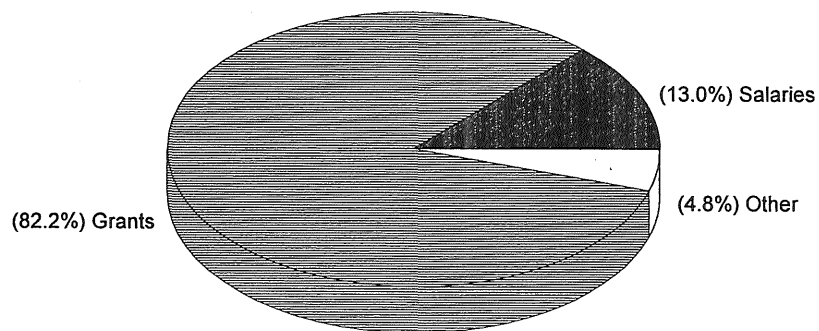
Resources \$85.8 million



Total Expenditures
\$85.8 million



General Fund Expenditures
\$11.9 million



F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Family Health

ITEM TITLE: Newborn Metabolic Testing

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
State Government				
- Special Revenue Fund	\$52	\$52	\$52	\$52
Revenues: (\$000s)				
State Government	\$-0-	\$-0-	\$-0-	\$-0-
-Special Revenue Fund				

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. 144.125

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$52,000 in F.Y. 1998 and \$52,000 in F.Y. 1999 for the implementation of an infant tracking system.

The Governor is also recommending the companion Newborn Metabolic Testing initiative in the Health Protection program section of this document. The combination of laboratory screening with follow-up care activities is a unique partnership between the Public Health Laboratory and the Family Health Division and maximizes the likelihood that intervention occurs at the earliest opportunity.

RATIONALE:

M.S. 144.125 requires tests for inborn metabolic errors be performed on all newborns.

The Public Health Laboratory screens for 5 metabolic disorders (phenylketonuria, galactosemia, hypothyroidism, hemoglobinopathies, and congenital adrenal hyperplasia) on ~65,000 newborns each year. The incidence of these disorders is low (~30 per year total), but the impact of early intervention is high, in fact mental retardation, developmental disabilities, and even death can be avoided. Early treatment can prevent the outcomes of the disorder. Annual costs of long term care, education, and loss of income, associated with failure to identify and treat these infants, make this a cost effective program.

The appropriation will support follow-up of infants who screen positive. A system is necessary to ensure that the newborns who screen positive for various genetic disorders will obtain appropriate follow-up and treatment, including ensuring that parents of infants who screen positive receive appropriate and timely notification; that their health care providers are notified; that referral

mechanisms to appropriate specialists are in place; that parents and health care providers are aware of the importance of appropriate and timely follow-up; and that on-going system evaluation occurs.

PROGRAM OUTCOMES:

The requested appropriation will ensure that infants who screen positive for metabolic disorders receive appropriate and timely medical follow-up.

LONG-TERM IMPACT:

The appropriation will help the state maintain a cost-effective program to minimize the health and developmental consequences of certain inherited diseases in newborns.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Family Health

ITEM TITLE: Children's Health Initiative

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,465	\$2,525	\$2,525	\$2,525
- Grants	\$5,706	\$6,550	\$6,550	\$6,550
Revenues: (\$000s)				
General Fund	\$0	\$0	\$0	\$0

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 253B.02, 340A.401, 340A.410, 340A.702, 340A.801, 626.556 subd. 2(c), 626.5561

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$8,165,000 in F.Y. 1998 and \$9,075,000 in F.Y. 1999 to protect and promote the health and well-being of Minnesota's children and youth, and to work towards an integrated environment including parents, neighbors, schools, businesses, health care providers, and social service systems that ensures children and youth have the supports they need for optimal development.

STRATEGY: Tobacco-free Communities for Children

Tobacco-free Communities for Children is a multi-faceted, multi-departmental approach that includes education, family, community involvement, and media messages to reduce the number of Minnesota children who smoke. Each year, \$2 million will be used to: integrate tobacco use prevention curricula into grades K-12 (\$500,000), fund community-wide programs that support school-based programs (\$500,000), fund state staff to support core public health activities (\$300,000), and develop and disseminate innovative anti-tobacco media messages to counteract advertising by tobacco companies (\$700,000).

RATIONALE:

About 3,000 American teenagers become regular smokers every day. Of that number, about 30 will die in traffic accidents and 20 will be murdered, but nearly 750 will die from smoking-related illness. Smoking is the single most preventable cause of death. The decision to smoke is almost always made in the teen years, with about 90% of all new smokers being young people. Studies have shown that effective tobacco use prevention curricula help delay the onset of smoking in early adolescence, and community-wide programs have been shown to strengthen the effectiveness of the school-based interventions. Media plays an important role for youth in shaping their vision of what

is acceptable and appropriate behavior. With pro-tobacco messages constantly bombarding our youth, it is important to provide them with the other side of the story, by counteracting messages that show smoking as a fun, social, adult thing to do.

PROGRAM OUTCOMES:

- A comprehensive tobacco use prevention plan will be developed in collaboration with the community.
- Tobacco-use prevention curricula will be integrated into grades K-12.
- Competitive grants will provide funding for communities and schools to work together to establish tobacco-free communities for children.
- A series of regional youth panels will be held to seek input from youth on the most effective strategies in reducing youth access to and use of tobacco products.
- A media campaign will counteract the pro-smoking messages currently targeting children and inform adults of the hazards of exposing children to environmental tobacco smoke.
- Technical assistance will be provided to local public health agencies on tobacco-use prevention programs.
- A Minnesota tobacco-prevention site on the Internet targeted to children and youth will be available.

LONG-TERM IMPACT:

There will be a reduction in the number of Minnesota children and youth who use tobacco products.

STRATEGY: Minnesota's Healthy Beginnings Program

The Healthy Beginnings Program will be a voluntary universal home visiting program that will offer health, counseling, social support, and educational services to all families during pregnancy and shortly after the birth of a child. A statewide steering committee, along with two state staff, will develop a comprehensive strategic plan for the program during the first year of the biennium, at a cost of \$140,000. In the second year of the biennium, a phased implementation will begin, with Healthy Beginnings grants awarded to two counties or family service collaborative areas. About 5,000 births will be covered in the initial phase, at cost of \$1.7 million for the second year of the biennium.

RATIONALE:

The research literature over the last 20 years indicates that home visiting is a successful strategy for improving child and family health outcomes and preventing child abuse and neglect. As traditional support systems for families continue to change, home visiting offers an effective alternative to promote family strengths and assets, reduce isolation, and identify and address problems and needs early and at a lower cost, before they develop into crises.

PROGRAM OUTCOMES:

- A statewide steering committee will be formed to develop a comprehensive strategic plan for universal statewide home visiting services.
- Implementation will be phased in across the state.
- Training, technical assistance, and evaluation components will be centralized at the state level, drawing on the expertise of local agency staff, as well as a number of state agencies and private non-profit organizations.
- A local coalition will designate roles, referral mechanisms, and payment responsibilities appropriate for the currently existing systems in the community. Local coalitions will include

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Family Health

ITEM TITLE: Children's Health Initiative
(Continuation)

health plans, health providers, hospitals, family service collaboratives, Part H collaboratives, county social service agencies, community health service agencies, community action agencies, Head Start programs, early childhood education, and volunteer organizations.

- All families will be identified and referred prenatally if possible, at birth at the latest.
- An initial home visit will include a public health nurse assessment, early identification of problems, information and support, and referral to community resources.
- Families at low risk will receive additional home visits from a volunteer, mentor, or paraprofessional.
- Families at high risk for child abuse or neglect, or who have health-related needs, will receive additional home visits from a professional or a highly-trained paraprofessional under the supervision of a professional.

LONG-TERM IMPACT:

Based on experience in other states and countries, the Minnesota Healthy Beginnings Program can be expected to: improve maternal and child health, including improved pregnancy outcomes; promote and monitor healthy child development; model and teach positive parenting behavior; promote parent/child attachment; decrease child abuse, neglect, out-of-home placements, and deaths from abuse and neglect; facilitate access to health care, especially preventive care; stimulate more parental interest in job training opportunities; improve high school completion rates among adolescent parents; increase parental employment rates; reduce participation in AFDC and Food Stamps; and reduce subsequent pregnancies. The Healthy Beginnings program will include an extensive evaluation component that will measure family well-being and outcomes.

STRATEGY: Adolescent Pregnancy Prevention

MDH will strengthen its pregnancy prevention activities targeted to young adolescents who are at risk of unintended pregnancy. \$875,000 per year will be used to continue and expand the Minnesota Education Now and Babies Later program.

RATIONALE:

Adolescents who are sexually active are at risk of unintended pregnancy and sexually-transmitted diseases. It is essential that they receive meaningful education at an early age so they will be able to resist early initiation of sexual activity.

Minnesota's teen pregnancy prevention program utilizes a multifaceted, primary prevention community health promotion approach to reduce adolescent pregnancies. It is targeted to 12- to 14-year-olds and their parents, schools, and communities. The program's goal is to reduce adolescent pregnancy by reducing the number of young adolescents who engage in sexual intercourse. By statute this program is a joint activity of MDH, the Department of Children, Families, and Learning

(DCFL), and the Office of the Attorney General. Its activities include: programs of community-based collaboratives that support community organization activities and education in the schools; training and technical assistance for project staff and community leaders that is centralized at the state level; program evaluation; and media materials that support the messages.

PROGRAM OUTCOMES:

- Of the program's appropriation of \$740,000 for the current biennium, \$250,000 is a one-time appropriation to DCFL; an increase of \$250,000 to the MDH base appropriation will be used to maintain current programs. A funding increase of \$625,000 will be used to add 10-12 more sites to the 9 communities currently receiving program grants and to expand the program's coordinated media campaign.

LONG-TERM IMPACT:

- Expansion of the program will reduce the number of adolescent pregnancies in Minnesota, ultimately resulting in a positive effect on many social problems associated with unintended pregnancy, including poverty, school failure, and juvenile criminal activity.

STRATEGY: FAS: Reducing the Damage

Funds are recommended for an action plan to fight Fetal Alcohol Syndrome (FAS). The plan will protect future generations through:

- holding liquor vendors and servers accountable for knowingly providing or furnishing alcoholic beverages to a pregnant woman;
- holding pregnant women accountable, by expanding the Minnesota Civil Commitment Act to include alcohol use during pregnancy, and by expanding chemical dependency treatment and services available to pregnant women;
- identifying pregnant women who are abusing alcohol, by establishing protocols for screening and referral and by amending existing law to mandate reporting of prenatal alcohol exposure to child protection services;
- improving the quality of life for children with FAS or Fetal Alcohol Effects (FAE), by identifying children affected by FAS/FAE, assuring the provision of needed social and developmental services, and facilitating parent support activities; and
- designing and implementing a statewide plan to reduce binge drinking, alcohol use by minors, and fetal alcohol exposure.

RATIONALE:

Each year in Minnesota, up to 800 children are born with FAS or FAE. The annual cost for FAS neonatal intensive care and long-term residential support services for adults with FAS amounts to \$45 million annually. Costs related to FAE, remedial education, and criminal justice are not included in this estimate, but are presumed to be significant. Minnesota has one of the highest rates in the country of binge drinking among women of childbearing age, which significantly increases the risk for delivering a child who has FAS or FAE.

PROGRAM OUTCOMES:

- Monitoring and enforcement of the currently-mandated posting of signs warning customers about drinking alcohol while pregnant will be increased, and beverage server training will be expanded to address the issue of serving alcohol to pregnant women.
- Transitional chemical dependency services for pregnant women will be available at two new half-way houses, and additional community-based case management and intervention workers

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Family Health

ITEM TITLE: Children's Health Initiative
(Continuation)

will be available statewide to meet the special needs of chemically-dependent women and their children.

- Current protocols for screening and referral of pregnant women for alcohol use will be evaluated and strengthened, and multi-disciplinary trainings will be provided across the state to assure that health care systems implement effective protocols.
- Assessment protocols for FAS/FAE will be integrated into existing screening programs, linkages will be made between screening programs, diagnostic centers, and service providers, multi-disciplinary trainings will be provided across the state, current diagnostic field clinics will be expanded to include expertise in FAS/FAE, a written guideline for care of children with FAS/FAE will be developed, and parent support activities will be developed.
- A statewide action plan will be developed and implemented to reduce youth alcohol use, binge drinking, and fetal alcohol exposure.

LONG-TERM IMPACT:

Community awareness of the serious impact of alcohol consumption during pregnancy will grow, community norms about the acceptability of women drinking during pregnancy will change, greater numbers of health care professionals will be able to identify and refer pregnant women and affected children, fewer women will consume alcohol when pregnant, fewer children will be born with the devastating, life-long tragedy of FAS/FAE, and those children who are affected will be identified and receive appropriate services.

STRATEGY: *Community Immunization Registries for Children*

Protecting children and the community from vaccine preventable diseases and supporting the immunization efforts of families, health care providers, and schools are the goals of the Community Immunization Registries for Children initiative. Immunization registries are computerized systems that make records more easily available to parents and health care providers and assist public health agencies by serving as a tool to assess immunization rates in the community.

About 200,000 Minnesota children will be enrolled in the first phase of the project. Additional children will be enrolled as subsequent phases are funded until community registries are expanded statewide to protect all children ages 0-19. During each year of the biennium MDH will:

- Grant \$1 million to 4-5 metro and rural boards of health to implement community-based immunization registries. Communities will be selected based on their children's risk for vaccine-preventable diseases and the community's ability to participate.
- Allocate \$300,000 to provide technical assistance, to begin planning for telecommunications linkages of the community registries, and to establish a registries' implementation task force.
- Use \$200,000 to obtain and support equipment and hardware for a statewide immunization registry hub.

RATIONALE:

Minnesota falls short of the year 2000 immunization goal--especially among children from poor families and those who lack adequate health insurance or access to health care. Computerized registries will help protect these children by:

- making immunization records easily accessible to all public and private providers so children receive the right immunizations on time;
- identifying children who have never been immunized or who fall behind on their immunizations and triggering reminders to parents and providers;
- making it possible to quickly and easily assess the immunization rates of individual clinics and entire communities; and
- saving staff time by providing quick and easy access to immunization reports by parents, schools, day care programs, and others.

It would be difficult to over-estimate the amount of time spent searching for and clarifying children's immunization records--and the negative impact this may have on childhood immunization. Every year, children's records are checked by schools, day care programs, camps, hospitals, and clinics - an estimated 2.2 million record checks in a system that must deliver and track about 1.6 million doses of vaccine to Minnesota children annually. Registries will improve both the efficiency and effectiveness of this process.

PROGRAM OUTCOMES:

- A statewide implementation advisory group will be established including public and private providers, health plans, and schools. This group will oversee the implementation of community registries, recommend operational policies and procedures, review grant allocations, and help establish program priorities.
- Communities with pockets of under-immunized children will be identified through the comprehensive 1996-1997 Statewide Retrospective Survey and related information.
- Grants will be awarded to the community health boards in the areas of highest need. These community projects will develop their own implementation plans based on local needs.
- Communities will receive training and consultation from MDH to aid the implementation of registries.
- MDH staff will conduct assessment and epidemiologic studies as needed.
- MDH staff will pilot test a statewide hub for connecting community immunization registries.

LONG-TERM IMPACT:

Minnesota immunization registries will improve the health of children and provide benefits to communities, parents, and health care providers.

Children will benefit:

- Children will be protected from vaccine-preventable diseases.
- Under-immunized groups of children will receive more services, outreach, and education.

Parents will benefit:

- Accurate shot records will always be available for each child.
- Immunization reminders and follow-up notices will help them keep children on schedule.
- The link to schools will make it easier to comply with school entry requirements.

Health care providers and health plans will benefit:

- Staff time spent searching for immunization records will be reduced.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Family Health

ITEM TITLE: Children's Health Initiative
(Continuation)

-
- The costs and risks of giving unnecessary immunizations will be reduced.
 - Quality of care will improve because of more accurate assessments and recommendations of appropriate immunizations.
 - Quality measures for health plans, such as HEDIS, can be easily generated.

Communities will benefit:

- Data to evaluate and monitor the effectiveness of immunization services, outreach, and education will be available.
- Accurate information to assess the immunization status of communities will be easily obtained.
- A system that will save dollars, protect the community, and improve family health and safety will be established.

STRATEGY: WIC "Soft Landing"

The Minnesota WIC program provides supplemental foods, nutritional counseling, and health screening for low-income, high-risk pregnant, breastfeeding, and postpartum women, infants, and children under the age of five. About 71% of the eligible population is currently served in Minnesota. Currently, 72% of WIC's funds are federal, 23% come from an infant formula rebate, and 5% come from the state general fund.

RATIONALE:

The program received notification four months into the current federal fiscal year that its federal funding would be cut substantially more than had been expected. The new federal funding will support an average monthly caseload of 95,510, a reduction of 1,750 from the currently authorized caseload level.

The requested one-time appropriation of \$650,000 will allow the program to make a "soft landing" by covering the costs for the participants who were served before the department was notified of its reduced funding level. Without this funding, an additional 1,900 participants will have to be displaced from the WIC program in the second half of the current federal fiscal year.

PROGRAM OUTCOMES:

Supplementing the diminished federal funds with one-time general funds will allow the Minnesota WIC program to avoid disrupting services to 1,900 high-risk individuals. In addition, the 68 local WIC agencies will be spared the difficult task of managing two major adjustments in caseload within a six-month period.

LONG-TERM IMPACT:

1,900 low-income, high-risk postpartum women and children who would otherwise be dropped from the WIC program during the second half of federal fiscal year 1997 will continue to receive the long-term developmental and health benefits that result from WIC participation, and will continue to benefit from the nutritious foods provided by the WIC program.

STRATEGY: Juvenile Justice Assessment Centers

Funds are recommended to develop and implement three pilot juvenile justice assessment centers in partnership with the Department of Corrections. The centers will be located in Greater Minnesota and Minneapolis/St. Paul; requests for proposals will be issued for the development of the juvenile assessment centers.

RATIONALE:

The prime objective of the centers will be to intervene early in the lives of children who are at risk of becoming offenders or more serious offenders. The assessment centers will serve as central intake and screening for children. On a pilot basis, the assessment centers will provide services needed to facilitate initial screening for children, including intake and needs assessment, substance abuse screening, physical and mental health screening, and diagnostic testing, as appropriate. Of particular concern is the identification of children affected by Fetal Alcohol Syndrome or Fetal Alcohol Effect. To ensure immediate referral services, the centers will be open 24 hours a day, seven days a week.

PROGRAM OUTCOMES:

The results of the juvenile assessment centers will be to:

- identify juveniles having needs and refer them to the appropriate youth-serving agencies;
- have centralized case information on juveniles who come into the system;
- establish a spirit of cooperation with attention focused on getting the juvenile to needed services;
- identify risk factors that highlight areas of intervention to reduce further involvement in delinquent behavior; and
- provide opportunities for on-going research and evaluation in many critical areas.

LONG-TERM IMPACT:

As a result of the program, children's needs will be identified earlier, interventions will be timely, and fewer children will enter the juvenile justice system.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MD)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Family Health

ITEM TITLE: Expansion of the Family Planning Special Project Grant Program

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Grants	\$1,100	\$1,100	\$1,100	\$1,100
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1,100,000 in F.Y. 1998 and \$1,100,000 in F.Y. 1999 to expand family planning services.

STRATEGY: *Expansion of the Family Planning Special Project Grant Program*

MDH will strengthen its comprehensive reproductive health activities for persons at risk of unintended pregnancy, through a \$1.1 million increase in funding for the Family Planning Special Project Grant Program.

RATIONALE:

The negative consequences of unintended pregnancy can be overwhelming. Girls who become pregnant are less likely to graduate from school and are more likely to need to rely on welfare programs. Other social problems include: poor pregnancy outcomes, including low birth weight infants and infant mortality; child abuse and neglect; school difficulties; and juvenile criminal activity. Also, because ambivalence about pregnancy is a primary barrier for women seeking early and adequate prenatal care, the prevention of unintended pregnancy is a cost-effective strategy for improving birth outcomes.

In Minnesota, approximately 200,000 women (adolescents and women under 200% of poverty) are at risk of unintended pregnancy and in need of subsidized family planning services. An estimated 84,000 women are currently served through publicly-funded programs. This leaves 118,000 women who are in need of low-cost family planning services and at risk for unintended pregnancy. Costs associated with family planning services have increased substantially in the last few years, resulting in fewer clients served with the funding available. An increase in funding of \$1.1 million will offset the increased costs associated with family planning services and will expand the population currently served to approximately 91,000.

PROGRAM OUTCOMES:

This increase in funding will allow MDH to expand its support of subsidized family planning services for women in need in Minnesota.

LONG-TERM IMPACT:

Expansion of the program will continue to reduce the number of unintended pregnancies in Minnesota. In addition, it is expected that an increase in family planning services for low-income Minnesotans will also: decrease the number of births to women under 20 years of age; decrease the number of low birth weight infants; and decrease the infant mortality rate.

This page intentionally left blank.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HLTH SYST & SPEC POPULATIONS
ACTIVITY: HLTH POLICY & SYST COMPLIANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	4,087	4,082	4,100	4,007	4,119	4,192	4,165	4,280
OPERATING EXPENSES	2,132	3,146	2,190	2,572	2,610	2,190	2,559	2,594
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	6,219	7,228	6,290	6,579	6,729	6,382	6,724	6,874
PAYMENTS TO INDIVIDUALS	363							
LOCAL ASSISTANCE	3,012	245	245	245	10,095	245	245	10,095
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	9,594	7,473	6,535	6,824	16,824	6,627	6,969	16,969
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
AGENCY COST INCREASES		SGS		164			173	
TECHNICAL REALLOCATIONS		GEN		65			65	
TECHNICAL REALLOCATIONS		SGS		<469>			<478>	
HEALTH CARE ACCESS INDIRECT		HCA		264			275	
ALCOHOL AND DRUG COUNSELOR LICENSURE		SGS		265			307	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				289			342	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) MEDICAL EDUCATION AND RESEARCH COSTS		GEN			10,000			10,000
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					10,000			10,000
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,072	116	137	202	10,202	138	203	10,203
STATE GOVERNMENT SPECIAL REVENUE	1,572	2,232	2,072	2,032	2,032	2,107	2,109	2,109
HEALTH CARE ACCESS	3,308	4,506	3,914	4,178	4,178	3,970	4,245	4,245
TRUNK HIGHWAY	1,512							
STATUTORY APPROPRIATIONS:								
GENERAL		136						

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HLTH SYST & SPEC POPULATIONS
ACTIVITY: HLTH POLICY & SYST COMPLIANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
SPECIAL REVENUE	858	116	55	55	55	55	55	55
FEDERAL	779	110	107	107	107	107	107	107
GIFT	357	393	250	250	250	250	250	250
TOTAL EXPENDITURES	9,594	7,473	6,535	6,824	16,824	6,627	6,969	16,969
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	136							
STATE GOVERNMENT SPECIAL REVENUE	50							
SPECIAL REVENUE	55	55	55	55	55	55	55	55
FEDERAL	782	107	107	107	107	107	107	107
GIFT	339	187	250	250	250	250	250	250
NONDEDICATED:								
GENERAL	1	1						
STATE GOVERNMENT SPECIAL REVENUE	1,186	1,494	2,022	2,565	2,565	2,194	3,046	3,046
HEALTH CARE ACCESS	77							
TRUNK HIGHWAY	38							
TOTAL REVENUES COLLECTED	2,664	1,844	2,434	2,977	2,977	2,606	3,458	3,458
FTE BY EMPLOYMENT TYPE:								
REGULAR	88.9	68.2	68.2	71.2	73.7	68.2	71.2	73.7
TEMP/SEAS/PART_TIME	2.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	91.4	69.9	69.9	72.9	75.4	69.9	72.9	75.4

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Health, Department of (MDH)
PROGRAM: Health Systems and Special Populations
ACTIVITY: Health Policy and System Compliance

ITEM TITLE: Medical Education and Research Costs

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations (MDH)	\$150	\$150	\$150	\$150
- MERC Grants (MDH)	\$9,850	\$9,850	\$9,850	\$9,850
Total	\$10,000	\$10,000	\$10,000	\$10,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 256B.69

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the MDH budget base of \$10,000,000 in F.Y. 1998 and F.Y. 1999 for additional medical education and research activities in the state of Minnesota which are currently supported by diminishing patient care dollars.

RATIONALE:

Medical education and research dollars available for clinical training and research activities are declining with increased competition in the health care market. Medical education and research are vital activities affecting not only the health care community, but the health of every citizen and the economy of the entire state. The impact of increased competition and the increasing unwillingness of purchasers to pay for the incremental cost of teaching through negotiated rates, as well as the anticipated cuts in Medicare funding for medical education, contribute to the problem of decreased funding for these activities. In addition to the recommended \$10,000,000 increase, proposed legislation authorizes the transfer of existing funding for these activities from DHS to MDH.

Rates that are paid by DHS under capitation to a health care service network have an inpatient hospital medical education component. DHS has estimated the amount of this component to be \$4,498,000 for F.Y. 1998 and \$11,887,000 for F.Y. 1999 for Medical Assistance grants and \$1,180,000 for F.Y. 1998 and \$2,961,000 for F.Y. 1999 for General Assistance Medical Care grants. For MinnesotaCare grants, DHS has estimated the amount to be \$808,000 in F.Y. 1998 and \$1,868,000 in F.Y. 1999. It is proposed that these costs be removed from the capitation rates and the dollars used to pay these costs be appropriated to MDH for the Medical Education and Research Costs (MERC) Trust Fund. The transfer of the MA and MinnesotaCare dollars is de-

pendent on federal waiver approval by the U.S. Department of Health and Human Services, Health Care Financing Agency.

MDH will use \$150,000 per year from the General Fund appropriation to administer the MERC Trust Fund, including provision of staff support to the MERC Advisory Committee, determination of eligibility for funding, determination of dollar allocation amounts for eligible programs, establishment of criteria for and subsequent review of annual cost and program reports, and preparation of annual legislative reports.

PROGRAM OUTCOMES:

Although no funds were appropriated for MERC during the 1996 session, the legislature did authorize the commissioner of health to establish a trust fund for purposes of funding medical education and research activities in the state of Minnesota. The legislature also authorized the commissioner to appoint an advisory committee to provide advice and oversight on the distribution of dollars from the trust fund. Eligible applicants for receipt of MERC funding include accredited medical education teaching institutions, consortia, and programs. MERC funds are to be distributed to all qualifying applicants based on the following criteria: 1) total medical education funds available; 2) total trainees in each eligible education program; and 3) the statewide average cost per trainee, by type of trainee, in each medical education program. MERC funds may not be used to displace current funding appropriations from federal or state sources.

LONG-TERM IMPACT:

Dollars available for clinical training and research activities will continue to decline as competition in the health care market increases. The trust fund will provide an additional source of funds to help maintain the high level of quality training and research in the state of Minnesota. Funds will support the training of needed clinicians who provide services throughout Minnesota, and continue the support of the research and training infrastructure which contributes to the Minnesota economy overall.

1998-99 Biennial Budget

BUDGET ACTIVITY: Facility and Provider Compliance
PROGRAM: Health Systems and Special Populations
AGENCY: Health, Department of (MDH)

ACTIVITY DESCRIPTION:

The Facility and Provider Compliance Division protects the health of the public by assuring the quality of care provided for patients and residents of health care organizations. The division regulates both facility based and non-facility based providers. The providers include nursing homes, hospitals, group homes for the developmentally disabled, home care, laboratories, renal dialysis centers, and physical therapists. State licenses are issued to 1,760 providers and 3,800 providers are certified to participate in the Medicare and Medicaid programs. The division operates a variety of regulatory, consultative, informational, educational, and enforcement programs to assure that health care recipients receive services which meet their health and safety needs.

The Case Mix Review Program assures that the quality and quantity of services provided to residents in certified long term care facilities are appropriate to their individual needs, and that the payment received by the facilities reflects care needed and actually provided to the individual resident. Reconsiderations and onsite audits have resulted in significant savings in rates paid by individuals and by Medical Assistance. The annualized savings resulting from reconsiderations and audits exceeds \$6,700,000.

Engineering services assures that health care facilities provide a comfortable, sanitary, and safe environment by assuring compliance with physical plant rules for state licensure and National Fire Protection Association Life Safety Code standards for federal certification of these facilities. Plans for health care facility construction and modifications are reviewed and approved; inspections of completed projects are conducted; and technical assistance concerning physical plant rules and fire safety standards is provided.

The Licensing and Certification Program provides assurance of quality care through a variety of mechanisms such as provider and consumer education; incentives; onsite inspections of health care providers; issuance of violations; preparation of inspection reports; resurveys to assure correction of violations have been made and initiation of enforcement actions when needed; complaint investigation referrals from the office of health facility complaints; processing of provider applications for licensure and Medicare or Medicaid certification; administration of the nursing assistant registry; and the collection and dissemination of information.

The Office of Health Facility Complaints (OHFC) investigates complaints filed against health care facilities and providers. OHFC investigations entail interviews with patients, family members, providers and their staff, a review of records, and an evaluation of patient care. If the investigation finds that state or federal law has been violated, the health care organization is required to take corrective action. The office works in conjunction with law enforcement agencies involving complaints of abuse or neglect under the state's Vulnerable Adults Act (VAA).

BUDGET ISSUES:

Division activities are supported by federal Medicare funds, state and federal Medicaid funds, and license fees paid by providers. The Medicaid funding is provided via a contract with the Department of Human Services and supports inspections and case mix reviews of residents of nursing homes and group homes for the developmentally disabled. As federal funding continues to decline, all division

activities are carefully scrutinized. This includes evaluation of alternative approaches to all aspects of the division's activities; review and changes to survey methodology and protocols; modifications to the complaint process to increase turnaround and response times; and prudent use of technology. The division is proactive in recommending changes at the federal level which will reduce program costs while maintaining a quality program.

The MDH is required to present a plan to the 1997 legislature on recommendations to standardize criminal disqualification standards. The recommendations are to be accompanied by legislative proposals. The department is working with an advisory group and with staff from the Department of Human Services and the Office of the Attorney General.

The department will also submit legislation amending current laws for voluntary and involuntary receiverships of nursing homes. Amendments to current laws are based on recent experiences and the need for more detailed provisions regarding department authority and responsibility, especially as it relates to the state's financial implications of receiverships.

REVENUE

The revenue generated by this activity comes from license fees charged to hospitals, nursing homes, and home care facilities. Federal revenue is received for the Medicare program. There are no proposed changes to the projected revenue for F.Y. 1998 and F.Y. 1999.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HEALTH PROTECTION

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ENVIRONMENTAL HEALTH	16,121	19,100	19,211	20,157	20,377	19,660	20,623	20,843
DISEASE PREVENTION & CONTROL	19,805	28,034	27,303	27,313	28,813	27,353	27,365	28,865
PUBLIC HEALTH LABORATORIES	5,378	6,170	5,653	5,998	5,998	5,694	5,939	5,939
TOTAL EXPENDITURES BY ACTIVITY	41,304	53,304	52,167	53,468	55,188	52,707	53,927	55,647
AGENCY PLAN ITEMS:		FUND						
AGENCY COST INCREASES		SGS		487			536	
TECHNICAL REALLOCATIONS		SGS		277			369	
NEWBORN METABOLIC TESTING		SGS		150			55	
MN RESOURCES		MNR		150				
FOOD SAFETY QUALITY ASSURANCE INITIATIVE		SGS		110			113	
ENCLOSED ARENAS		SGS		77			79	
PLUMBING PROGRAM PLACEHOLDER		SGS					18	
X-RAY INSPECTION PROGRAM		SGS		50			50	
TOTAL AGENCY PLAN ITEMS				1,301			1,220	
GOV'S INITIATIVES:		FUND						
(B) CHILD'S HLTH-COMM IMMUNIZATION REGIS		GEN			1,500			1,500
(B) WELL RECORD DATABASE ENHANCEMENT		GEN			120			120
(B) TRAINING TO INTERPRET WELL WATER QUALITY		GEN			100			100
TOTAL GOV'S INITIATIVES					1,720			1,720
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	6,832	7,510	7,352	7,352	9,072	7,468	7,468	9,188
MINNESOTA RESOURCES				150	150			
STATE GOVERNMENT SPECIAL REVENUE	10,834	12,478	11,406	12,557	12,557	11,554	12,774	12,774
METRO LANDFILL CONTINGENCY	164	193	193	193	193	193	193	193
STATUTORY APPROPRIATIONS:								
GENERAL	164							
SPECIAL REVENUE	2,877	4,063	3,576	3,576	3,576	3,576	3,576	3,576
FEDERAL	20,151	28,411	29,372	29,372	29,372	29,648	29,648	29,648
GIFT	282	649	268	268	268	268	268	268

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HEALTH PROTECTION

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL EXPENDITURES	41,304	53,304	52,167	53,468	55,188	52,707	53,927	55,647
FTE BY EMPLOYMENT TYPE:								
REGULAR	447.5	478.2	492.2	496.2	503.7	496.2	500.2	507.7
TEMP/SEAS/PART_TIME	5.6	5.4	5.4	5.4	5.4	5.4	5.4	5.4
OVERTIME	.6	.6	.6	.6	.6	.6	.6	.6
TOTAL FTE	453.7	484.2	498.2	502.2	509.7	502.2	506.2	513.7

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HEALTH PROTECTION
ACTIVITY: DISEASE PREVENTION & CONTROL

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	7,463	9,558	9,425	9,425	9,725	9,480	9,480	9,780
OPERATING EXPENSES	4,215	6,238	5,640	5,650	5,850	5,635	5,647	5,847
SUBTOTAL STATE OPERATIONS	11,678	15,796	15,065	15,075	15,575	15,115	15,127	15,627
PAYMENTS TO INDIVIDUALS	1,290	1,906	1,906	1,906	1,906	1,906	1,906	1,906
LOCAL ASSISTANCE	6,837	10,332	10,332	10,332	11,332	10,332	10,332	11,332
TOTAL EXPENDITURES	19,805	28,034	27,303	27,313	28,813	27,353	27,365	28,865
AGENCY PLAN ITEMS:		FUND						
AGENCY COST INCREASES		SGS		9			10	
TECHNICAL REALLOCATIONS		SGS		1			2	
TOTAL AGENCY PLAN ITEMS				10			12	
GOV'S INITIATIVES:		FUND						
(B) CHILD'S HLTH-COMM IMMUNIZATION REGIS		GEN			1,500			1,500
TOTAL GOV'S INITIATIVES					1,500			1,500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,432	4,761	4,539	4,539	6,039	4,601	4,601	6,101
STATE GOVERNMENT SPECIAL REVENUE	96	138	130	140	140	132	144	144
STATUTORY APPROPRIATIONS:								
GENERAL	164							
SPECIAL REVENUE	40	514	509	509	509	509	509	509
FEDERAL	14,793	21,984	21,869	21,869	21,869	21,855	21,855	21,855
GIFT	280	637	256	256	256	256	256	256
TOTAL EXPENDITURES	19,805	28,034	27,303	27,313	28,813	27,353	27,365	28,865

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH DEPT
PROGRAM: HEALTH PROTECTION
ACTIVITY: DISEASE PREVENTION & CONTROL

			FY 1998			FY 1999		
			-----			-----		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====			=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	199							
SPECIAL REVENUE	19	488	509	509	509	509	509	509
FEDERAL	14,970	21,996	22,041	22,041	22,041	22,027	22,027	22,027
GIFT	169	230	107	107	107	107	107	107
=====			=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	15,357	22,714	22,657	22,657	22,657	22,643	22,643	22,643
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	160.9	173.1	171.1	171.1	176.6	171.1	171.1	176.6
TEMP/SEAS/PART_TIME	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
=====			=====	=====	=====	=====	=====	=====
TOTAL FTE	163.2	175.4	173.4	173.4	178.9	173.4	173.4	178.9
=====								

This page intentionally left blank.

1998-99 Biennial Budget

AGENCY: Dentistry, Board of

AGENCY DESCRIPTION:

The mission of the Board of Dentistry is to ensure that citizens of Minnesota receive quality dental health care from competent dental health professionals. This is accomplished by licensing dentists and dental hygienists and registering dental assistants whose fitness to practice has been tested and whose training and other qualifications meet the standards established by the board. The board also protects the public at large by receiving, investigating and resolving complaints filed against regulated dental professionals. Board rules are amended to reflect changing technology, scientific advancements and current standards of dental care.

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees are set to recover all direct and indirect costs.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Direct Costs:	595	550	724	742	760
Indirect Costs:					
Statewide Indirect	15	6	16	16	16
Attorney General	456	469	420	408	408
Adminis. Services Unit	9	19	19	19	20
Health Professional					
Services Program	17	3	6	7	8
HIV/HBV Health Dept.	<u>10</u>	<u>4</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total Costs:	\$1,102	\$1,051	\$1,193	\$1,200	\$1,200
Revenues:					
Non-dedicated	<u>971</u>	<u>1,128</u>	<u>1,163</u>	<u>1,163</u>	<u>1,163</u>
Total Revenue:	971	1,128	1,163	1,163	1,163
Surplus (Shortfall)	131	77	30	(37)	(57)
Accumulated Ending					
Surplus/(Shortfall)					
or Carry forward	\$47	\$124	\$94	\$57	\$-0-

WORKLOAD/EFFICIENCY MEASURES:

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
No. Licensed Dentists	3,752	3,760	3,770	3,770	3,770
No. Licensed Hygienists	3,102	3,214	3,291	3,300	3,305
No. Registered Assistants	4,788	4,917	5,000	5,000	5,000
No. Initial Dental Licenses	61	109	105	105	105
No. Initial Hygiene Licenses	150	164	160	160	160
No. Initial Assistant Regist	432	388	345	360	360

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
No. Dentists Lic. By Credential	13	7	10	12	12
No. Hygienists Lic. By Credential	16	20	18	19	20
No. Credential Candidates Denied	2	1	2	3	3
No. Complaints	251	249	250	255	255
No. Disciplinary Actions*	13	15	14	14	14
No. Corrective Action Agreements	12	11	14	15	15
No. Continuing Ed. Terminations	30	18	20	20	30

*Excludes disciplinary actions restoring license to unconditional status.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Although the board has consistently underspent its appropriation, its indirect costs have continued to rise causing the board to raise fees in the past when necessary. All of the board's revenues are derived solely from fees imposed on its regulated individuals. While the number of dental hygienists and registered dental assistants is expected to increase over the next few years, the number of dentists is expected to either remain the same or decrease. It is anticipated, therefore, that the board's revenues derived from annual renewal fees will remain essentially the same or increase slightly.

The board worked with the Attorney General's Office to discover and implement several cost-saving measures related to the board's complaint resolution process. For example, the board plans to utilize the expertise of general and specialty dentists in reviewing dental patient records--an integral, but time-consuming part of the complaint resolution process. Another planned cost-saving measure is to have certain legal documents drafted by board staff rather than by Attorney General's Office staff. The board's goal is to offset the increase in Attorney General's Office costs by relying more on services by existing board staff.

Because of these changes, along with the board's plans to use computer technology to a greater extent, i.e. to produce statistical complaint status reports and to communicate via e-mail, it is anticipated that the board's direct costs will increase slightly while its indirect costs should decrease, thereby avoiding an increase in annual renewal fees collected from regulated persons.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

This page intentionally left blank.

1998-99 Biennial Budget

AGENCY: Nursing, Board of

AGENCY DESCRIPTION:

The Board of Nursing is a regulatory agency of the state of Minnesota whose mission is to protect the public's health and safety by providing reasonable assurance that the persons who practice nursing are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role. The primary governing statutes are found in M.S. 148.171-148.285, chapter 214 and chapter 319A.

The board strives to achieve this mission through the following activities:

- Testing applicants for licensure as a registered nurse (RN) or licensed practical nurse (LPN) and granting licenses to those who qualify;
- Renewing registration of existing licensees;
- Developing and applying rules governing nursing practice;
- Registering public health nurses who meet qualifications;
- Authorizing nurse practitioners and clinical specialists in psychiatric and mental health nursing to prescribe drugs and therapeutic devices;
- Recording number of certified nurse midwives;
- Receiving and taking action on complaints alleging a violation of statutes or rules enforced by the board;
- Verifying licensure status of Minnesota licensees to other states and countries;
- Approving nursing programs which prepare for licensure;
- Registering professional nursing corporation..

REVENUES

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees are set to recover all direct and indirect costs.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Direct Costs:					
Operational Costs	\$1,486	\$1,459	\$2,065	\$1,832	\$1,871
Computer System		493	350	235	235
Indirect Costs:					
Statewide Indirect	36	35	34	34	34
Attorney General	268	376	500	575	575
Administrative Service Unit	15	45	47	52	54
Health Professional Services Program	68	96	153	157	160
HIV/HBV Health Dept.	38	67	79	79	79
TOTAL COSTS:	\$1,911	\$2,571	\$3,228	\$2,964	\$3,033
Revenue:					
Non-dedicated	2,201	2,364	2,573	3,000	3,000
Total Revenue:	2,201	2,364	2,573	3,000	3,000

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Surplus (Shortfall)	290	(207)	(655)	36	(33)
Accumulated Ending Surplus/(Shortfall) or Carry forward	\$879	\$672	\$17	\$53	\$20

WORKLOAD/EFFICIENCY MEASUREMENTS:

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Credentialling:					
New Licenses Granted (RN & LPN)	4,309	4,138	4,200	4,300	4,300
Registrations in Effect (RN & LPN)	76,406	77,471	77,500	78,000	78,500
Public Health Registrations Granted	487	575	625	700	775
Prescribing Authority					
Nurse Practitioners	594	668	700	725	750
Clinical Nurse Specialists	0	19	25	29	30
Nurse Midwives	0	71	80	90	100
Complaints					
Written Jurisdictional Complaints Received	1,014	926	950	975	1,000
Disciplinary Actions Taken	244	168	200	210	225

EXPLANATION OF AGENCY'S BUDGET PLAN:

The board will continue to operate its statutorily mandated programs including processing disciplinary complaints in as efficient and effective manner as possible and maintain a high level of public responsiveness utilizing the existing resources.

The plan provides an increase in indirect costs in funding Attorney General, Administrative Support Unit and the HPSP costs. The increases are due to increases in activity with each unit and in some cases an increase in rates.

\$235,000 each year is requested for completion of the planning, development and installation of a new computer system that was begun in F.Y. 1996. All increased expenditures will be funded by an increase in the biennial registration renewal fee.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PHARMACY BOARD
PROGRAM: PHARMACY, BOARD OF
ACTIVITY: ADMIN SCVS UNIT - HEALTH BDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	161	160	180	180	180	185	185	185
OPERATING EXPENSES	24	68	36	73	73	37	76	76
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	185	228	216	253	253	222	261	261
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	185	228	216	253	253	222	261	261
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
-----		-----						
AGENCY COST INCREASES		SR		37			39	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS				37			39	
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	185	228	216	216	216	222	222	222
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE				37	37		39	39
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	185	228	216	253	253	222	261	261
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TEMP/SEAS/PART_TIME	.5	.5	.5	.5	.5	.5	.5	.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

AGENCY: Podiatric Medicine, Board of

AGENCY DESCRIPTION:

The Board of Podiatric Medicine is responsible for protection of the public from being subject to incompetent, unethical, and/ or unprofessional health services in the field of Podiatric Medicine. The board carries out its responsibility by ensuring that only persons who meet the legal qualifications for licensure are granted a license to practice podiatric medicine; periodically re-assessing its licensure related procedures on the basis of changes in podiatric medical education and training, in an effort to improve the quality of podiatric medical services provided to the public; and disciplining with fairness and consistency those licensees who violate laws pertaining to the ethical and competent practice of podiatric medicine.

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Fund. Fees are set to recover direct and indirect costs.

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Direct Costs:	\$26	\$40	\$40	\$33	\$33
Indirect Costs:					
Statewide Indirect	4	3	1	3	3
Attorney General	4	4	8	10	10
Administrative Services	1	1	1	1	1
Health Professional Services Program	1	1	1	1	1
HIV/HBV Health Dept.	<u>1</u>	<u>-0-</u>	<u>1</u>	<u>1</u>	<u>1</u>
TOTAL COSTS:	37	32	52	49	49
Revenue:					
Non-dedicated	<u>39</u>	<u>41</u>	<u>51</u>	<u>48</u>	<u>48</u>
TOTAL REVENUE:	39	41	51	48	48
Surplus (Shortfall)	<u>2</u>	<u>9</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Accumulated Ending Surplus (Shortfall) or Carry forward	\$10	\$19	\$18	\$17	\$16

WORKLOAD/EFFICIENCY MEASUREMENTS:

The figures shown below are based upon end-of-fiscal-year data. It should be noted that the figures for numbers of licensees, new licensees, holders of temporary permits, and terminations (non-renews)

cannot be equated with the projected revenues expected to be received from each category in the corresponding fiscal year: renewals are for 2 years, meaning that approximately half of the total number of licensees renew each year: applications for licensure and temporary permits are frequently made in one fiscal year and the license or temporary permit is granted in the next fiscal year, or in some cases, even later.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Total number licensees	130	135	140	144	150
Number new licensees	7	12	12	12	12
Number temporary permits	18	18	18	18	18
Number of terminations	6	4	4	4	4
Number written complaints	10	11	12	12	12
Number complaints dismissed	7	5	10	10	10
Number corrective actions	0	3	3	3	3
Number licensees disciplined	0	1	2	1	1
Average number months dismissed	6	6	6	5	4
Average number months C action	0	8	8	6	6
Average number months discipline	0	18	21	12	12

EXPLANATION OF AGENCY BUDGET PLAN:

The board will operate within the current level of funding, adjusted for inflation, and within the current fee structure.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PODIATRY BOARD
PROGRAM: PODIATRY, BOARD OF
ACTIVITY: PODIATRY, BOARD OF

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2	2	2	2	2	2	2	2
OPERATING EXPENSES	24	39	34	34	34	34	34	34
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	26	41	36	36	36	36	36	36
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	26	41	36	36	36	36	36	36
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	23	40	33	33	33	33	33	33
OPEN APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	3	1	3	3	3	3	3	3
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	26	41	36	36	36	36	36	36
REVENUE COLLECTED:								

NONDEDICATED:								
STATE GOVERNMENT SPECIAL REVENUE	41	51	48	48	48	48	48	48
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	41	51	48	48	48	48	48	48
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Psychology, Board of

AGENCY DESCRIPTION:

The practice of psychology in Minnesota affects the public health, safety, and welfare. The regulations in M.S. 148.88 through 148.98 protect the public from the practice of psychology by unqualified persons and from unethical and unprofessional conduct by persons licensed to practice psychology. This agency exists to enforce these statutes and the rules promulgated thereto by ensuring that only persons who meet the qualifications for licensure are granted licensure, and by disciplining with fairness and consistency those licensees who violate rules and laws pertaining to the ethical and competent practice of psychology.

The board was created to protect the public. It accomplishes that goal by enforcing rules and laws for licensing psychologists and psychological practitioners, and by regulating their professional conduct. The board scrutinizes applicants' education and training for compliance with board requirements for licensure, administers to applicants a state and a national standardized examination on the practice of psychology, educates the public about the requirements for licensure and the rules of conduct for applicants and licensees, requires and approves continuing education for licensees, and accepts and investigates complaints from the public (including other licensees), which allege violations of the Psychology Practice Act by applicants and licensees of this board.

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees are set to recover all direct and indirect costs.

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Direct Costs:	\$295	\$353	\$454	\$424	\$436
Indirect Costs:					
Statewide Indirect	8	-0-	8	8	8
Attorney General	204	317	250	257	261
Revenue Refund	1	-0-	-0-	-0-	-0-
Adminis. Service Unit	4	9	10	12	13
TOTAL COSTS	\$512	\$679	\$722	\$701	\$718
Revenues:					
Non-dedicated	424	456	940	782	782
TOTAL REVENUE	424	456	940	782	782
Surplus (Shortfall)	(88)	(223)	218	81	64
Accumulated Ending Surplus (Shortfall) or Carry forward	(155)	(378)	(160)	(79)	(15)

WORKLOAD/EFFICIENCY MEASUREMENTS:

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Total Licensees-LP*	2,923	3,212	3,412	3,682	3,912
New Licensees-LP	189	198	200	270	230
Total Licensees-LPP**	3	12	20	28	38
New Licensees-LPP	7	8	8	10	10
Applicants for Examination	709	709	720	730	700
Complaints Received	192	191	234	245	260
Complaints Closed	127	109	115	130	155
Licensees Disciplined	16	18	20	27	35

* LP=Licensed Psychologist

**LPP= Licensed Psychological Practitioner

EXPLANATION OF AGENCY'S BUDGET PLAN:

The board has rewritten its practice act making it easier to understand and follow. Bringing the agency's entire set of rules up to date is the agency's next project for which preliminary planning has already begun.

The agency has not raised the amount it plans to spend on legal services from the Attorney General's Office (AGO). Instead, it has begun planning with that office how Board of Psychology funds will be and will not be spent in the next biennium. This includes plans to shift some of the investigative duties from AGO staff to board staff, which results in a lower revenue outlay, and to make more extensive use of alternative dispute resolutions so that we face fewer contested case hearings.

During the 1996 legislative session, the board obtained the legislative authority to levy civil penalties on applicants or licensees found in violation of the Psychology Practice Act in order to discourage repeat violations. Although we are unable to predict or project the impact this added revenue will have on the board's income, the board anticipates that there will be some revenue realized from this source. In addition, the board has had a significant fee increase effective November 1996, the first since 1991, and a special assessment, both of which were designed to balance the budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-99 Biennial Budget

AGENCY: Social Work, Board of

AGENCY DESCRIPTION:

The Minnesota Board of Social Work, in accordance with M.S. Ch. 148B, regulates social work practice. The board's regulatory scheme is intended to insure that: 1) social workers meet the necessary requirements for initial licensure; 2) social workers obtain the supervision and continuing education necessary for continued licensure, as monitored by a biennial renewal process; and 3) social workers comply with the laws and the rules that the board is empowered to enforce.

While the primary tool for insuring compliance with the laws and rules is the complaint process, the board also monitors licensees' scope of practice. The board also educates licensees and the public about appropriate social work practice.

The board continues to work toward completion of its three priorities, which were established in the fall of 1994. The goals established at that time were, by July 1996: 1) To have in place a complaint process where all new routine complaints against social workers are resolved within six months, and where non-routine complaints are resolved within one year; 2) To have a proposal for a simplified licensing structure that is consistent with and furthers quality social work practice for the public; and 3) To have in place an educational process whereby all stakeholders are informed of the board's purpose, vision and regulations, as well as expected standards of practice; and consumers are aware of the board's purpose, and vision, have an understanding of the scope of practice of social workers, and the availability of a complaint process.

While not yet down to six months, the time frame for processing complaints has been reduced significantly. Out of fairness to licensees under investigation, the board is committed to reducing the time frame for resolving complaints. Beginning in 1997, the board will be publishing its progress toward achieving this goal.

The board has spent a significant amount of time in looking at other licensing structures that are more "simplified." At the same time, the board's Executive Director is now serving as co-chair of a Model Law Task Force, established by the American Association of State Social Work Boards. The board has decided to postpone any decision on changing the structure until the Model Law Task Force has completed its charge of establishing a model Practice Act for the regulation of social work practice.

Finally, the board continues to work toward increased contact and dialogue with the profession. The board has had some success in its public education activities, particularly in its efforts to inform students at accredited programs of social work about licensure requirements.

The board also continues to meet regularly with its Advisory Committee, which consists of representatives of the following social work organizations: Coalition of Licensed Social Workers; Minnesota Conference on Social Work Education; Minnesota Nursing Home Social Workers Association; Minnesota School Social Workers Association; Minnesota Social Services Association; Minnesota Society for Clinical Social Work; National Association of Social Workers; and the Society for Social Work Administrators in Health Care.

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees are set to recover all direct and indirect costs.

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Direct Costs:	\$445	\$476	\$593	\$715	\$588
Indirect Costs:					
Statewide Indirect	18	6	9	9	9
Attorney General	123	149	150	175	175
Revenue Refund	2	-0-	-0-	-0-	-0-
Administrative	6	14	14	17	17
Services unit					
TOTAL COSTS:	594	645	766	916	789
Revenue:					
Non-dedicated	667	726	726	743	768
TOTAL REVENUE:	667	726	726	743	768
Surplus (Shortfall)	73	81	(40)	(173)	(21)
Accumulated Ending Surplus (Shortfall) or Carryforward:	170	251	211	38	17

WORKLOAD/EFFICIENCY MEASUREMENTS:

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Total Current Licensees	8,800	8,925	9,450	9,550	9,675
Licensed Social Worker	5,000	5,075	5,150	5,425	5,500
Lic. Graduate Social Worker	750	800	850	875	875
Lic. Independent Social Worker	850	800	750	925	925
Lic. Indep. Clinical Soc. Worker	2,200	2,250	2,300	2,325	2,375
Number of Complaints	175	175	175	175	175
No. Of Disciplinary Actions	13	15	20	20	20

EXPLANATION OF AGENCY'S BUDGET PLAN:

The board's budget initiatives cover the areas of administration, public educations, and complaint resolution.

In the area of administration, the board requests one-time funding of \$50,000 to make changes to its computer database, and \$30,000 to complete the microfilming of its records. The funding for the database will allow the board to complete the programming necessary to implement the proposed changes. It is expected that the completion of the database will assist the board in maintaining current staffing levels in its licensure unit and may enable the board to decrease staffing over time. The

1998-99 Biennial Budget

AGENCY: Social Work, Board of
(Continuation)

funding for the microfilming, both for the one-time expenditure in F.Y. 1998 and a \$10,000 per year increase to the board's base budget will enable the board to secure the safety of its records in a more timely fashion.

In the area of public education, the board requests one-time funding of \$50,000 to develop a licensure manual for the benefit of the board's licensees. This manual will include all laws and rules relevant to the majority of social workers, as well as a description of the board's complaint process. One-time funding of \$10,000 for computer equipment will assist the board in its public presentations.

Also, \$10,000 per year is requested for ongoing public education.

Finally, in the area of complaint resolution, \$32,000 is requested for the addition of one staff person to enable the board to continue its efforts to handle as much of the complaint resolution process in-house as possible. The addition of a clerical support person will enable the board's investigative staff to devote more time to complaint resolution and decrease the board's expenditures for services provided by the Attorney General's office. Having the staff to handle more complaints in-house will also assist the board in meeting its goal of resolving complaints in a more timely manner.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: SOCIAL WORK BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	501	501			501	501		
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	16	16			16	16		
1998-99 COMPENSATION INFLATIO	10	19			10	19		
DOC SPACE RENT/LEASE INCR/DEC	3	4			3	4		
SMALL AGENCY S & E INFLATION	2	5			2	5		
SUBTOTAL BASE ADJ.	31	44			31	44		
BASE LEVEL	532	545			532	545		

1998-99 Biennial Budget

AGENCY: Veterinary Medicine, Board of

AGENCY DESCRIPTION:

The Board of Veterinary Medicine is the licensing agency for veterinarians in Minnesota, established under M.S. 156 to ensure that veterinary practitioners meet and maintain competency standards.

The board reviews all license applications, prepares and administers the State Board Examination, and administers the National Board Examination and Clinical Competency Test to qualified applicants. Consumer complaints are processed and investigated. When indicated, the board inspects veterinary premises for sanitation, conducts license disciplinary hearings and disciplines veterinarians found to be in violation of M.S. 156. The board also develops, alters or amends rules governing the practice of veterinary medicine in Minnesota. Routinely, fees are collected for licensure examinations, biennial license renewal, certifying new veterinary corporations, and annually renewing current corporations.

REVENUES:

This activity generates non-dedicated revenue in the State Government Special Revenue Fund. Fees are set to recover all direct and indirect costs.

	Dollars in Thousands				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Direct Costs:	\$110	\$154	\$156	\$141	\$144
Indirect Costs:					
Statewide Indirect	4	4	5	5	5
Attorney General	38	113	120	120	120
Administrative ServicesUnit	<u>2</u>	<u>3</u>	<u>3</u>	<u>6</u>	<u>6</u>
TOTAL COSTS:	154	274	284	272	275
Revenue:					
Non-dedicated	<u>143</u>	<u>258</u>	<u>323</u>	<u>270</u>	<u>270</u>
TOTAL REVENUE:	143	258	323	270	270
Surplus (Shortfall)	<u>(11)</u>	<u>(16)</u>	<u>39</u>	<u>(2)</u>	<u>(5)</u>
Accumulated Ending Surplus (Shortfall) or Carry forward	\$7	\$(9)	\$30	\$28	\$23

WORKLOAD/EFFICIENCY MEASUREMENTS:

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Examination Applicants	159	151	150	150	150
New Licenses Issued	117	95	92	92	92
Licenses Renewed	2,875	2,585	1,200	1,100	1,100
Licenses Dropped or Lapsed	85	264	185	125	100
Complaints Processed	38	31	35	35	35

EXPLANATION OF AGENCY'S BUDGET PLAN:

Agency revenues and expenditures will decrease by \$20,000 annually as a result of a change in the procedures for purchasing licensure examinations. Currently, the licensure candidate pays fees to the board which in turn purchases examination tests. In the future, the candidate will pay the cost of the examination tests directly to the supplier.

The board proposes to charge an application fee to licensure candidates to offset associated board and administrative expenses. The candidates examination costs will be unaffected by these changes.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: OMBUDSMAN FOR MH & MR
PROGRAM: OMBUDSMAN FOR MH & MR
ACTIVITY: OMBUDSMAN FOR MH & MR

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	899	996	1,043	1,043	1,083	1,043	1,043	1,083
OPERATING EXPENSES	152	223	151	151	316	155	155	240
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,051	1,219	1,194	1,194	1,399	1,198	1,198	1,323
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,051	1,219	1,194	1,194	1,399	1,198	1,198	1,323
=====								
GOV'S INITIATIVES:								

(B) CIVIL COMMITMENT		GEN			125			125
(B) INFORMATION TECHNOLOGY		GEN			80			
=====					=====			=====
TOTAL GOV'S INITIATIVES					205			125
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,051	1,219	1,169	1,169	1,374	1,198	1,198	1,323
CARRY FORWARD:								
GENERAL			25	25	25			
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,051	1,219	1,194	1,194	1,399	1,198	1,198	1,323
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	18.0	17.0	17.0	17.0	18.0	17.0	17.0	18.0
TEMP/SEAS/PART_TIME	.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	18.5	19.7	19.7	19.7	20.7	19.7	19.7	20.7

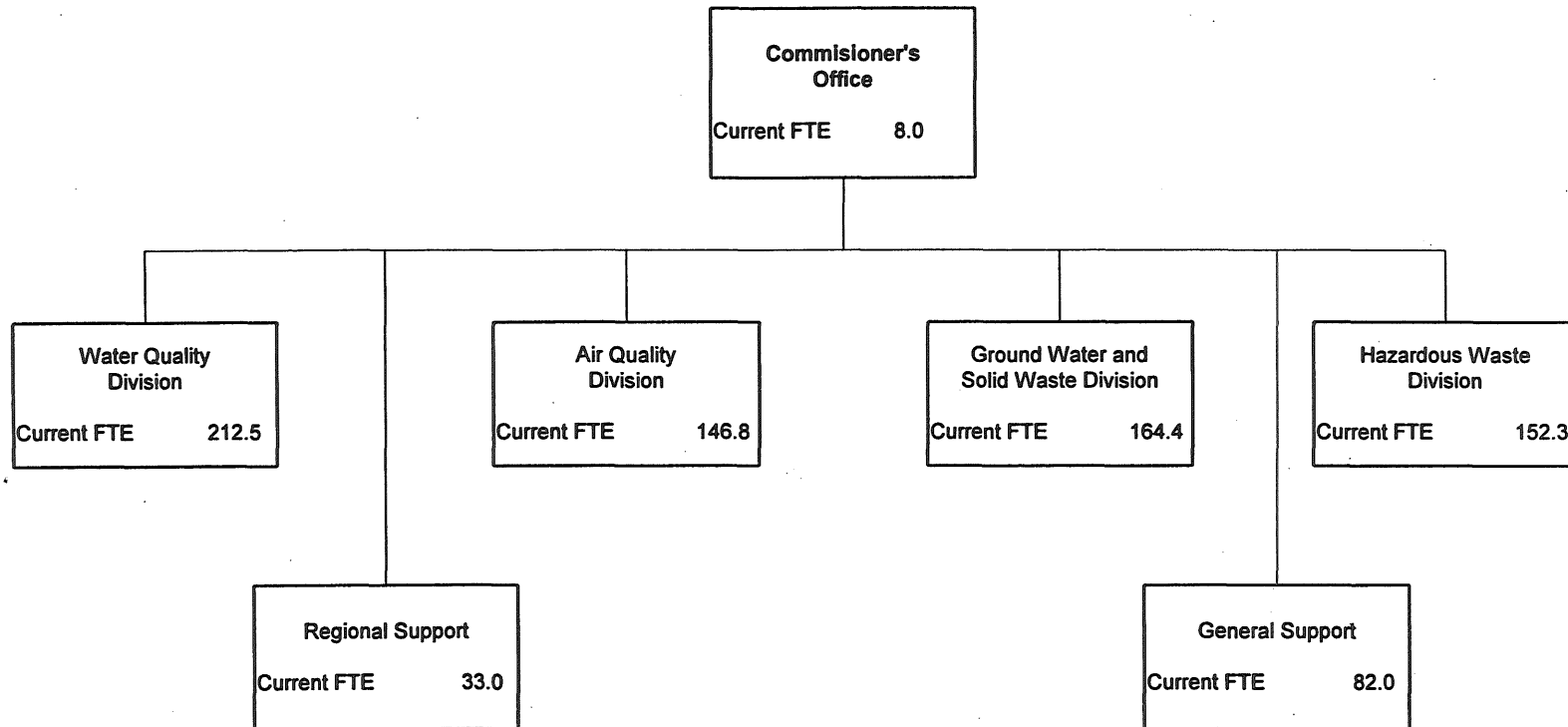
STATE OF MINNESOTA - DEPARTMENT OF FINANCE
 BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
 BY SEC SEQ

AGENCY: OMBUDSMAN FOR MH & MR

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	1,097	1,097	1,097	1,097				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	43	43	43	43				
1998-99 COMPENSATION INFLATIO	25	50	25	50				
SMALL AGENCY S & E INFLATION	4	8	4	8				
SUBTOTAL BASE ADJ.	72	101	72	101				
BASE LEVEL	1,169	1,198	1,169	1,198				

Minnesota Pollution Control Agency

Organization Chart 7/1/96



1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Pollution Control Agency (MPCA)

Fund: General Direct Appropriations

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$9,420	\$9,420	\$18,840
<u>BASE ADJUSTMENT</u>			
Biennial Appropriations	1,946	-0-	1,946
Systems Development Costs	(400)	(400)	(800)
1998-99 Compensation Inflation	151	305	456
Annualization of New Program Costs	<u>45</u>	<u>45</u>	<u>90</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$11,162	\$9,370	\$20,532
<u>AGENCY DECISION ITEMS</u>			
Information Systems Support	<u>450</u>	<u>400</u>	<u>850</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$11,612	\$9,770	\$21,382
<u>GOVERNOR'S INITIATIVES</u>			
Water Monitoring	1,312	1,038	2,350
Community Technical Assistance	435	435	870
Hydrogen Sulfide	208	92	300
Individual Sewage Treatment Systems	200	200	400
Wastewater Infrastructure Fund	214	214	428
Minnesota Frog Investigation	<u>140</u>	<u>60</u>	<u>200</u>
	2,509	2,039	4,548
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$14,121	\$18,809	\$29,930

Brief Explanation of Agency Plan:

Base Level Adjustments:

- The biennial appropriation is for Clean Water Partnership grants.
- Systems Development costs for Project DELTA are removed.
- The Annualization of New Program Costs includes 2 items: an appropriation of \$200,000 for statistically based water quality monitoring is annualized; and the operating costs for water quality monitoring stations are reduced by \$55,000 a year which had been appropriated for one-time start-up costs.

Agency Decision Item:

- The agency initiative includes funds to maintain the investments made in the DELTA computer system to continue improved customer service and staff productivity.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan and further recommends the following 6 initiatives:

- Water Monitoring to provide necessary data to determine problems, trends and effective solutions to improve environmental outcomes.
- Technical assistance for communities to leverage resources to improve and maintain Minnesota's water quality.
- Resources to begin to address the issues surrounding hydrogen sulfide, particularly as they relate to feedlots.
- Resources to assist in addressing failing septic systems which impact water quality.
- Operating funds for the Wastewater Infrastructure Fund so that resources to improve water quality are dispersed in a timely manner.
- Resources to continue field work and analysis to determine the cause(s) of deformities found in frog populations.

1998-99 Biennial Budget

AGENCY: Pollution Control Agency (MPCA)

AGENCY DESCRIPTION:

The mission of the Minnesota Pollution Control Agency (MPCA) is to protect and improve Minnesota's water, air and land to maintain and improve the quality of life for its citizens. To achieve this mission, the agency develops common goals with customers of all types to establish a broad plan for action to protect the environment; forms alliances with a broad spectrum of customers to achieve shared environmental goals; and continues to build a comprehensive process for measuring environmental outcomes of the activities conducted to achieve these goals. Authority is provided under Minnesota Statutes, Chapter 116.

Activities conducted to meet these shared goals include: setting environmental standards and issuing permits to meet these standards; providing technical, educational, and financial assistance to those required to meet the standards as well as to those seeking to improve the environment on a voluntary basis, including pollution prevention; monitoring and assessing the environment for current conditions, problem investigation, and effectiveness of activities such as Best Management Practices; providing compliance and, when necessary, taking enforcement action; supervising cleanup and remediation of contaminated sites; responding to environmental threats such as spills; and providing a public forum for discussion of environmental issues.

Currently the agency is organized into 6 divisions and 5 regional offices. The divisions are: Water Quality, Air Quality, Groundwater and Solid Waste; Hazardous Waste; Administrative Services; and Regional Offices. The regional offices are located in Brainerd, Detroit Lakes, Duluth, Marshall and Rochester. These offices help provide a service delivery system which is closer to the customer.

AGENCY ISSUES:

Minnesota is a diverse state with an abundance of natural resources. Environmental priorities and issues vary within the regions of the state. We need to approach protection of the environment in a geographic manner. Nonpoint pollution is a primary issue in the Minnesota River Basin, while unsewered and under-sewered communities as well as individual septic systems are a top priority in the Lakes regions. Approaches to point sources and nonpoint sources must be integrated. We must work with all interested parties to develop shared goals and strategies to reach those goals on a geographic basis.

No longer is command and control the preferred method of protecting the environment. Decisions should look at environmental outcomes. Working with the regulated community regulatory innovation and on self audits can achieve positive environmental results. Minnesota has been a leader with Project XL in looking at ways to work with industry and municipalities to achieve superior environmental results with flexible permits. Our Environmental Auditing Program focuses on first providing technical assistance and help to regulated parties rather than taking enforcement action.

In addition, we have begun to work with individual business sectors, such as the printing industry and mining, to look at a holistic approach to pollution prevention and regulation.

AGENCY STRATEGIES:

The agency is committed to being a customer-focused, risk-based environmental protection organization. To this end, we have undertaken a major strategic planning effort over the past year

to address how best to meet our mission and goals in today's world. We will be restructuring our organization over the next year to better meet the issues facing the agency.

This budget plan will allow the agency to achieve the following outcomes:

- Establish and improve partnerships with other agencies and customers to better leverage resources to achieve shared environmental goals.
- Continue education, outreach, and technical assistance efforts in order to increase pollution prevention and maintain efforts abating pollution.
- Continue efforts with regulatory innovations so that superior environmental results are achieved with less red tape.
- Continue developing and refining environmental indicators using scientific data and assessments to guide planning, priorities, and decisions.
- Provide a regulatory system that takes a holistic approach to protecting the environment based on desired environmental outcomes.
- Use a geographic approach to environmental protection to address the most pressing needs in a region.
- Promote sustainable development through a balanced approach to environmental protection and economic development.

SUMMARY OF BUDGET REQUEST:

The agency budget plan includes the following:

The LCMR has recommended the following projects:

- Red River Valley Planning and Management: \$375,000 to create an ecosystem plan for the Red River Valley.
- Water Quality Indicators of Endocrine Disrupting Chemicals: \$250,000 to monitor and research the effects of endocrine disrupting chemicals in surface on fish and wildlife.
- On-site Sewage Treatment Alternatives: Pathogen Removal/Technology Transfer: \$500,000 to develop and demonstrate and promote reliable, low cost alternative designs for septic systems in areas with seasonally high water tables, and designs for removal of nitrogen by septic systems and evaluate their effectiveness at pathogen removal.
- Atmospheric and Nonpoint Trends in Minnesota Lakes: \$325,000 to help document geographic and historic trends in lake eutrophication and inputs of toxic metals.
- Expanded Applications for Metropolitan Groundwater Model: \$300,000 to expand the application for the model to enhance its usefulness in evaluating potential threats to public water supplies and evaluating effectiveness of remediation approaches.

Protection of the Air Program

- State Match Requirements: To leverage the maximum amount of federal funds, we are requesting

1998-99 Biennial Budget

AGENCY: Pollution Control Agency (MPCA)
(Continuation)

\$1,100,000 for the biennium from additional permit fees to meet our federal match requirement. These additional funds will help assess human health and environmental impacts of air emissions, including work on mercury.

Protection of the Land

- Leaking Underground Storage Tank Program: To continue the rapid investigation, remediation, and closure of sites contaminated by leaking petroleum storage tanks so they no longer represent a threat to human health or the environment, we are requesting \$1,320,000 for the biennium.
- Management of Motor Vehicle Wastes: To prevent, manage and remediate pollution caused by motor vehicles, we are requesting \$655,000 for the biennium from the balance in the Motor Vehicle Transfer Account. These funds will support work on waste tires, used oil, and salvage yards.

General Support

- Management Information System Support: To assist in providing information and improved customer service, we are requesting \$600,000 for the biennium from the Environmental Fund and \$850,000 from the General Fund to support basic, on-going costs associated with the new DELTA system.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan and recommends that following initiatives:

- Water Monitoring: To provide necessary information to assess the outcomes of actions affecting both groundwater and surface water, \$2,350,000 for the biennium is recommended. Of this amount, \$850,000 will be passed through to the Metropolitan Council.
- Community Technical Assistance and Education: To ensure effective management and protection of the environment, in partnership with local communities, \$870,000 for the biennium is to provide technical assistance in regional offices. This recommendation includes funds which will be used in the communities to support local efforts.
- Hydrogen sulfide/Feedlots: To provide information on the environmental effects of hydrogen sulfide, particularly as they relate to feedlot odors, \$300,000 is recommended for the biennium.
- Individual Sewage Treatment Systems: To begin implementation of recommendations generated by discussions with interested parties on improvements to address the environmental impact of individual sewage treatment systems, \$400,000 is recommended for the biennium.
- Water Quality Point Source Maintenance: To support the Point Source activity in meeting the stretch goals recommended by the Blue Ribbon Advisory Committee, an increase in the fee appropriation of \$1,911,000 is recommended for the biennium. Goals include reducing the average number of weeks to issue a permit, and reducing the permit backlog by June 1999.

- Wastewater Infrastructure Fund Operating Support: To provide operating support to the Wastewater Infrastructure Fund program so that funds to prevent and control adverse affects of point source pollution to surface water can be accomplished on a timely basis, \$428,000 for the biennium is recommended.
- Superfund: To continue the state's progress in cleaning up Superfund sites so that the land is returned to productive use, \$7,800,000 is recommended for the biennium. This should be funded by removing the sunset on the Motor Vehicle Transfer Fee and using funds generated in F.Y. 1998-99 to support this program.
- Frog Research: To continue field work and analysis, in cooperation with other institutions and interested parties, to determine the cause(s) of abnormalities in the frog population, \$200,000 is recommended for the biennium.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CONTROL AGENCY

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
PROTECTION OF THE WATER	15,753	19,881	17,522	18,603	21,973	15,467	15,423	18,110
PROTECTION OF THE AIR	16,408	17,524	17,240	17,736	17,736	16,638	17,411	17,411
PROTECTION OF THE LAND	32,440	48,176	52,020	53,152	57,052	48,084	48,716	52,616
GENERAL SUPPORT	11,428	13,449	9,664	10,681	10,915	9,789	10,855	11,023
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	76,029	99,030	96,446	100,172	107,676	89,978	92,405	99,160
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	121	129		1,250	1,250			
GENERAL	8,304	10,375	11,162	11,612	14,121	9,370	9,770	11,809
MINNESOTA RESOURCES	960	1,050		500	500			
PETROLEUM TANK RELEASE CLEANUP	1,972	3,073	2,675	3,335	3,335	2,725	3,385	3,385
STATE GOVERNMENT SPECIAL REVENUE	22	60	42	42	42	43	43	43
SPECIAL REVENUE	703	791	740	740	740	755	755	755
ENVIRONMENTAL	18,602	20,770	18,272	19,138	20,233	18,682	20,049	20,865
METRO LANDFILL CONTINGENCY	84	184	137	137	137	140	140	140
SOLID WASTE	5,156	6,389	6,039	6,039	6,039	6,183	6,183	6,183
STATUTORY APPROPRIATIONS:								
PETROLEUM TANK RELEASE CLEANUP	1,048	1,631	1,500	1,500	1,500	1,500	1,500	1,500
SPECIAL REVENUE	12,283	13,721	11,929	11,929	11,929	11,346	11,346	11,346
FEDERAL	15,244	18,675	19,476	19,476	19,476	14,031	14,031	14,031
ENVIRONMENTAL	1,064	2,319	1,758	1,758	5,658	2,487	2,487	6,387
METRO LANDFILL CONTINGENCY	4	5	5	5	5	5	5	5
SOLID WASTE	10,450	19,802	22,711	22,711	22,711	22,711	22,711	22,711
GIFT	12	56						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	76,029	99,030	96,446	100,172	107,676	89,978	92,405	99,160
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	787.3	833.1	766.3	795.0	833.8	757.0	795.7	829.3
TEMP/SEAS/PART_TIME	10.9	8.2	5.2	5.2	8.5	5.2	5.2	8.7
OVERTIME	.8	.1	.1	.1	.1	.1	.1	.1
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	799.0	841.4	771.6	800.3	842.4	762.3	801.0	838.1

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Pollution Control Agency (MPCA)

REVENUE SOURCES:

The agency is supported with both dedicated and non-dedicated revenue. Non-dedicated revenue is generated primarily through fees paid by the regulated community. Permit fees are paid for air, water and hazardous waste permits. In addition, a solid waste assessment fee is paid by households and businesses. The other major contributor to non-dedicated revenue is penalties and fines.

In the 1996-97 biennium, federal funds comprise 78% of all dedicated revenue. This includes federal funds for both programs and indirect costs. Another 15% comes from penalties, fines and restitutions, the majority of which are associated with the Superfund program. Most of the remaining revenues are from seminar and workshop fees, interest earned on specific funds, and income agreements for specific work. Dedicated receipts are projected to decrease by almost 5%.

The majority of non-dedicated revenue is generated from fees and licences. In the F.Y. 1996-97 biennium, fees deposited to the environmental funds comprise 91% of all non-dedicated revenue. Other non-dedicated receipts are generated from penalties, restitutions, and interest earned on specific accounts. Non-dedicated revenue is projected to remain fairly steady.

FEE STRUCTURE:

It is important to note that not all revenue which funds agency programs is collected by the agency.

Fees are collected from municipalities and industries regulated by the agency. In order to protect and improve Minnesota's water, air and land, the agency issues permits to parties who are emitting pollutants harmful to the environment. The fees paid through the permit are used to provide programs to set standards, determine pollutant loadings, assist fee payers with compliance, and when necessary, provide enforcement. Fees collected by the agency are for water, air, and hazardous waste generators. In addition, the Department of Revenue collects fees paid by residents and businesses to waste haulers which support landfill cleanup and solid waste administration and a hazardous waste generator tax based on the size of the generator; the Department of Commerce collects fees paid at the gas pump to support the Petroleum Cleanup Fund; and the Department of Public Safety collects fees to support the Inspection and Maintenance program and the Motor Vehicle Transfer account.

Water fees deposited to the environmental fund include those paid for emissions, based on flow, stormwater fees, feedlot permits fees, and licenses for individual sewage treatment system professionals. These are all non-dedicated fees. With the exception of stormwater fees, water fees do not support the full cost of programs and are supplemented by general and federal funds. Wastewater operators also pay a certification fee which is deposited to the state government fund. Other than the license and certification fees, fees are set by rule.

Air fees are primarily paid by industry. The Clean Air Act Amendments are prescriptive in the amount of funds that are to be collected based on emissions.

Hazardous waste generators pay a fee, set by rule, which supports permitting, monitoring, inspection, and enforcement expenses of the agency relative to hazardous waste management. The tax, collected by the Department of Revenue, provides partial support for the Superfund program.

The agency receives an appropriation for environmental enforcement from the penalties and fines which are collected. Funds up to the amount appropriated are deposited to the environmental fund.

RECENT CHANGES:

Revenues have come in below projections since the passage of the Individual Sewage Treatment Systems legislation. Expenditures have been reduced and the agency is proposing a longer payback on the original start-up funding. A rule change is underway for Low Level Radioactive Waste which will generate additional revenue. However, no increase in expenditure is requested.

A rule change is also underway in the Feedlot program. It is anticipated that this will generate additional revenue.

FORECAST BASIS:

Overall revenue is expected to remain fairly stable. The Motor Vehicle Transfer fee will sunset on 6-30-97, without legislative action. The Petroleum Tank Release Cleanup fee will sunset on 6-30-2000.

DECISION ITEMS:

The Governor's budget reflects fee increases in the water permit fees and the air permit fees. Also, additional funds are requested from the Petroleum Cleanup Fund for the leaking underground storage tank program. The Governor is recommending that the sunset of the Motor Vehicle Transfer fee be removed and that the funds generated be transferred to the Superfund program. Increased appropriations breakdown as follows:

Water Permit Fees	\$1,911,000 (Environmental Fund)
Air Permit Fees	\$1,100,000 (Environmental Fund)
Superfund (statutory appropriation)	\$7,800,000 (Motor Vehicle Transfer Account)

1998-99 Biennial Budget

PROGRAM: Protection of the Water
AGENCY: Pollution Control Agency (MPCA)

PROGRAM DESCRIPTION:

The mission of the Protection of the Water Program is to protect and improve the state's water quality. The primary goal is to ensure that the quality of the state's lakes and streams meets the uses desired by the citizens of Minnesota. The protection and improvement of surface water quality is accomplished by regulating municipal and industrial point discharges, controlling nonpoint sources of pollution or polluted runoff, and assessing water quality to provide information and data upon which to make social, financial, technical and environmental management decisions.

The issues associated with these activities are:

- The need to reduce the level of nonpoint source pollution (polluted runoff) which is adversely impacting the quality of state waters. The program is focusing on the use of local partnerships, geographical targeting on a watershed basis, financial grants or loans and technical assistance to implement corrective and preventative programs.
- The need to maintain the gains made in reducing and eliminating point source pollution. Minnesota municipalities have constructed wastewater treatment facilities worth more than \$1.5 billion and industries have made large capital investments in wastewater treatment as well. The waters of the state of Minnesota have significantly improved due to this investment. The program is focusing on improving the permitting and compliance and enforcement service levels while maintaining or improving the level of environmental protection provided.
- The need to expand and improve our monitoring and assessment capability for state waters. Minnesota's water wealth of over 10,000 lakes and more than 91,000 miles of waterways not only means we have a great deal of resources to protect, it means we have a big job in merely learning what the current quality of these water is and if it is changing. To manage Minnesota's surface waters most effectively, we need to know how the corrective and preventive measures we are employing are affecting the existing quality of our waters. A comprehensive water quality monitoring system will allow the agency to better measure environmental outcomes resulting from pollution control activities.

PROGRAM STATUS:

The Protection of the Water Program is employing a basin management strategy for protecting and enhancing our state waters. Basin management is an approach to water-quality protection and restoration that focuses on the water resources themselves, rather than strictly on programs. This management approach assesses the quality of water within a geographical area, establishes shared goals for water quality within the area, determines the causes for nonattainment of water quality goals, prioritizes areas for corrective or preventative activities with partners, implement management practices and evaluates progress toward achieving shared water quality goals. A basin management approach will help us focus and coordinate our efforts based on clearly defined water-quality priorities within each of Minnesota's 10 major drainage basins. By involving citizens, local government, business, industry, and other agencies and organizations in determining where and how program resources should be directed, basin management will also help improve communication and coordination between the PCA and its customers. Basin management provides an effective means for integrating point and nonpoint source pollution control programs, focusing them jointly on protecting and/or restoring the fishable and swimmable uses of water.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1996 Agency Report to be accomplished as follows:

- Control the amount of conventional pollutants discharged to surface waters below permitted levels.
- Improve the performance of municipal and industrial wastewater treatment facilities and feedlots through training.
- Improve the fishing and swimming quality of our lakes and rivers.
- Increase the use of partnerships and cooperative efforts through alliances with counties and a higher level of citizen involvement.
- Develop biocriteria for all major river basins of the state.
- Control sediment from construction activities.
- Improve the service levels of the point and nonpoint source permitting and licensing programs.
- Control manure from feedlot activities.

BUDGET AND REVENUE SUMMARY:

The following are the key financial decisions and legislative changes requested under the agency budget plan:

LCMR project: RED RIVER VALLEY PLANNING AND MANAGEMENT \$375,000. This appropriation is from the trust fund to the PCA to create an ecosystem plan for the Red River Valley integrating land and water basin management strategies in cooperation with interstate and international organizations.

LCMR Project: WATER QUALITY INDICATORS OF ENDOCRINE DISRUPTING CHEMICALS \$250,000. This appropriation is from the trust fund to the PCA to monitor and research the effects of endocrine disrupting chemicals in surface waters on fish and wildlife analysis of biological effects.

LCMR Project: ON-SITE SEWAGE TREATMENT ALTERNATIVES: PATHOGEN REMOVAL/TECHNOLOGY TRANSFER \$500,000. This appropriation is from the Minnesota Resources Fund to the PCA to develop and demonstrate and promote reliable, low cost alternative designs for septic systems in areas with seasonally high water tables, and designs for removal of nitrogen by septic systems and evaluate their effectiveness at pathogen removal.

NOTE: Individual Septic System Certification Fees: State law requires that the PCA reimburse \$120,000 to the environmental fund by 6-30-97. The Protection of the Water Program has carefully analyzed its anticipated individual septic system certification fee revenues from 1997 to 1999. Based on this analysis the Protection of the Water Program anticipates eliminating the deficit by 1999. A statutory change is required to allow a time extension for reimbursement of the fund. The deficit was \$76,000 at the beginning of F.Y. 1997.

NOTE: Operator Training Fees: The Protection of the Water Program is implementing a plan that will result in an increase in the revenues from wastewater operator training registration fees. This plan

PROGRAM: Protection of the Water
AGENCY: Pollution Control Agency (MPCA)
(Continuation)

was developed based on the recommendations of the Governor's Blue Ribbon Task Force on Funding Minnesota's Protection of the Water Programs which found that the PCA should make training financially self-supporting while continuing to meet high service levels.

The existing National Pollutant Discharge Elimination System (NPDES) fee revenue deficit is scheduled to be internally managed through program efficiencies. The Protection of the Water Program has carefully analyzed its anticipated permit fee revenues for 1997. Based on this analysis the Protection of the Water Program anticipates eliminating the deficit by 1997. The deficit was \$440,000 at the beginning of F.Y. 1997. This deficit is separate from the need to increase program funding beyond the 30% fee support that is currently appropriated.

The point source permitting program is facing a funding shortfall for the biennium.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends the following initiatives:

- \$2,350,000 from the General Fund for water monitoring to provide necessary data to determine problems, trends and effective solutions to improve environmental outcomes.
- \$870,000 from the General Fund to provide technical assistance for communities to leverage resources to improve and maintain Minnesota's water quality.
- \$300,000 from the General Fund to begin to address the issues surrounding hydrogen sulfide, particularly as they relate to feedlots.
- \$400,000 from the General Fund to assist in addressing failing septic systems which impact water quality.
- \$428,000 from the General Fund for operating funds for the Wastewater Infrastructure Fund so that resources to improve water quality are dispersed in a timely manner.
- \$1,911,000 (\$1,509,000 in the Protection of the Water Program and \$402,000 in the General Support Program.) from the Environmental Fund to maintain the base program and service improvements gained through implementation of Blue Ribbon Task Force recommendations. This should be funded by an increase in permit fees.
- \$200,000 from the General Fund to continue research on deformed frogs.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CONTROL AGENCY
PROGRAM: PROTECTION OF THE WATER

ACTIVITY RESOURCE ALLOCATION:			FY 1998			FY 1999		
	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
POINT SOURCE POLLUTION	3,814	4,294	3,064	3,064	3,810	2,914	2,914	3,533
ENVIRONMENTAL ASSESSMENT	2,763	3,440	2,271	2,521	4,134	2,089	2,089	3,298
WATERSHED ASSISTANCE/OPERATION	6,521	9,234	8,820	9,195	9,798	7,024	7,024	7,591
NONPOINT SOURCE POLLUTION	2,655	2,913	3,367	3,823	4,231	3,440	3,396	3,688
TOTAL EXPENDITURES BY ACTIVITY	15,753	19,881	17,522	18,603	21,973	15,467	15,423	18,110
AGENCY PLAN ITEMS:			FUND					
LCMR NEW ALLOCATIONS			EVT					
LCMR NEW ALLOCATIONS			MNR					
ISTS REDUCTION			ENV					
TOTAL AGENCY PLAN ITEMS			1,081			<44>		
GOV'S INITIATIVES:			FUND					
(A) WQ FEE INITIATIVE			ENV					
(B) WQ MONITORING INITIATIVE			GEN					
(B) COMMUNITY ASSISTANCE INITIATIVE			GEN					
(B) WASTEWATER INFRASTRUCTURE FUND			GEN					
(B) HYROGEN SULFIDE INITIATIVE			GEN					
(B) ISTS INITIATIVE			GEN					
(B) MINNESOTA FROG INVESTIGATION			GEN					
TOTAL GOV'S INITIATIVES			3,370			2,687		
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE								
GENERAL	5,170	7,139	8,196	8,196	10,705	6,353	6,353	8,392
MINNESOTA RESOURCES	955	391		500	500			
STATE GOVERNMENT SPECIAL REVENUE	22	60	42	42	42	43	43	43
SPECIAL REVENUE	65	65						
ENVIRONMENTAL	2,952	2,845	2,540	2,496	3,357	2,600	2,556	3,204
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	403	846	263	263	263	193	193	193
FEDERAL	6,186	8,535	6,481	6,481	6,481	6,278	6,278	6,278

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CONTROL AGENCY
PROGRAM: PROTECTION OF THE WATER

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL EXPENDITURES	15,753	19,881	17,522	18,603	21,973	15,467	15,423	18,110
FTE BY EMPLOYMENT TYPE:								
REGULAR	209.8	215.8	196.8	199.8	234.6	192.3	195.3	225.9
TEMP/SEAS/PART_TIME	2.7	4.3	4.4	4.4	7.7	4.4	4.4	7.9
TOTAL FTE	212.5	220.1	201.2	204.2	242.3	196.7	199.7	233.8

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Pollution Control Agency (MPCA)
PROGRAM: Protection of the Water
ACTIVITY:

ITEM TITLE: Water Quality Fee Initiative

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
Environmental Fund				
- State Operations	\$1,095	\$816	\$620	\$440
Revenues: (\$000s)				
Environmental Fund	\$1,095	\$816	\$620	\$440

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Environmental Fund, water quality permit fee account, appropriation be increased by \$1,095,000 in F.Y. 1998 (\$861,000 in Protection of Water and \$234,000 in General Support) and by \$816,000 in F.Y. 1999 (\$648,000 in Protection of Water and \$168,000 in General Support) to allow the point source permitting program to implement the consultant developed plan to redesign the program for adequacy and efficiency. This amount will fund existing positions, 15.8 FTEs in F.Y. 1998 and 11.6 in F.Y. 1999.

RATIONALE:

Minnesota places a high value on its water resources. As part of its effort to protect these resources, the Minnesota Pollution Control Agency (MPCA) uses permits to regulate waste from municipal and industrial facilities. The Point Source permitting program is responsible for administering municipal and industrial activities. The program faced a funding shortfall in 1995 and the legislature established 2 year bridge funding while the program worked with its customers to define what constitutes an adequate program and how the program should be funded. The Governor's 1995 Blue Ribbon Task Force on Funding Minnesota's Water Quality Programs established service level and funding level goals for the program. In 1997, the program began an effort to redesign activities in order to gain efficiencies and meet the service and funding level goals established by its customers.

The increase in the water quality fee appropriation is needed for full scale implementation of the program redesign plan in F.Y. 1998. The increased fee revenue will ensure the program will have the staff necessary to develop the procedures and policies necessary to incorporate the plan into the day-to-day work. Initially, work will be slowed due to the demands of training and program development. However, the agency anticipates these efforts will produce a program that is much more efficient and plans to monitor these efficiencies and establish methods to work with permittees on

accountability issues. A 5% cut in the Point Source budget is proposed for F.Y. 1999. The requested fee appropriation increase will be reevaluated for the F.Y. 2000-2001 biennium to adjust for efficiencies established in the program.

PROGRAM OUTCOMES:

Additional water quality fee revenue will facilitate the following:

- Implement the program redesign plan developed by an independent consultant that is targeted to improve program efficiencies by more than 30% over the biennium.
- Provide adequate resources for training and program development needed for plan implementation.
- Implement program process changes before reducing staff.
- Meet the service level goals established by the Blue Ribbon Task Force.
- Establish a more efficient program that will result in a future reduction of program costs.

LONG-TERM IMPACT:

The result will be a point source permitting program designed for efficiency, effectiveness and productivity within the constraints of decreasing federal and state funding.

REVISED 2/28/97

PAGE D-23

1998-99 Biennial Budget

BUDGET ACTIVITY: Point Source Pollution
PROGRAM: Protection of the Water
AGENCY: Pollution Control Agency (MPCA)

ACTIVITY DESCRIPTION:

The point source pollution control activity focuses on the achievement of compliance with wastewater discharge permits to industrial and municipal facilities by utilizing a balanced set of water quality protection tools including education, technical assistance, financial assistance, rules, permits and enforcement. The activity is focusing on improving the permitting and compliance and enforcement service levels while maintaining or improving the level of environmental protection provided. This activity:

- Provides technical assistance to help facilities comply with the terms and conditions of their permits.
- Provides technical and environmental review activities necessary for municipalities to secure financial assistance to construct, upgrade and maintain wastewater facilities, in cooperation with the Public Facilities Authority.
- Issues permits for new facilities to ensure that the discharges do not degrade the environment.
- Reissues existing permits in compliance with federal regulations and state rules which specify that permits can be issued for a maximum of 5 years.
- Tracks compliance of discharges with the provisions of their permits through on site inspections, self monitoring reports and correspondence.
- Identifies violations of permit conditions through rough the Permit Compliance System and DELTA.
- Initiates and completes enforcement activities to return facilities back to compliance within a reasonable time frame.
- Trains and certifies wastewater treatment plant operators to ensure facilities are operated and maintained to protect the receiving waters designated use.

BUDGET ISSUES:

This financial shortfall which resulted from cutbacks in federal funding was addressed during the 1996/1997 biennium with bridge funding, which included a transfer of funds from the Motor Vehicle Transfer Account from the final balance, and an increase in the rate of use of State Revolving Fund (SRF) administrative dollars. Approximately 16.0 positions in 1998 and 12.0 positions in 1999 will be lost without adequate funding.

The Protection of the Water Program is implementing a plan that will result in the revenues from wastewater operator training registration fees. This plan was developed based on the recommendations of the Governor's Blue Ribbon Task Force on Funding Minnesota's Water Quality Programs which found that the PCA should make training financially self-supporting while continuing to meet high service levels.

The MPCA is required by M.S. 446a to perform administrative functions for the Wastewater Infrastructure Fund (WIF) Program. The WIF Program was significantly increased in 1995, but no administrative funds were provided to the MPCA. The MPCA is currently using staff from other programs to cover these responsibilities. This is becoming increasingly problematic as the number of applications received more than tripled over the past year. An appropriation increase is needed to help the MPCA provide required services.

REVENUE:

Revenue is generated at the program level.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CONTROL AGENCY
PROGRAM: PROTECTION OF THE WATER
ACTIVITY: ENVIRONMENTAL ASSESSMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,931	1,933	1,793	1,918	2,427	1,690	1,690	2,159
OPERATING EXPENSES	210	1,072	478	548	1,057	399	399	819
SUBTOTAL STATE OPERATIONS	2,141	3,005	2,271	2,466	3,484	2,089	2,089	2,978
LOCAL ASSISTANCE	622	435		55	650			320
TOTAL EXPENDITURES	2,763	3,440	2,271	2,521	4,134	2,089	2,089	3,298
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		EVT		250				
TOTAL AGENCY PLAN ITEMS				250				
GOV'S INITIATIVES:		FUND						
(A) WQ FEE INITIATIVE		ENV			161			111
(B) WQ MONITORING INITIATIVE		GEN			1,312			1,038
(B) MINNESOTA FROG INVESTIGATION		GEN			140			60
TOTAL GOV'S INITIATIVES					1,613			1,209
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				250	250			
GENERAL	852	1,201	1,165	1,165	2,617	1,024	1,024	2,122
MINNESOTA RESOURCES	220	151						
SPECIAL REVENUE	65	65						
ENVIRONMENTAL	307	390	167	167	328	137	137	248
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	30	49						
FEDERAL	1,289	1,584	939	939	939	928	928	928

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: POLLUTION CONTROL AGENCY
PROGRAM: PROTECTION OF THE WATER
ACTIVITY: ENVIRONMENTAL ASSESSMENT

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL EXPENDITURES	2,763	3,440	2,271	2,521	4,134	2,089	2,089	3,298
FTE BY EMPLOYMENT TYPE:								
REGULAR	38.7	39.2	33.1	35.1	46.1	33.1	35.1	45.1
TEMP/SEAS/PART_TIME	2.3				3.3			3.5
TOTAL FTE	41.0	39.2	33.1	35.1	49.4	33.1	35.1	48.6

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Pollution Control Agency (MPCA)
PROGRAM: Protection of the Water
ACTIVITY: Environmental Assessment

ITEM TITLE: Minnesota Frog Investigation

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$140	\$60	\$0-	\$0-
Revenues: (\$000s)				
General Fund	\$0-	\$0-	\$0-	\$0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$140,000 be appropriated in F.Y. 1998 and \$60,000 be appropriated in F.Y. 1999 from the General Fund for the investigation of deformed frogs in Minnesota. The total includes 5 part-time workers (1.3 FTE in FY 1998 and 0.5 FTE in F.Y. 1999) and associated expenses.

RATIONALE:

The discovery of deformed frogs in Minnesota has garnered a great deal of attention across the entire world, while raising significant concerns about the possible implications for the health of the state's aquatic community and even the human population. Initial research into the problem was funded on the recommendation of the Legislative Commission on Minnesota Resources and done by the MPCA in cooperation with the University of Minnesota and Hamline University (through the Thousand Friends of Frogs) in F.Y. 1996 and F.Y. 1997. The magnitude of the problem, however, has greatly exceeded expectations and, at the same time, generated widespread interest and concern among citizens, schools, agencies and scientists.

This initiative will build on the work already completed and continue the effort to investigate the extent and the cause(s) of the frog abnormalities in the state. The initiative requests funding for further investigation through the coordinated efforts of a research team of agency and university staff experienced and knowledgeable in the problem and the scientific work that is needed.

The scope of the frog problem goes far beyond the borders of Minnesota, and will require the coordinated efforts of many parties. In this regard, the MPCA is currently seeking cooperative work arrangements with the National Institute of Environmental Health Sciences for chemical analysis, with the National Wildlife Center Health Lab for diagnostic investigation of disease agents, and with the U.S. Environmental Protection Agency. But the largest number of reports of frog defor-

mites have been from Minnesota, and it is essential that the state continue to play an integral role in exploring and solving the problem.

PROGRAM OUTCOMES:

This initiative will provide funding for:

- Verification and field surveys of sites with reported frog abnormalities. (Information on additional locations will be received through Hamline University's Global Center for Environmental Education in 1997.)
- Sequential sampling and chemical analysis of larval frogs and water, sediment, and periphyton to help pinpoint the time abnormalities appear in the life cycle in relation to exposure to environmental contaminants and parasitic infections.
- Characterization of the kinds of internal and external abnormalities, helping to narrow the scope of potential causative agents.
- Continued coordination of the various work efforts and dissemination of the resulting information.

The continued investigation of deformed frogs will ensure the Minnesota public that the state is concerned with and actively working to resolve the problem. At the same time, with Minnesota committing resources to the investigation, federal agencies will be more able to work with the state in providing technical and analytical assistance.

LONG-TERM IMPACT:

The long term impact of this work is to keep the attention and efforts of researchers at universities and other agencies focused on the deformed frogs in Minnesota. It will help provide the information necessary to solve an environmental problem that has a national and international scope. It ensures the public that the state is concerned with what the problem is, what its causes are, and what the implications are for others, including human life.

This page intentionally left blank.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Natural Resources, Department of (DNR)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$88,826	\$88,826	\$177,652
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(20)	(20)	(40)
Biennial Appropriations	250	-0-	250
Fund Changes	250	250	500
98-99 Salary Inflation	<u>1,557</u>	<u>3,152</u>	<u>4,709</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$90,863	\$92,208	\$183,071
<u>AGENCY DECISION ITEMS</u>			
Parks Operations (Fee)	300	300	600
Parks Operations (Revenue)	<u>486</u>	<u>486</u>	<u>972</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$91,649	\$92,994	\$184,643
<u>GOVERNOR'S INITIATIVES</u>			
Water Monitoring and Ecological Data	600	600	1,200
1837 Treaty Harvest Communications Plan and Enforcement	300	-0-	300
Snowmobile Equipment	100	100	200
Flood Hazard Mitigation Grants	446	-0-	446
Metro Area Regional Parks Operations	762	762	1,524
Snowmobile Grants-in-Aid	600	-0-	600
Repair and Maintenance of State Buildings	500	500	1,000
Community Assistance and Education	415	415	830
Information Resource Management	450	450	900
Electronic Licensing System	300	300	600
Collect/Deliver Ecological Information	600	600	1,200
White Pine Restoration	<u>750</u>	<u>750</u>	<u>1,500</u>
GOVERNOR'S RECOMMENDATIONS	\$97,472	\$97,471	\$194,943

Brief Explanation of Agency Plan:

- Base budget adjustments in the General Fund include \$250,000 in F.Y. 1998 for a grant to the Northern Counties Land-Use Coordination Board and \$250,000 per year to restore funds in the 1998-99 biennium to replace a one-time appropriation in F.Y. 1997 from the University Lands and Minerals Suspense Account. Also, budget guidelines permit compensation base adjustments of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.
- The agency plan includes an increase in the parks annual vehicle permit fee from \$20 to \$23. The proposed fee change is expected to increase revenues by \$300,000 per year. Also, revenue growth attributable to increased parks visitation is anticipated at \$486,000 per year during the next biennium. The budget increase contained in the agency plan is offset by increased revenue to the General Fund.

Revenue Summary:

The agency plan includes General Fund revenue forecasts of \$12.5 million per year for the 1998-99 biennium. This represents an increase of approximately 10% over current biennium revenue estimates. The increases are forecasted primarily in timber sales and park permits and fees. The major components of the General Fund revenue include water permits, \$2.3 million; timber sales, \$1.7 million; park permits and fees, \$7.2 million; and sales tax and other, \$1.3 million.

Affected Statutes:

- M.S. 85.055, Subdivision 1, Parks Annual Vehicle Permit

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends increased funding for the following budget initiatives:

- The Governor recommends a biennial appropriation of \$1.2 million for the DNR's component of a multi-agency initiative on water monitoring and ecological data.
- The Governor recommends an appropriation of \$300,000 in each of F.Y. 1997 and F.Y. 1998 to prepare and implement a communications plan to increase the public's understanding of the 1837 Treaty decision on the harvest of game and fish resources, and funding for increased state and local law enforcement costs.
- The Governor recommends a biennial appropriation of \$200,000 for the purchase of specialized equipment that will improve the agency's ability to enforce snowmobile laws and operating safety.

Agency Budget Brief

Agency: Natural Resources, Department of (DNR)
(Continuation)

1998-99 Biennial Budget

Fund: General

-
- The Governor recommends an appropriation of \$446,000 in F.Y. 1998 to fund flood hazard mitigation projects in the city of Marshall and Wright county.
 - The Governor recommends a biennial appropriation of \$1.524 million for a grant to the Metropolitan Council for increased maintenance and operations funding within the metro regional parks system.
 - The Governor recommends an appropriation of \$600,000 in F.Y. 1998 for grant-in-aid to local trail organizations for the grooming and maintenance of snowmobile trails.
 - The Governor recommends a biennial appropriation of \$1.0 million for the repair and maintenance of statewide DNR facilities.
 - The Governor recommends a biennial appropriation of \$830,000 for the DNR's component of a multi-agency initiative on community assistance and education.
 - The Governor recommends a biennial appropriation of \$900,000 to fund an information technology request that will address the agency's critical needs for improvements to its information technology infrastructure.
 - The Governor recommends a biennial appropriation of \$600,000 to implement an electronic licensing system (ELS) that will include an enhanced revenue management system.
 - The Governor recommends a biennial appropriation of \$1.2 million to collect scientific data on statewide ecosystems and to provide essential natural resource information to state and local decision makers.
 - The Governor recommends a biennial appropriation of \$1.5 million for the restoration and protection of white pine in our forest landscapes.

1997 Deficiency

For F.Y. 1997, a General Fund deficiency of \$500,000 is included in the agency plan to partially offset the program funds used by the department to satisfy a binding arbitration award paid to a contractor regarding the removal of the Flandrau Dam.

This page intentionally left blank.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Natural Resources, Department of (DNR)

Fund: Natural Resources

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$18,958	\$18,958	\$37,916
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(13)	(13)	(26)
F.Y. 1997 Salary Supplement	183	183	366
1998-99 Salary Inflation	<u>251</u>	<u>503</u>	<u>754</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$19,379	\$19,631	\$39,010
<u>AGENCY DECISION ITEMS</u>			
Exotic Species Reallocation	-0-	-0-	-0-
Water Access and Fishing Piers	<u>500</u>	<u>500</u>	<u>1,000</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$19,879	\$20,131	\$40,010
<u>GOVERNOR'S INITIATIVES</u>			
Snowmobile Grants-in-Aid	750	750	1,500
Electronic Licensing System (ELS)	28	-0-	28
Information Resource Management	<u>116</u>	<u>126</u>	<u>242</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$20,773	\$21,007	\$41,780

Brief Explanation of Agency Plan:

- The Natural Resources Fund includes the following subfunds: Water Recreation, Snowmobile, All-Terrain Vehicle, Land Acquisition, Nongame Wildlife, Off-Highway Motorcycle, and Off-Road Vehicle. Budget guidelines permit compensation base adjustments of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999 in all of these subfunds, except for Land Acquisition.
- The agency plan includes a budget reallocation within the Water Recreation Fund of \$16,000 per year from the Fish and Wildlife Program to the Youth Programs budget activity in direct support of the Exotic Species Watercraft Inspection Program performed by the Minnesota Conservation Corps' enrollees.

- The agency plan includes \$500,000 per year from the Water Recreation Fund for cooperative water access development projects and rehabilitation and new construction of fishing piers.

Revenue Summary:

The agency plan includes revenue forecasts of approximately \$9.5 million per year for the subfunds in the Natural Resources Fund. This represents a flat forecast compared to F.Y. 1997, except for a small increase in the Water Recreation Fund. Watercraft and snowmobile registrations account for 84% of the revenue deposited to the Natural Resources Fund annually.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends increased funding for the following initiatives:

- The Governor recommends a biennial appropriation of \$1,200,000 for grant-in-aid to local trail organizations for the grooming and maintenance of snowmobile trails. The Governor further recommends a biennial appropriation of \$300,000 for the grooming and maintenance of state snowmobile trails.
- The Governor recommends funding as follows for the implementation of the electronic licensing system (ELS) and revenue management system:

\$16,000 in F.Y. 1998 from the Water Recreation Account
\$12,000 in F.Y. 1998 from the Snowmobile Account

- The Governor recommends funding as follows for an information technology request that will address the agency's critical needs for improvements to its information technology infrastructure:

\$60,000 in F.Y. 1998 and \$70,000 in F.Y. 1999 from the Water Recreation Account
\$40,000 in each of F.Y. 1998 and F.Y. 1999 from the Snowmobile Account
\$10,000 in each of F.Y. 1998 and F.Y. 1999 from the ATV Account
\$3,000 in each of F.Y. 1998 and F.Y. 1999 from the Off-Highway Motorcycle Account
\$3,000 in each of F.Y. 1998 and F.Y. 1999 from the Off-Road Vehicle Account

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Natural Resources, Department of (DNR)

Fund: Game and Fish

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$51,149	\$51,149	\$102,298
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(14)	(14)	(28)
F.Y. 1997 Salary Supplement	862	862	1,724
1998-99 Salary Inflation	<u>945</u>	<u>1,914</u>	<u>2,859</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$52,942	\$53,911	\$106,853
<u>AGENCY DECISION ITEMS</u>			
Water Access (Dingell-Johnson - 12.5%)	309	77	386
Trout and Salmon Stamp Fees	250	250	500
Fishing License Increase	2,100	2,900	5,000
Wild Turkey Stamp	63	63	126
Deer Habitat Improvement	(375)	(375)	(750)
Computer Licensing/Emergency Deer Feeding Reallocation	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$55,289	\$56,826	\$112,115
<u>GOVERNOR'S INITIATIVES</u>			
Electronic Licensing System (ELS)	100	-0-	100
Information Resource Management	<u>200</u>	<u>250</u>	<u>450</u>
GOVERNOR'S RECOMMENDATIONS	\$55,589	\$57,076	\$112,665

Brief Explanation of Agency Plan:

- The state's continued participation in the federal Sport Fish Restoration Program is addressed in the agency plan. This program, administered by the U.S. Fish and Wildlife Service, requires the state to allocate 12.5% of the funds apportioned to it for each fiscal year for the payment of up to 75% of the costs of acquisition, development, renovation, or improvement of public access facilities to improve the suitability for recreational boating purposes. The agency plan provides additional resources to align the level of state funds with the required federal 12.5% apportionment. The amount requested from the Game and Fish Fund is \$309,000 in F.Y. 1998, which includes a one-time adjustment of \$253,000 for F.Y. 1995-97 and \$77,000 in F.Y. 1999.

- The agency plan includes an increase in the Trout and Salmon Stamp fee from \$5.00 to \$8.50 effective 3-1-98 and will generate \$318,000 per year. The budget increase of \$250,000 per year will be used for purposes specified in statute with emphasis on habitat improvement work in trout streams and the rearing of trout and salmon in coldwater hatcheries.
- The agency plan includes a proposed general fishing license fee increase effective 3-1-98 and will generate \$2,167,000 in F.Y. 1998 and \$5,823,000 in F.Y. 1999, not including trout and salmon revenues. The agency is requesting \$2,100,000 in F.Y. 1998 and \$2,900,000 in F.Y. 1999.
- The operating budget for the Wild Turkey Management Program is established at \$63,000 per year in the next biennium.
- The agency plan includes a budget reduction in the dedicated Deer Management Account of \$375,000 per year in the next biennium to balance the account.
- The agency plan includes a budget reduction of \$217,380 in F.Y. 1998 and \$206,380 in F.Y. 1999 in the dedicated Computerized Licensing and Deer and Bear Management Account relating to changes made during the last legislative session regarding the 50 cents per deer license earmarked for emergency deer feeding. The reduction is offset in the agency plan by a corresponding increase from non-dedicated receipts in the Game and Fish Fund. Also, part of the reduction is attributable to a temporary decrease in deer hunting license sales for F.Y. 1998-99.
- Budget guidelines permit compensation base adjustments of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.

Revenue Summary:

The agency plan includes Game and Fish Fund revenue forecast of \$55.3 million in F.Y. 1998 and \$59.3 million in F.Y. 1999. This includes the proposed fishing license and trout stamp increases of \$2.5 million for F.Y. 1998 and \$6.1 million for F.Y. 1999. Federal aid reimbursements to the Game and Fish Fund are expected to increase \$800,000 annually.

Affected Statutes:

- M.S. 97A.475, Trout and Salmon Stamp Fee
- M.S. 97A.475, 97A.028, 97A.075, 97B.802, General Fishing License

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and recommends increased funding for the following initiatives:

- The Governor recommends an appropriation of \$100,000 in F.Y. 1998 for the implementation of the electronic licensing system (ELS) and revenue management system.
- The Governor recommends an appropriation of \$200,000 in F.Y. 1998 and \$250,000 in F.Y. 1999 to fund an information technology request that will address the agency's critical needs for improvements to its information technology infrastructure.

AGENCY: Natural Resources, Department of (DNR)

AGENCY DESCRIPTION:

The mission of the DNR is to work with the people of Minnesota to manage the state's diverse natural resources for a sustainable quality of life.

The DNR is organized into 7 programmatic areas: Mineral Resources Management, Water Resources Management, Forest Management, Parks and Recreation Management, Trails and Waterways Management, Fish and Wildlife Management, and Enforcement of Natural Resource Laws and Rules. These 7 programs are supported by 9 administrative bureaus under Operations Support.

DNR is the major land management state agency, administering 94% of all state-owned land administered by state agencies. This includes ownership of 12 million acres in mineral rights and 5.3 million acres of land for parks, wildlife areas, public water accesses, scientific and natural areas, state trails, and state forests. These lands provide wildlife habitat and recreational opportunities and play an important role in supporting resource industries. DNR also administers state-owned navigable waters and submerged land and is charged with maintaining surface water and ground water supplies that meet long-term requirements for basic use, environmental protection, and economic production.

Activities regulated by the department include hunting, trapping, and fishing; boating; snowmobiling; wild rice gathering; mineral exploration, mining, and reclamation; dredging, filling, and draining protected waters and wetlands; constructing and maintaining dams; appropriating and using surface and ground waters; establishing lake levels; developing shorelands, floodplains, and the shores of wild, scenic, and recreational rivers; and permitting and licensing private game farms, fish hatcheries, roadside zoo operations, and open burning.

In addition, the agency creates safe opportunities to utilize resources to provide economic return. It provides forest fire protection to billions of dollars' worth of private and public timber, as well as private property, in forested areas encompassing 45 million acres. It develops and disseminates information on recreational travel and educational materials on natural resource subjects. It provides assistance to local governments, organizations, and individuals on natural resource matters such as forest management, wildlife habitat improvement, and trail development.

The programs of the DNR affect all Minnesota citizens, present and future, as well as large numbers of travelers from other states and nations. Department operations interact directly and indirectly with local and regional governments, the federal government, other state agencies, members of the state's business community, and millions of private citizens.

AGENCY ISSUES:

Sustainability is the expected outcome of all resource management activities. Sustainability requires the DNR to protect and restore ecosystems so that their resources can be used indefinitely by present and future generations. The department's efforts seek to balance 3 fundamental concerns: an 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.

In pursuing the goal of sustainability, we must continue to adapt to today's complexities of natural resource work. Population growth and migration will place more pressure on our resources, especially in sensitive areas such as the bluffs of the southeast, scenic areas such as the lakes

region and Lake Superior's north shore, urban expansion areas, and shoreland areas. Demographic shifts, such as the retirement of baby boomers and growth of minority populations, will redefine demands for resources. New technology for recreation equipment will have the potential of increasing use of resource areas as well as increasing conflicts between user groups. These trends threaten the degradation, loss, and fragmentation of natural areas, which in turn could affect the state's economy and quality of life.

The DNR cannot hope to achieve healthy ecosystems through state land ownership and direct resource management. Increasingly, the job of the agency is to influence the land use and resource management decisions of others by providing information and technical assistance and by developing partnerships. Increased collaboration with private landowners, local and federal governments, and other resource management agencies is critical if we are to preserve and improve the state's natural resources beyond the boundaries of state-owned land.

The results of recent surveys of Minnesota citizens indicate strong support for the goal of sustainability and for working closer with communities in resource management. Research conducted by Himle Horner (1996) showed that the environment is the number one factor contributing to the quality of life in Minnesota; 76% of those surveyed said that sustainable development closely, or somewhat closely, resembled their ideas. Statewide, sustainable development is thought to be most effective when implemented on a regional basis. Minnesotans are most enthusiastic about sustainable development when it is viewed as a cooperative effort among government (especially local government), business (including agriculture), environmental activities, and the general public.

AGENCY STRATEGIES:

The following strategies will affect agency performance and results:

- With a long-term goal of sustainability and a strategic approach of ecosystem-based management, the department will focus on creating healthy ecosystems. While there are definite challenges to this approach, much of the work of ecosystem-based management is not a dramatic change but a renewed emphasis on these principles:
 - recognizing the interrelatedness of natural resources and focusing management on the sustainability of whole ecological systems;
 - recognizing that the economy, the community, and the environment are interrelated and finding solutions that reconcile the needs for economic prosperity, lasting livelihoods, and healthy ecosystems;
 - working together at the community, regional, and state levels to face problems, identify opportunities, and find common solutions.
- The DNR will emphasize its work with communities--communities of interest and of place--as a specific tactic for continuing to pursue ecosystem-based management for natural resources. Recent changes in DNR internal working relationships will help support this strategy:
 - strengthening the role of consolidated area offices by establishing liaisons for local communities;
 - supporting regional and area teams through strategic natural resource plans and area discipline work plans, budget plan sharing, and leveraging base resources;

1998-99 Biennial Budget

AGENCY: Natural Resources, Department of (DNR) (Continuation)

- providing more complete ecological information to stakeholders and local communities by consolidating ecological support programs and establishing linkages with information databases;
 - enhancing public access to the department by establishing a 1-888-MINNDNR toll free number;
 - supporting greater integration of planning and budgeting processes by merging the department functions of planning and financial management.
- During the next biennium, the department will continue to support regional and area operations and working with communities in the following areas:
- **Resource Information.** Provide citizens and local governments with environmental monitoring and resource assessment information and help them interpret that data. Enhance information currently being collected in areas such as the Forest Resources Council and ongoing forest inventory, Natural Heritage Program, County Biological Survey, Scientific and Natural Areas, Endangered Species, and County Geologic Atlas.
 - **Investments in Technology.** Complete the department's computer network, including improving field station access and expanded telecommunications capability. Continue to build the geographic information systems' capabilities by expanding infrastructure and applications to place more useful information in the hands of local resource managers to support their ecosystem-based management practices.
 - **Environmental Education and Community Assistance.** Conduct environmental education programs and provide technical assistance to citizens and local governments for natural resource management. Conduct social science work to understand customer wants and needs.
 - **Natural Resources in a Healthy Economy.** Continuously refine strategies to reach a balance in safeguarding the ecosystem and its economic use. Commodity production will meet environmental protection standards and assure long-term sustainability of resources. Likewise, environmental protection initiatives will be socially responsive and consider economic consequences.

REVENUE SUMMARY:

See Agency Level Revenue Summary page.

SUMMARY OF BUDGET REQUEST:

The budget plan includes a request for:

- An increase in the parks annual vehicle permit fee from \$20 to \$23. The proposed fee change is expected to increase revenues by \$300,000 per year. Also, revenue growth attributable to increased parks visitation is anticipated at \$486,000 per year during the next biennium. The budget increase contained in the agency plan is offset by increased revenue to the General Fund.

- A budget increase of \$500,000 per year from the Water Recreation Fund for cooperative water access development projects and rehabilitation and new construction of fishing piers.
- An increase in the Trout and Salmon Stamp fee from \$5.00 to \$8.50 that would be effective on 3-1-98 and would generate \$318,000 per year. The budget increase of \$250,000 per year would be used for purposes specified in statute with emphasis on habitat improvement work in trout streams and the rearing of trout and salmon in coldwater hatcheries.
- A general fishing license fee increase that would be effective 3-1-98 and would generate \$2,167,000 in F.Y. 1998 and \$5,823,000 in F.Y. 1999, not including trout and salmon revenues. The agency is requesting \$2,100,000 in F.Y. 1998 and \$2,900,000 in F.Y. 1999.
- Funds to establish an operating budget for the Wild Turkey Management Program at \$63,000 per year in the next biennium.
- A budget reduction in the dedicate Deer Management Account of \$375,000 per year in the next biennium to balance the account.
- A budget reduction of \$217,380 in F.Y. 1998 and \$206,380 in F.Y. 1999 in the dedicated Computerized Licensing and Deer and Bear Management Account relating to changes made during the last legislative session regarding the 50 cents per deer license earmarked for emergency deer feeding. The reduction is offset in the agency plan by a corresponding increase from non-dedicated receipts in the Game and Fish Fund. Also part of the reduction is attributable to a temporary decrease in deer hunting license sales for F.Y. 1998-99.
- The state's continued participation in the federal Sport Fish Restoration Program is addressed in the agency plan. This program, administered by The U.S. Fish and Wildlife Service, requires the state to allocate 12.5% of the funds, apportioned to it for each fiscal year for the payment of up to 75% of the costs of acquisition, development, renovation, or improvement of public access facilities to improve the suitability for recreational boating purposes. The agency plan provides additional resources to align the level of state funds with the required federal 12.5% apportionment. The amount requested from the Game and Fish Fund is \$309,000 in F.Y. 1998, which includes a one-time adjustment of \$253,000 for F.Y. 1995-97 and \$77,000 in F.Y. 1999.
- Project proposals recommended for funding by the Legislative Commission on Minnesota Resources. Project recommendations include \$8,025,000 from the Minnesota Future Resources fund and \$16,280,000 from the Environment and Natural Resources Trust Fund.

GOVERNOR'S RECOMMENDATION

General Fund

The Governor concurs with the agency's plan and recommends increased funding for the following budget initiatives:

- The Governor recommends a biennial appropriation of \$1.2 million for the DNR's component of a multi-agency initiative on water monitoring and ecological data.
- The Governor recommends an appropriation of \$300,000 in each of F.Y. 1997 and F.Y. 1998 to prepare and implement a communications plan to increase the public's understanding of the 1837 Treaty decision on the harvest of game and fish resources, and funding for increased state and local law enforcement costs.

1998-99 Biennial Budget

AGENCY: Natural Resources, Department of (DNR)
(Continuation)

- The Governor recommends a biennial appropriation of \$200,000 for the purchase of specialized equipment that will improve the agency's ability to enforce snowmobile laws and operating safety.
- The Governor recommends an appropriation of \$446,000 in F.Y. 1998 to fund flood hazard mitigation projects in the city of Marshall and Wright county.
- The Governor recommends a biennial appropriation of \$1.524 million for a grant to the Metropolitan Council for increased maintenance and operations funding within the metro regional parks system.
- The Governor recommends an appropriation of \$600,000 in F.Y. 1998 for grant-in-aid to local trail organizations for the grooming and maintenance of snowmobile trails.
- The Governor recommends a biennial appropriation of \$1.0 million for the repair and maintenance of statewide DNR facilities.
- The Governor recommends a biennial appropriation of \$830,000 for the DNR's component of a multi-agency initiative on community assistance and education.
- The Governor recommends a biennial appropriation of \$900,000 to fund an information technology request that will address the agency's critical needs for improvements to its information technology infrastructure.
- The Governor recommends a biennial appropriation of \$600,000 to implement an electronic licensing system (ELS) that will include an enhanced revenue management system.
- The Governor recommends a biennial appropriation of \$1.2 million to collect scientific data on statewide ecosystems and to provide essential natural resource information to state and local decision makers.
- The Governor recommends a biennial appropriation of \$1.5 million for the restoration and protection of white pine in our forest landscapes.

Natural Resources Fund

The Governor concurs with the agency's plan and recommends increased funding for the following initiatives:

- The Governor recommends a biennial appropriation of \$1,200,000 for grant-in-aid to local trail organizations for the grooming and maintenance of snowmobile trails. The Governor further recommends a biennial appropriation of \$300,000 for the grooming and maintenance of state snowmobile trails.
- The Governor recommends funding as follows for the implementation of the electronic licensing system (ELS) and revenue management system:

\$16,000 in F.Y. 1998 from the Water Recreation Account
\$12,000 in F.Y. 1998 from the Snowmobile Account

- The Governor recommends funding as follows for an information technology request that will address the agency's critical needs for improvements to its information technology infrastructure:

\$60,000 in F.Y. 1998 and \$70,000 in F.Y. 1999 from the Water Recreation Account
\$40,000 in each of F.Y. 1998 and F.Y. 1999 from the Snowmobile Account
\$10,000 in each of F.Y. 1998 and F.Y. 1999 from the ATV Account
\$3,000 in each of F.Y. 1998 and F.Y. 1999 from the Off-Highway Motorcycle Account
\$3,000 in each of F.Y. 1998 and F.Y. 1999 from the Off-Road Vehicle Account

Game and Fish Fund

The Governor concurs with the agency's plan and recommends increased funding for the following initiatives:

- The Governor recommends an appropriation of \$100,000 in F.Y. 1998 for the implementation of the electronic licensing system (ELS) and revenue management system.
- The Governor recommends an appropriation of \$200,000 in F.Y. 1998 and \$250,000 in F.Y. 1999 to fund an information technology request that will address the agency's critical needs for improvements to its information technology infrastructure.

1997 Deficiency

For F.Y. 1997, a General Fund deficiency of \$500,000 is included in the agency plan to partially offset the program funds used by the department to satisfy a binding arbitration award paid to a contractor regarding the removal of the Flandrau Dam.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MINERAL RESOURCES MGMT	4,718	6,963	6,253	6,253	6,253	6,207	6,207	6,207
WATER RESOURCES MGMT	9,646	12,137	10,071	10,941	11,887	10,188	10,188	10,688
FOREST MANAGEMENT	43,489	49,579	44,346	45,937	46,687	45,007	45,023	45,773
PARKS & RECREATION MGMT	29,062	32,187	27,955	32,721	33,483	28,467	29,253	30,015
TRAILS & WATERWAYS MGMT	13,555	19,484	12,980	14,494	15,844	13,113	13,690	14,440
FISH & WILDLIFE MANAGEMENT	48,568	55,544	47,589	55,561	56,261	48,155	50,877	51,577
ENFORCEMENT--NR LAWS&RULES	16,922	19,291	18,827	18,927	19,227	19,171	19,271	19,371
OPERATIONS SUPPORT	30,304	42,611	29,135	40,260	42,469	29,365	29,365	31,406
TOTAL EXPENDITURES BY PROGRAM	196,264	237,796	197,156	225,094	232,111	199,673	203,874	209,477
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	8,636	10,959		16,280	16,280			
GENERAL	82,545	92,552	90,863	91,649	97,472	92,208	92,994	97,471
MINNESOTA RESOURCES	4,856	9,444		8,025	8,025			
STATE GOVERNMENT SPECIAL REVENUE	351	49						
NATURAL RESOURCES	17,716	22,051	19,379	19,879	20,773	19,631	20,131	21,007
GAME AND FISH	49,660	54,912	52,942	55,289	55,589	53,911	56,826	57,076
IRON RANGE RESOURCES & REHAB		750						
SOLID WASTE	100	100	100	100	100	100	100	100
AGENCY		250						
OPEN APPROPRIATIONS:								
GENERAL	13,301	13,665	13,689	13,689	13,689	13,531	13,531	13,531
NATURAL RESOURCES	116	210	213	213	213	213	213	213
GAME AND FISH	474	715	715	715	715	715	715	715
STATUTORY APPROPRIATIONS:								
GENERAL	155	563	200	200	200	200	200	200
NATURAL RESOURCES	685	1,329	95	95	95	91	91	91
SPECIAL REVENUE	7,701	13,411	9,700	9,700	9,700	9,805	9,805	9,805
GAME AND FISH	176	235	341	341	341	341	341	341
FEDERAL	7,824	12,969	6,946	6,946	6,946	6,988	6,988	6,988
ENVIRONMENTAL	19	72						
AGENCY	908	1,089	750	750	750	700	700	700
GIFT	973	2,278	1,071	1,071	1,071	1,072	1,072	1,072
PERMANENT SCHOOL	68	193	152	152	152	167	167	167
TOTAL EXPENDITURES	196,264	237,796	197,156	225,094	232,111	199,673	203,874	209,477

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT

			FY 1998			FY 1999		
PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								
REGULAR	2,216.8	2,183.7	2,172.1	2,203.1	2,231.5	2,172.1	2,170.1	2,198.5
TEMP/SEAS/PART_TIME	309.9	304.8	301.1	325.9	328.4	301.1	315.7	318.2
OVERTIME	54.7	52.0	51.7	51.7	51.7	51.7	51.7	51.7
=====								
TOTAL FTE	2,581.4	2,540.5	2,524.9	2,580.7	2,611.6	2,524.9	2,537.5	2,568.4

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM:
ACTIVITY:

ITEM TITLE: 1837 Treaty Harvest Communications, Enforcement, and Emergency Plan

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$300	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$300,000 in each of F.Y. 1997 and F.Y. 1998 to implement a communication plan to ensure that the treaty harvest is conducted in a respective environment, free of confrontation; to help the public understand how the treaty rights will be exercised; to develop a public understanding that the state's fish, game, and other resources will not be depleted because of treaty harvest; and to inform non-band members who use the resources of the changes in regulations that are put in place to continue to protect the state's resources. Also, to adequately prepare for the possibility of civil unrest, funds are recommended for law enforcement costs associated with any necessary response to conditions that threaten public safety.

The Governor recommends that the \$300,000 for F.Y. 1997 be available immediately and any unused portion of that funding be carried into F.Y. 1998.

RATIONALE:

On 1-29-97, the Federal District Court of Minnesota decided that 8 Indian bands have rights to begin harvest of game and fish resources under their own conservation code in parts of 12 counties in central Minnesota, including Mille Lacs Lake. Survey data shows that 70% of Minnesotans disapprove of court decisions affirming treaty rights. A trial had been scheduled to begin in March 1997, and many people were surprised by the early ruling which eliminated the opportunity for a trial and allows treaty harvest to proceed before an appeal is heard. Half of the people surveyed believe Indian fishing will have a negative impact on recreational fishing in the treaty area. In Wisconsin, the state incurred significant costs due to adverse public reaction to a court decision affirming the same treaty rights in that state.

Immediate public education and law enforcement measures are essential to ensure, or at least

maximize the possibility of, the orderly start of treaty-based harvest. The state has been working for some time on these measures, but it did not anticipate the final court order until months later, after trial. The abrupt finality of the decision has left the state without adequate resources to complete all the necessary steps to ensure the orderly start of treaty harvest.

PROGRAM OUTCOMES:

The goals of the treaty communications, enforcement, and emergency management plan are:

- To establish emergency funds in F.Y. 1997 and F.Y. 1998 which will be available to reimburse state and local law enforcement agencies in case an emergency response is necessary.
- To assure that treaty harvest is conducted in an environment free of confrontations and violence.
- To train state and local enforcement personnel to respond and enforce compliance with Band and state harvest regulations and other laws.
- To help the public understand how treaty harvest will be implemented.
- To develop public understanding that the state's fish, game, and other resources will not be depleted because of treaty harvest.
- To inform the general public who use the resources of the changes in regulations that are put in place to continue to protect the state's resources.

LONG-TERM IMPACT:

Beginning in F.Y. 1997 and continuing in the foreseeable future, the DNR will be faced with the necessity of communicating and enforcing new fish and game regulations as a result of the 1837 Treaty Harvest decision. Though it is impossible to predict exact costs of enforcement, it is possible that a significant expense could be attached to maintaining civil order during treaty harvest activities for a number of years. It is expected that with the passage of time the unrest will dissipate. There will be a continuing need for communication and enforcement with non-Band members into the future.

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Natural Resources, Department of (DNR)

REVENUE SOURCES:

In F.Y. 1996, the DNR collected revenues of \$107,571,000, plus \$10,731,000 in unrefunded gasoline tax. Total expenditures that year were \$196,264,000. Revenues generate an amount equal to 60% of expenditures.

The revenues are derived from a wide variety of activities and sources and are deposited to an extremely complex account structure. The major categories of revenues can be grouped as follows: 1) fishing and hunting licenses; 2) taxes, including sales tax and unrefunded gas tax; 3) vehicle registrations, including watercraft, snowmobile, all-terrain vehicle, off-highway motorcycle, and off-road vehicle; 4) sale and use of natural resources, which includes timber and mineral leases, land sales and leases, and water appropriations; 5) use permits, which includes park vehicle permits; 6) federal grants and reimbursements; and 7) special revenue funds.

FEE STRUCTURE:

These revenue sources are deposited to a number of funds that each have a statutory purpose. Following are the major fund groupings (revenue figures used F.Y. 1996 actuals):

- **General Fund - Dedicated and Non-Dedicated.** This includes amounts previously deposited to the General Fund that are now required to be deposited to the Cambridge Deposit Account. Major sources include 1) water appropriation fees, \$2.5 million; 2) sales tax, \$570,000; 3) timber sales, \$1.6 million; and 4) park permits, \$6 million.
- **Natural Resources Fund.** This is a grouping of dedicated funds in which both the resources as well as expenditures and balances must be segregated into distinct subfunds. The fund includes Water Recreation, Snowmobile Trails and Enforcement, All-Terrain Vehicle, Off-Highway Motorcycle, Off-Road Vehicle, Nongame Wildlife, and Land Acquisition. Total revenues to these funds is \$8.8 million. In addition, \$10.7 million of unrefunded gasoline tax was collected by the Department of Revenue and transferred in. Major categories include watercraft registrations, \$4 million; snowmobile registrations, \$3 million; all-terrain vehicle registrations, \$500,000; nongame wildlife, \$900,000; and land sales, \$237,000. The resources in this fund support most of the programs and support activities in DNR.
- **Game and Fish Fund.** This fund receives the proceeds of hunting and fishing licenses, federal reimbursements, and other revenues. The resources in this fund are dedicated to the hunting and fishing and support activities in DNR. Major categories include 1) fishing, \$18 million; hunting, \$17 million; federal grants, \$13 million; and other revenues, including interest, fines, and sale of natural resources, \$4.5 million.
- **Special Revenue Funds.** These funds are set up to manage the revenues dedicated for a specific purpose. Specific funds include 1) Parks Working Capital/Douglas Lodge, \$2.8 million; 2) Forest Nursery Account, \$1.6 million; 3) Consolidated Conservation Account, \$1.7 million (note: 50% is paid to the county, 50% is transferred to the General Fund); 4) cooperative agreements, workshops/seminars, publications, sale of merchandise, and revolving accounts, \$6.1 million.

- **Federal Funds.** Numerous grant agreements and reimbursements mostly under \$1 million per year. This amount does not include the Dingell-Johnson/Pittman-Robertson federal reimbursements deposited to the Game and Fish Fund.
- **Gift Funds.** Largest gift, *Volunteer* magazine, \$500,000.
- **Permanent School.** Proceeds from timber sales, mining rents and royalties, land sales, and leases.

AGENCY PLAN:

The department is proposing several fee increases as part of the agency plan. The proposed fishing license fee increase would take effect 3-1-98 and would generate \$4,663,000 when fully implemented. Also proposed are increases to the sportsperson license, \$979,000; commercial license, \$180,000; and Trout Stamp, \$318,000. The proposed uses of these increased revenues are detailed in the agency plan narrative.

The agency plan also includes an increase in park fees: annual permit from \$20 to \$23. This would generate an additional \$300,000 per year.

FORECAST BASIS:

Due to the diverse revenues collected, the methodologies and assumptions used for future forecasts varies. For example, mining rents and royalties are based on lease agreements and company mining plans. Timber forecasts are based on stumpage rates, available cut, and many other factors. Hunting and fishing are based on historical trends, demographics, weather, census data, and more. Each revenue category is unique and must be analyzed and projected using the relevant factors.

REVENUE MANAGEMENT:

The DNR has an extremely complex revenue structure taking in more than \$118 million deposited to over 400 distinct accounting strings from numerous locations, many in outstate locations. We have a need to better forecast future income, to better manage our accounts receivables, to expedite the deposit of revenues, and to provide better management information for resource decisions. We have proposed an investment initiative (part of Electronic Licensing) to continue the development of a new department-wide revenue management system.

1998-99 Biennial Budget

PROGRAM: Water Resources Management

AGENCY: Natural Resources, Department of (DNR)

(Continuation)

information from these programs is essential for water resources planning, management, development, and preservation. Local groups, such as lake associations, are interested in obtaining and using water resource data. County local water plans require this data for reasonable assessment and management. State agencies need this data for program administration.

The division is making significant strides in the computerization of water resources data. This information is being converted into a system that can be easily accessed and used by a wide variety of users. Local water planning activities continue to expand and improve as existing plans are updated. This creates new demands for technical assistance and for computerized information about water resources. The division continues to review local water plans and to work with other agencies to provide data for local water planning efforts. The requests for data, analysis, and interpretive assistance outpace the current capabilities of the division. The demand continues to increase for teacher training and educational materials on water resources for teachers to promote water resource issues and stewardship in K-12 curricula.

- **Land-Use Management.** The division is involved with the Minnesota Long-Term Grants Coordination Group to assist communities in recovering from the 1993 and 1996 floods and to prevent future flood damages. During the last biennium, approximately 125 floodplain structures were acquired by local government with state and federal financial assistance. Demand remains high for grants from the Flood Hazard Mitigation Grant Assistance Program. Seven larger flood control projects will be started or completed with funds from bonding allocations approved by the 1996 legislature. The division provides assistance to communities to ensure that new development is protected from flooding.

The division assists in the allocation and monitoring of shoreland grants. Assistance in ordinance administration is provided to communities that have adopted shoreland and wild and scenic rivers ordinances. The division is developing a plan for Minnesota's acceptance into the Federal Coastal Resources Management. The National Oceanic and Atmospheric Administration, Office of Coastal Resource Management, has provided funds to allow for the evaluation and development of Minnesota's existing management programs.

The National Park Service has begun a multi-year effort to update the management plan for the Lower St. Croix National Scenic Riverway. The department, in conjunction with the state of Wisconsin and the National Park Service, hired a watershed planner for this project. The National Park Service is also implementing a Mississippi National River and Recreation Area Comprehensive Management Plan through the Twin Cities metropolitan area. State and local coordination for this effort is provided through the division.

PLANNED RESULTS:

- **Ground and Surface Water Appropriation or Diversion.** The division will work with all appropriators to try to minimize the periods when water supplies are disrupted. Public water supply emergency and conservation plans are being submitted for departmental approval; and by the end of F.Y. 1997, 150 plans will be reviewed and approved. Once-through cooling or heating systems continue to be converted as required.

- **Dam Safety.** There are approximately 915 dams in the state large enough to be subject to DNR dam safety regulations. Over one-half of these dams are publicly owned. Many of these dams are old structures that need regular maintenance and periodic repair. All 29 non-federal high-hazard dams, those which could cause loss of life and property, are inspected each year. Six dams will undergo major repairs, and plans and specifications for 1 dam removal project will be prepared as a result of a bonding appropriation by the 1996 legislature. Projects include both state-owned and locally owned dams.

- **Construction in Protected Waters and Wetlands.** The number of protected waters permit applications is declining by about 10% to about 1,000 annually. The decline is due to streamlined protected waters permit procedures for projects having minimal environmental impact as authorized in statutory changes in 1995 and 1996. The number of applications will likely continue to decrease. The state currently regulates about 3.5 million acres of lakes, streams, and wetlands. The state's goal under the Wetlands Conservation Act is to achieve "no net loss" in the quantity, quality, and biological diversity of these wetlands. The division needs additional resources to provide data, maps, training, and assistance to local government for local water management programs, including fen management.

- **Technical Ground and Surface Water Analyses.** Climate data are archived and used to provide statistical assessments of climatic events as well as regular summaries of precipitation. Ground water level, lake level, and streamflow networks will require additional funding to provide for expanded coverage for these data types.

Cooperative studies with the United States Geological Survey and local interests have been and are being undertaken in various parts of the state to assess water supplies, examine recharge rates, and address the relationship of streamflow and ground water levels.

Technical analysis capabilities provide computer modeling and field data collection to allow effective and efficient responses to resource problems and public concerns. Modeling efforts will be directed at understanding and explaining surface water-ground water interactions and their resource management implications. The division lacks the staff to commit to long-range analysis.

- **Land-Use Management.** Shoreland areas are protected through local ordinances that meet state standards for buildings, setbacks, on-site septic systems, land alteration, and vegetation management. Specific land-use plans have been adopted for many rivers through local initiatives and the wild and scenic rivers program; and by the end of F.Y. 1999, a comprehensive review of the Wild and Scenic River Management Plans for the Mississippi River from St. Cloud to Anoka and the Rum River will be completed.

Efforts to train and provide assistance to local government officials implementing land-use management ordinances will be continued. Approximately 240 communities will have adopted shoreland management ordinances. Ninety communities each year will receive "specific" assistance on their floodplain ordinances, and 7 communities each year will receive assistance on wild and scenic river ordinance administration. By the end of F.Y. 1999, approximately 800 additional structures will be removed from the floodplain through acquisition or the construction of flood control projects with state funding assistance.

BUDGET AND REVENUE SUMMARY:

Revenue

The division collects fees for protected water and appropriation permit applications and the annual water-use fee. The agency is not proposing any fee increases at this time. Revenues from existing fees are estimated at \$2.3 million in F.Y. 1998 and \$2.3 million in F.Y. 1999. These fees are non-dedicated. In addition, 75% of once-through cooling and heating system revenues are transferred to the Department of Commerce.

1998-99 Biennial Budget

PROGRAM: Water Resources Management

AGENCY: Natural Resources, Department of (DNR)
(Continuation)

Grants

- **Flood Hazard Mitigation Grant Program.** \$176,000 is spent each year for the Flood Hazard Mitigation Grant Program to assist local governments in reducing the devastating effect of periodic flooding. Cost-sharing grants on a 50% local/50% state basis are made to local governments that demonstrate that they have flooding problems.
- **Middle River/Snake River and Morrison County.** An Appropriation from the General Fund of \$128,000 in F.Y. 1996 provided grants to the Middle River/Snake River Watershed District for low head dam construction and Morrison County for a study to improve water flow along the easterly shoreland of the Mississippi River near Highway 10.
- **Upper Mississippi River Comprehensive Plan.** An annual appropriation of \$112,000 from the General Fund for grants to the Mississippi Headwaters Board for up to 50% of the cost of implementing the comprehensive plan for the Upper Mississippi and for a grant to the Leech Lake Band of Chippewa Indians.
- **Local River Planning.** A biennial appropriation of \$140,000 from the Future Resources Fund in F.Y. 1996 assists counties in developing comprehensive plans for the management and protection of rivers.
- **Grain Belt Mississippi Riverfront Development.** A biennial appropriation of \$500,000 from the Future Resources Fund in F.Y. 1996 is for a grant to the Metropolitan Council for a subgrant to the Minneapolis Park and Recreation Board to create riverfront recreational park and marina facilities.
- **Federal Funds.** The National Park Service is providing the department with a grant of up to \$130,000 per year to assist with implementation of the Mississippi National River and Recreation Area Comprehensive Management Plan within the metropolitan area. Tasks include oversight of the existing Mississippi River Critical Area Plan (administration of which was transferred from the Environmental Quality Board to the department in September 1995), assistance to local governments for implementation of a higher level of land-use controls if local officials opt to participate, additional recreation law enforcement, and natural heritage research.

The Office of Coastal Resource Management, of the National Oceanic and Atmospheric Administration, is providing a grant of \$200,000 to evaluate Minnesota's programs for potential inclusion in the Coastal Resource Management Program. This may result in the state adopting a Coastal Resource Management Program, which would result in increased funding for state and local governments' Lake Superior management program. It is anticipated this phase of the program could provide about \$500,000 annually of additional funding to Minnesota.

The division has cooperated with the Division of Emergency Management (Department of Public Safety) during the last 2 years in obtaining a flood hazard mitigation grant from federal funds (in the wake of the 1993 flood disaster declaration) to establish a statewide flood forecast and flood warning system. As part of this request, the division has requested \$50,000 per year for the operation and maintenance of the new and upgraded stream and river monitoring stations, including precipitation gages.

The National Dam Safety Program Act of 1996 created a matching grant program to assist states in carrying out state dam safety programs. Minnesota may be eligible for approximately \$15,000 in federal F.Y. 1998 and \$30,000 in federal F.Y. 1999. The Federal Emergency Management Agency must adopt program rules by October 1997. Regulatory, technical assistance, and public awareness programs may all be grant eligible activities.

Program Plan: The agency plan for the Water Resources Management Program is as follows:

- The division will give priority to those program activities that provide direct benefits to its clientele. Particularly, the division will maintain field staff at full complement to provide assistance and support for local governments and the public. The division is seeking to expand the basic data collection programs that underlie our ability to describe and make decisions about impacts on water resources.
- Regulatory programs are being streamlined by issuing general permits for activities that have minimal impact on waters and by delegating some activities to other levels of government. The division is delegating decision-making authority to more area hydrologists. Permit simplification is freeing up time for field staff to become more involved with local water planning. Community assistance is enhanced by increasing grants to local governments for flood damage reduction. The division is developing information systems that will enable all field hydrologists and others to have access to basic water resources information.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

LCMR Recommendations

- **Sustainable Lake Plans.** This project provides for an agreement with the Minnesota Lakes Association for the development of education programs and a comprehensive lake plan in each of the state's 5 lake regions. (\$270,000 Environmental and Natural Resources Trust Fund)
- **Lakeshore Restoration - Minneapolis Chain of Lakes.** This project provides for an agreement with the Minneapolis Park and Recreation Board for native lakeshore plantings in the Chain of Lakes to improve water quality, wildlife habitat, and decrease erosion. This appropriation must be matched by at least \$150,000 of non-state money. (\$300,000 Environmental and Natural Resources Trust Fund)
- **North Minneapolis Upper River Master Plan.** This project provides for an agreement with the Minneapolis Park and Recreation Board to develop a master plan addressing green space and trail development, riverbank restoration, and stimulation of river-oriented land uses within a corridor along the east and west banks of the Mississippi River from Plymouth Avenue north to the Minneapolis city limits. This appropriation must be matched by at least \$100,000 of non-state money. (\$300,000 Future Resources Fund)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The Governor recommends a biennial appropriation of \$1.0 million from the General Fund for the portion of the multi-agency initiative on Water Monitoring and Ecological Data that will be added to the DNR's Water Resources program. The Governor also recommends an appropriation of \$446,000 in F.Y. 1998 from the General Fund to fund flood hazard mitigation projects in the city of Marshall and in Wright County.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: WATER RESOURCES MGMT
ACTIVITY: WATER RESOURCES MGMT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	6,211	6,657	6,797	6,797	7,022	6,966	6,966	7,211
OPERATING EXPENSES	2,064	3,971	2,055	2,055	2,330	2,053	2,053	2,308
SUBTOTAL STATE OPERATIONS	8,275	10,628	8,852	8,852	9,352	9,019	9,019	9,519
LOCAL ASSISTANCE	581	808	308	1,178	1,624	308	308	308
OTHER EXPENSES	790	701	700	700	700	650	650	650
TRANSFERS			211	211	211	211	211	211
TOTAL EXPENDITURES	9,646	12,137	10,071	10,941	11,887	10,188	10,188	10,688
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		EVT		570				
LCMR NEW ALLOCATIONS		MNR		300				
TOTAL AGENCY PLAN ITEMS				870				
GOV'S INITIATIVES:		FUND						
(A) WATER MONITORING & ECOLOGICAL DATA		GEN			500			500
(P) FLOOD HAZARD MITIGATION GRANTS		GEN			446			
TOTAL GOV'S INITIATIVES					946			500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				570	570			
GENERAL	8,027	8,663	8,620	8,620	9,566	8,779	8,779	9,279
MINNESOTA RESOURCES	276	530		300	300			
NATURAL RESOURCES	215	272	251	251	251	256	256	256
STATUTORY APPROPRIATIONS:								
GENERAL		298						
SPECIAL REVENUE	32	241	59	59	59	59	59	59

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: WATER RESOURCES MGMT
ACTIVITY: WATER RESOURCES MGMT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FEDERAL	305	1,430	440	440	440	443	443	443
AGENCY	790	701	700	700	700	650	650	650
GIFT	1	2	1	1	1	1	1	1
TOTAL EXPENDITURES	9,646	12,137	10,071	10,941	11,887	10,188	10,188	10,688
REVENUE COLLECTED:								
DEDICATED:								
GENERAL		298						
SPECIAL REVENUE	80	155	59	59	59	59	59	59
FEDERAL	281	1,399	440	440	440	443	443	443
AGENCY	791	700	700	700	700	650	650	650
GIFT	1	1	1	1	1	1	1	1
NONDEDICATED:								
GENERAL	13							
CAMBRIDGE DEPOSIT FUND	2,529	2,333	2,333	2,333	2,333	2,333	2,333	2,333
TOTAL REVENUES COLLECTED	3,695	4,886	3,533	3,533	3,533	3,486	3,486	3,486
FTE BY EMPLOYMENT TYPE:								
REGULAR	116.9	116.1	115.5	115.5	121.5	115.5	115.5	121.5
TEMP/SEAS/PART_TIME	10.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0
OVERTIME	.3	.2	.2	.2	.2	.2	.2	.2
TOTAL FTE	127.3	125.3	124.7	124.7	130.7	124.7	124.7	130.7

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Water Resources Management
ACTIVITY:

ITEM TITLE: Flood Hazard Mitigation Grants

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$446	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$446,000 in F.Y. 1998 to the Division of Waters for support of local communities' flood hazard mitigation efforts. Of this amount \$346,000 is for a grant to the city of Marshall and \$70,000 is for the Lake Charlotte project in Wright County.

RATIONALE:

This initiative will provide additional dollars for flood damage reduction efforts for the city of Marshall flood control project and the Lake Charlotte outlet project in Wright County. The additional grant funds will match an equal amount of local funds. The appropriation for the city of Marshall's project will leverage over \$2.2 million in federal funds.

This grant program exists to provide a 50-50 cost-share funding to local governments for initiation of flood damage reduction efforts. Historically, funding for this program began at \$450,000 per year in F.Y. 1988. Reductions over time have limited availability of grants; the program is currently funded at \$176,000 per year and statute limits individual grants from this program to \$75,000. Large flood damage reduction projects have been funded through bonding.

PROGRAM OUTCOMES:

Minnesota's annual flood damages will be reduced with completion of these projects.

LONG-TERM IMPACT:

The long-term impact of this initiative will be measured by the completion of these projects and the corresponding reduction in flood damages.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: Forest Management
AGENCY: Natural Resources, Department of (DNR)

PROGRAM DESCRIPTION:

The Forest Management Program exists to maintain and improve the health and productivity of Minnesota's forests so they can produce a wide variety of forest outputs, values, and opportunities to meet the needs of current and future generations of Minnesotans; protect the lives, property, and natural resources of Minnesota citizens from wildfire; and provide productive natural resources work experience and meaningful service-learning opportunities to young men and women in a healthful outdoor environment.

The Division of Forestry is the state's forest management agency. The division is responsible for managing 4.5 million acres of state-owned lands for multiple benefits, protecting all non-federal lands in the state from wildfire and pests, providing forest management assistance to other public and private forest landowners, coordinating forestry cost-share and technical assistance programs in the state, and administering the DNR Office of Youth Programs.

PROGRAM STATUS:

Demands for a wide variety of forest resources and values (e.g., timber, old-growth and older-aged forests [there is a difference], wildlife habitat, aesthetics, recreation, etc.) have continued to grow. For example, statewide across all ownerships, timber harvests have reached nearly 4.1 million cords per year. Planned forest industry expansions may increase this level to 4.7 million cords per year by the year 2000. Recognizing the important role state lands play in meeting this increasing demand for timber, the 1995 legislature provided additional appropriations in 1995 "for implementing the planned harvest on state lands" (Laws of Minnesota 1995, chapter 220, section 5, subdivision 4). In implementing the planned harvest, the division was directed to follow existing guidelines for protection of forest resource values. To protect these values the division is continuing its efforts to implement, among other measures, water quality and wetland best management practices, visual quality best management practices, and DNR old-growth forest and extended rotation forest guidelines.

The ability to provide increased yet sustainable levels of forest outputs, while at the same time maintaining the health and diversity of forest ecosystems, will depend on the degree to which forest managers are successful in implementing provisions of the 1995 Sustainable Forest Resources Management Act (Laws of Minnesota 1995, chapter 220, section 78-88) and the associated environmental concerns embodied in the Generic Environmental Impact Statement (GEIS) for Timber Harvesting and Forest Management in Minnesota (Minnesota Environmental Quality Board, 1994). A major policy focus of the Division of Forestry and its partners will continue to be implementation of the provisions of the 1995 Sustainable Forest Resources Act. The Minnesota Forest Resources Council, the Minnesota Forest Resources Partnership and their associated efforts, in particular the development of comprehensive forest management guidelines and a landscape-based forest resources planning and coordination program, will play a key role in establishing policy and direction to address key forest management issues, including those identified in the GEIS.

Non-industrial private forest (NIPF) lands comprise 40% of the forest land in the state and play a key role in the overall sustainability of the state's forest resources. Improved stewardship of these lands will be necessary to assure that private lands will be able to provide needed wood products while maintaining ecological integrity and fulfilling landowner needs. Recognizing the importance of NIPF lands, the division developed a vision called "Private Forest Management (PFM) in 2005," which sets

an ambitious goal of assuring that at least one-half NIPF lands in the state (approximately 2.5 million acres) are being managed using professional forestry advice by the year 2005. Currently, about 20% of NIPF lands are receiving professional forestry advice. PFM 2005 recognizes that the additional effort needed will have to come primarily from the private sector through partnerships with the DNR and other involved government agencies.

Since 1953 the amount of forest land in southwest and western Minnesota has declined by 35%. Much of this decline has occurred along rivers. The communities and economies within this area rely on streams and rivers as sources of agricultural and residential water, recreation, aesthetics, tourism and food. The ability of the river to continue providing these values has been threatened by adjacent land-use practices and resulting degradation of water quality and scenic value. Re-establishing native riparian forests could provide multiple environmental and recreational benefits in these areas that are in poor condition from an environmental perspective. Riparian forests that incorporate the planting of fast-growing trees (e.g., short rotation woody crops) could potentially provide an alternate crop in locations where annual crops traditionally haven't done well. Because of projected wood shortages from existing forests in Minnesota, these trees may become an important resource for the Minnesota wood products and biomass energy industries. If financial benefits of establishing these forests prove to be significant, this strategy has the potential of being widely adopted and could stimulate large-scale private sector plantings throughout this part of the state.

The DNR's guiding principles of sustainability, ecosystem-based management, and biological diversity have resulted in a change in natural resources management direction and reassignment of staff. The division will continue shifting from resource management based on administrative units to managing entire ecological systems across all ownerships. This approach increases the complexity of resource management, demands greater public and stakeholder involvement, and requires more time and effort, but is critical to the sustainable management of the state's natural resources.

Since 1986, staffing in the Forest Management Program has been reduced by 80 positions, many of which were field positions, and other reductions in operating costs. The agency plan could potentially result in the loss of another 8 program positions and further cuts in operating costs. These past and projected reductions will require even greater reliance on partnering and collaborative approaches to establish and achieve program objectives. In addition, the Division of Forestry will continue to pursue further gains in internal efficiency and effectiveness through continuous improvement processes. Teams will further explore improvements to division processes, additional opportunities for synergistic partnerships (internally and externally), and refine division operations in a team environment.

Decreases in federal funding is projected to continue for a number of important resource management assistance programs. The Forest Management Program will need to rely on alternative funding from state and local sources as well as increase the leveraging of state funds with matching private and local government funds or volunteer/in-kind contributions in order to achieve planned outcomes.

Youth Programs' integration with the Division of Forestry and its selection as an AmeriCorps National Service Partner has enhanced the Minnesota Conservation Corps' (MCC) operations. Division staff have taken an active role in the day-to-day field operations and management of the MCC year-round young adult program.

PLANNED RESULTS:

The agency budget will impact the 1996 performance objectives in a slightly negative manner because unfunded inflationary increases may reduce purchasing power by an estimated \$330,000 in F.Y. 1998 and \$660,000 in F.Y. 1999. The anticipated reduction in purchasing power will be addressed through a reduction in operating costs and a potential reduction in staffing of up to 8 positions through attrition. Impacts from such reductions will be in terms of both quality and quantity of services and

PROGRAM: Forest Management

AGENCY: Natural Resources, Department of (DNR)
(Continuation)

resource management provided. While the additive impacts will be small compared to current activity levels, projected increases in some performance measures will not be possible if staffing levels are reduced. Quality will be reduced in certain areas of state forest management, private forestry assistance, and community forestry assistance.

Gains in efficiency resulting from the division's reorganization and continuous improvement process will offset some budget impacts. However, the gains will take time to be realized and the results during this biennium are uncertain at this time. In addition, the division will build on successful and promising collaborative/partnership opportunities to pursue program objectives. Examples include Forest Stewardship, Minnesota ReLeaf, Minnesota Incident Command System and Minnesota Interagency Fire Center, Rural Community Fire Departments, Community Forestry Challenge Grants, Minnesota Rural Partners, and others.

Specific Results:

- Under the agency plan, stewardship planning, technical, and cost-share assistance provided by the division will be hampered at a time when the need for this assistance on non-industrial private forest lands is increasing. The vision and goals established under "Private Forest Management in 2005" will be extremely difficult to achieve, especially given the declines in federal funding for these activities. However, the agency plan and declining federal funds could be offset in the short-term by the stewardship planning and cost-share assistance funding provided in an LCMR proposal "Creating Sustainable Woodlands on Private Lands."
- Lack of capital budget appropriations and inadequate general and dedicated funding will lead to a continued deterioration of state forest roads. Increased use of gates and seasonal road closures will limit public access to state forest lands but will be necessary to minimize damage to the state forest road system and maintain user safety.
- Lack of capital budget appropriations and inadequate general and dedicated funding will continue to lead to the deterioration of state forest recreation facilities. Although state forest campground users expect "rustic" experiences, lack of funding for needed renovations and improvements will eventually have a negative effect on customer satisfaction with these facilities. Some minor improvements as well as maintenance may be possible with increased use of Youth Programs.
- Reductions and restrictions placed on federal grants and surplus federal equipment available to rural community fire departments will limit gains in reducing wildfire suppression costs through partnerships with local units of government.
- Additional efforts to increase the amount of thinning and uneven-aged management of appropriate hardwood species on state and private lands will be limited. Other timber stand improvement practices (e.g., pruning, release) may be possible through increased use of Youth Programs.
- Timber management planning is now being done on a 5-year basis in Division of Forestry administrative areas (there are 40 division areas in the state) rather than every 7-10 years as had previously been the case. Timber management planning is the process through which extended rotation forests are identified. The shortening of the timber management planning cycle will help

achieve the long-term extended rotation forest objectives on state lands as described in the agency performance report.

- The division will seek to increase the number of Youth Programs enrollees servicing internal DNR projects as well as external projects. Internally, existing funding can be leveraged with additional internal funding to help accomplish management projects that otherwise would not be completed, including those supporting ecosystem-based management efforts.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan for this program is as follows:

- A significant amount of the base budget (\$1.007 million) per year is for implementation of the 1995 Sustainable Forest Resources Act (M.S. 89A, 1995 Supplement). This funding is provided to the Minnesota Forest Resources Council for allocation to various efforts implementing provisions of the act.
- A significant amount of the base budget (\$1.43 million) per year is for implementing the planned timber harvest on state lands according to existing guidelines for the protection of forest resource values.
- Timber revenues from state lands will increase \$963,000 in F.Y. 1998 and \$1,467,000 in F.Y. 1999 compared to estimates of state land timber sale revenues in F.Y. 1997.
- An internal reallocation of funds from the Fish and Wildlife Program will provide an additional \$16,000 annually in direct support of the Exotic Species Watercraft Inspection Program performed by the Minnesota Conservation Corps enrollees.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

LCMR Recommendations

- **Sand Dunes State Forest Acquisition.** This project provides for the acquisition of 200 acres of critical interior private lands within the Sand Dunes State Forest to protect rare Anoka Sand Plain plant and animal communities and prevent disruption of existing recreation programs. (\$400,000 Environmental and Natural Resources Trust Fund)
- **Minnesota ReLeaf Tree Planting and Preservation Grant Program.** This project provides matching grants to local communities to plant native trees and restore woodland habitats, protect native oak forests from oak wilt, and preserve significant woodland habitats threatened by development. Priorities would be set and grants given through broad-based regional steering committees established through the Minnesota ReLeaf Program. (\$300,000 Future Resources Fund)
- **Sustainable Woodlands on Private Lands.** This project provides funding, through an agreement with the Minnesota Forestry Association working in cooperation with the Minnesota Forest Stewardship Committee, to assure healthier environments on 250,000 acres of private land using stewardship planning to motivate 3,000 landowners; implement habitat, reforestation, and water quality projects with matching funds; and increase cost efficiency through private sector bidding. (\$875,000 Future Resources Fund)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends a biennial appropriation of \$1.5 million from the General Fund for the protection and restoration of white pine in our forest landscapes.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FOREST MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FOREST MANAGEMENT	33,708	38,025	35,920	37,495	38,245	36,488	36,488	37,238
FIRE FIGHTING	7,233	6,885	4,471	4,471	4,471	4,508	4,508	4,508
YOUTH PROGRAMS	2,252	3,228	2,937	2,953	2,953	2,981	2,997	2,997
SUSTAIN RES ACT IMPLEMENTATION	296	1,441	1,018	1,018	1,018	1,030	1,030	1,030
TOTAL EXPENDITURES BY ACTIVITY	43,489	49,579	44,346	45,937	46,687	45,007	45,023	45,773
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		EVT		400				
LCMR NEW ALLOCATIONS		MNR		1,175				
TECHNICAL REALLOCATIONS		NRF		16			16	
TOTAL AGENCY PLAN ITEMS				1,591			16	
GOV'S INITIATIVES:		FUND						
(B) WHITE PINE INITIATIVE		GEN			750			750
TOTAL GOV'S INITIATIVES					750			750
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				400	400			
GENERAL	28,190	32,523	31,219	31,219	31,969	31,724	31,724	32,474
MINNESOTA RESOURCES	75			1,175	1,175			
STATE GOVERNMENT SPECIAL REVENUE	351	49						
NATURAL RESOURCES	313	515	427	443	443	436	452	452
OPEN APPROPRIATIONS:								
GENERAL	6,440	6,800	6,800	6,800	6,800	6,800	6,800	6,800
STATUTORY APPROPRIATIONS:								
GENERAL	155	200	200	200	200	200	200	200
NATURAL RESOURCES	186	79	26	26	26	25	25	25
SPECIAL REVENUE	3,235	3,811	3,447	3,447	3,447	3,565	3,565	3,565
FEDERAL	4,520	5,448	2,177	2,177	2,177	2,207	2,207	2,207
AGENCY		50	50	50	50	50	50	50
GIFT	24	104						

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FOREST MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	43,489	49,579	44,346	45,937	46,687	45,007	45,023	45,773
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	543.2	540.3	540.3	540.3	540.3	540.3	540.3	540.3
TEMP/SEAS/PART_TIME	33.7	33.6	33.6	33.6	33.6	33.6	33.6	33.6
OVERTIME	22.3	20.2	20.2	20.2	20.2	20.2	20.2	20.2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	599.2	594.1	594.1	594.1	594.1	594.1	594.1	594.1

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FOREST MANAGEMENT
ACTIVITY: FOREST MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	16,743	17,642	18,015	18,015	18,015	18,436	18,436	18,436
OPERATING EXPENSES	9,867	13,976	11,765	12,260	12,410	11,913	11,913	12,063
CAPITAL OUTLAY	695	188	33	433	433	32	32	32
SUBTOTAL STATE OPERATIONS	27,305	31,806	29,813	30,708	30,858	30,381	30,381	30,531
PAYMENTS TO INDIVIDUALS	26				300			300
LOCAL ASSISTANCE	6,276	6,219	6,061	6,741	7,041	6,061	6,061	6,361
OTHER EXPENSES	101							
TRANSFERS			46	46	46	46	46	46
TOTAL EXPENDITURES	33,708	38,025	35,920	37,495	38,245	36,488	36,488	37,238
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		EVT		400				
LCMR NEW ALLOCATIONS		MNR		1,175				
TOTAL AGENCY PLAN ITEMS				1,575				
GOV'S INITIATIVES:		FUND						
(B) WHITE PINE INITIATIVE		GEN			750			750
TOTAL GOV'S INITIATIVES					750			750
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				400	400			
GENERAL	23,601	26,381	25,613	25,613	26,363	26,034	26,034	26,784
MINNESOTA RESOURCES				1,175	1,175			
STATE GOVERNMENT SPECIAL REVENUE	351	49						
OPEN APPROPRIATIONS:								
GENERAL	5,090	5,500	5,500	5,500	5,500	5,500	5,500	5,500

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FOREST MANAGEMENT
ACTIVITY: FOREST MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
STATUTORY APPROPRIATIONS:								
NATURAL RESOURCES	186	79	26	26	26	25	25	25
SPECIAL REVENUE	3,155	3,754	3,402	3,402	3,402	3,520	3,520	3,520
FEDERAL	1,304	2,178	1,379	1,379	1,379	1,409	1,409	1,409
GIFT	21	84						
=====								
TOTAL EXPENDITURES	33,708	38,025	35,920	37,495	38,245	36,488	36,488	37,238
=====								
REVENUE COLLECTED:								

DEDICATED:								
NATURAL RESOURCES	46	25	25	25	25	24	24	24
SPECIAL REVENUE	3,857	3,560	3,755	3,755	3,755	3,861	3,861	3,861
FEDERAL	1,814	2,043	1,977	1,977	1,977	2,007	2,007	2,007
AGENCY	78	86	97	97	97	102	102	102
GIFT	27							
PERMANENT SCHOOL	4,886	4,807	5,229	5,229	5,229	5,513	5,513	5,513
NONDEDICATED:								
GENERAL	45	30	30	30	30	30	30	30
CAMBRIDGE DEPOSIT FUND	1,636	1,509	1,784	1,784	1,784	1,879	1,879	1,879
=====								
TOTAL REVENUES COLLECTED	12,389	12,060	12,897	12,897	12,897	13,416	13,416	13,416
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	371.9	371.6	371.6	371.6	371.6	371.6	371.6	371.6
TEMP/SEAS/PART_TIME	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6
OVERTIME	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
=====								
TOTAL FTE	403.6	403.3	403.3	403.3	403.3	403.3	403.3	403.3
=====								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Forest Management
ACTIVITY: Forest Management

ITEM TITLE: Restoring and Protecting White Pine

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$450	\$450	\$450	\$450
- Grants	\$300	\$300	\$300	\$300
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$1.5 million from the General Fund for the restoration of Minnesota's white pine forests. This effort will include all forest ownerships through a comprehensive and intensified program of white pine regeneration, protection from forest pests, education/training, research, and monitoring. Funds will implement this comprehensive program and supplement existing white pine regeneration efforts. Up to \$300,000 per year will be available for cost-sharing with owners of non-industrial private land in Minnesota for approved white pine cultural practices. \$150,000 per year will be for a grant agreement with the University of Minnesota for white pine blister rust research. In addition, \$150,000 per year is recommended for grants to county land departments to encourage the establishment and long-term management of white pine on county-administered lands. The remainder of the funds included in the recommendation each year will be available to the DNR for white pine regeneration and protection on DNR-administered lands, education/training for forest resource managers and the public, and white pine monitoring.

RATIONALE:

White pine in Minnesota's forests was far more prevalent before European settlement than it is today. There are a number of reasons for this decline in white pine, including the extensive pine logging that occurred in Minnesota during the late 1800s and early 1900s. Forest managers continue to face difficulties in regenerating white pine because of deer, white pine blister rust, and white pine weevil. Deer love to browse on young white pine seedlings and present a great obstacle to their early survival. Protection from deer with tree shelters, bud-capping, chemical treatments, and fencing are all expensive. Protection of seedlings and young trees from white pine blister rust and white pine weevil is greatly improved by planting beneath other older trees and pruning, both of which add to the cost of establishment.

In recent years, there has been considerable public interest in increasing the presence of white pine in Minnesota's forests as reflected by the introduction of legislation in the 1995 session (i.e., Restore the White Pine Act, House File 1897/Senate File 1757). In response to this widespread interest, a White Pine Regeneration Strategies Work Group was appointed in early 1996 by the DNR comprised of forest ecologists, silviculturists, forest pest specialists, forest researchers, and forest land managers representing a broad spectrum of expertise on the technical aspects of white pine management. The mission of the work group was to prepare a report detailing the status of Minnesota's white pine resource and its historical and current occurrence; existing efforts to increase the white pine resource through management strategies and practices; research needed to address specific concerns about white pine where more knowledge is needed or where adequate data is lacking to conduct an analysis; and recommended regeneration and management strategies that would increase the role and presence of white pine in appropriate ecological landscapes. The product of the White Pine Regeneration Strategies Work Group, a report entitled "Minnesota's White Pine - Now and for the Future," was completed in December 1996 and forwarded to the Minnesota Forest Resources Council, key legislative committees, and the DNR commissioner. The report provided 33 recommendations for implementing a comprehensive white pine restoration program through planning/budgeting, management/regeneration, education/training, research, and inventory/monitoring.

PROGRAM OUTCOMES:

- The acreage and number of white pine trees will increase as a result of this initiative through planting, seeding, and nurturing natural regeneration and protecting young trees from deer browsing and pests such as blister rust and white pine weevil. The goal established in the White Pine Regeneration Strategies Work Group Report is to double the number of white pine trees and the number of acres of young white pine within the next 7 years. Achieving this goal will depend on funding for this initiative in this and subsequent bienniums. Delivery of the programs and practices will be through the DNR's existing state forest management, resource assessment, and private forest management "stewardship" programs and through grant agreements with county land departments.
- Shorter-term outcomes from research investments will be improved ability to identify sites where blister rust impacts will be severe (i.e., where management of white pine will be difficult) and improved management tools/techniques to reduce the impact of blister rust in Minnesota. Longer-term research will help develop genetic improvements in white pine growth rates and resistance to blister rust.
- *Percent of annual timber harvest on DNR-administered forest lands conducted using uneven-aged methods.* A portion of the white pine restoration connected with this initiative will take place in hardwood forests that have been thinned and underplanted to white pine. This thinning will create openings in the under story for establishment and growth of planted/seeded white pine and natural regeneration of other tree species, thus creating uneven- or two-aged forest conditions.
- *Cost per acre for reforestation on DNR-administered lands.* Efforts to restore white pine will increase the cost per acre of reforestation on DNR-administered lands.
- *Thousands of acres of non-industrial private forest land activities accomplished under the guidance of Woodland Stewardship plans with professional forestry advice and assistance.* Initiative will likely increase the amount of planting, pruning, and protection of white pine on non-industrial private forest lands.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Forest Management
ACTIVITY: Forest Management

ITEM TITLE: Restoring and Protecting White Pine
(Continuation)

- *Millions of trees and shrubs produced and sold by DNR nurseries.* Restoration of white pine and damaged county forest land will increase the overall demand for tree seedlings and help the DNR nurseries achieve their seedling production/sale targets.
- *Ratio of conifer seedlings to other seedlings produced by DNR nurseries.* Increased focus on creating diversity in hardwood forest types (i.e., maintaining or increasing conifer component) is supported by this initiative through white pine and county forest restoration efforts. This will likely have an upward influence on the ratio of conifers to other seedlings produced by DNR nurseries.

LONG-TERM IMPACT:

Restoring and intensifying management of Minnesota's white pine resource across all forest ownerships will help to ensure healthy economies, communities, and ecosystems where white pine plays a vital role in supporting forest industries, tourism, and biological diversity.

1998-99 Biennial Budget

PROGRAM: Parks and Recreation Management

AGENCY: Natural Resources, Department of (DNR)

PROGRAM DESCRIPTION:

The mission of the state park system is to preserve and manage Minnesota's natural, scenic, and cultural resources for present and future generations while providing appropriate recreational and education opportunities.

The issues associated with these activities are:

- How to manage state park natural, cultural, archeological, and historical resources within the context of Minnesota's ecosystems for sustainability.
- How to provide appropriate recreational opportunities within state parks and recreation areas.
- How to provide accessible interpretive services that create a sense of stewardship for Minnesota's natural and cultural heritage.
- How to provide adequate and stable funding to insure quality public service.

PROGRAM STATUS:

This program provides for the management, maintenance, operation, and development of 231,008 acres of outstanding natural resources that make up the 66 state parks, 3 state recreation areas, and 9 waysides. The permanent staff is assisted by approximately 400 seasonal and part-time employees and 250 people employed under a contract with Greenview, Incorporated. This staff maintains and operates the park system's 5,600 campsites, 1,200 miles of trails, 93 picnic areas, 1,600 buildings, 320 miles of road, 60 boat accesses, and all other physical development. The division also provides law enforcement, operates and leases concessions, provides night security services, conducts environmental education and interpretive programs for park visitors, and practices sustainable ecosystem-based management.

In 1990, the division established minimum standards for maintenance and operations of state parks. This system provides a means to establish budgets, allocate funds equitably, communicate management expectations, and evaluate park staff performance. The state park system has never had enough funding to fully fund minimum operation standards.

State parks staff are involved in ecosystem-based management statewide projects. This extensive involvement indicates the state park staff's dedication to preserving Minnesota's resources and providing for their enjoyment.

PLANNED RESULTS:

The division's budget plan will allow the reported performance measures from the 1996 Annual Performance Report to be accomplished as follows:

- The division will continue to increase the amount of state park lands maintained in its desired future condition. Accelerated funding will be necessary to adequately inventory park resources and to manage these resources effectively. Present funding levels allow us to identify desired future conditions based on ecosystem and landscape needs for 2 parks each year.

- The number of sustainable ecosystem-based management projects that state park staff are involved in will increase. State park administrative staff will support park staff involvement in appropriate ecosystem-based management programs. This management philosophy will be part of annual performance reviews, and annual awards will continue to be presented to staff for outstanding efforts in sustainable ecosystem-based management. Each park manager will be expected to be involved with at least 1 ecosystem-based project each year.
- The state park system preserves and manages the uniqueness and diversity of Minnesota's natural, scenic, and cultural resources for present and future generations. State park natural and cultural resource preservation efforts are often endangered by private in-holdings of land within a state park. Private in-holdings within state parks create numerous constraints for effective park operations. The division will work to acquire the remaining 22,171 acres of private land within the statutory boundaries of state parks by the year 2020. The division will seek funding to complete acquisition of 4,000 acres of land within state park statutory boundaries by the end of F.Y. 1999.
- Division managers must continually balance the amount of effort invested in resource management and customer service. Both these activities are necessary to meet customers' expectations, but each visitor has a different idea of what the mix should be. Division management will decide as each budget is distributed what amount of staff hours we can afford to dedicate to providing public service as compared to resource management activities. The division's goal is to ensure that 94% or more of state park customers are satisfied with the services provided. Visitor research will help determine these funding priorities and measure results.
- By continually improving the state park interpretive program and expanding the program through a variety of options, we will continue to have a positive effect on the environmental awareness of park visitors. State park visitors were surveyed during the summer of 1995 to determine their interpretive needs and expectations. The results of this survey will provide a baseline to assess the effectiveness of the interpretive program.
- The interpretive program will continue to expand its clientele by embracing the shifting trends in recreation and resource management and by employing ever-improving media and techniques at the emerging edge of environmental interpretation. The state park interpretive program has re-focused its efforts to use non-personnel interpretation methods due to budget constraints and recent survey results.
- State parks will seek legislative support to operate the parks system to minimum standards. Division management staff will continue to seek efficiency measures to ensure that the identified needs truly are minimum operating standards.

BUDGET AND REVENUE SUMMARY:

Revenue

The agency plan includes a proposed increase in the annual vehicle permit fee from \$20 to \$23. State park customers indicated in an August 1996 survey that they would find a modest fee increase acceptable. An annual General Fund revenue increase of \$786,000 is anticipated for the state park system in the 1998-99 biennium. It is attributable to increased park visitation in the current biennium, the proposed fee increase, increased marketing efforts with the development of a permit database, and additional staffing at state parks to capture revenue that otherwise would have gone uncollected.

1998-99 Biennial Budget

PROGRAM: Parks and Recreation Management
AGENCY: Natural Resources, Department of (DNR)
 (Continuation)

Grants

Metropolitan Council. Included in the Parks and Recreation Management Program is funding for payment of a grant to the Metropolitan Council for metropolitan area regional parks maintenance and operations.

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General Fund	\$2,238	\$2,238	\$2,238	\$2,238

Program Plan

- The agency plan includes an annual operating budget increase of \$786,000. This additional funding will allow for full camping during spring and fall operating periods at 40 state parks that currently have limited camping during these periods. Resource and facility protection at those 40 state parks will be increased by 25% as well. This funding will also allow for re-establishment of 25 acres of new prairie habitat in state parks in each year of the biennium.
- The agency plan includes implementation of a new state park vehicle permit tracking system, which will allow the division to collect demographic information on state park users, form a stronger coalition with those customers, and build a profile of residents and visitors who are not using state parks.
- The agency plan includes a 2.5% per year base adjustment for salary inflation.

LCMR Recommendations

- **Fort Snelling State Park - Upper Bluff Utilization and American Youth Hostel.** Provides funds for a cooperative project with Hostelling International and community cooperators for the development of a conceptual utilization plan for the Upper Bluff Area and an assessment of buildings for potential hostel use and the completion of architectural plans of a building for future renovation as a hostel. This appropriation must be matched by at least \$20,000 of non-state money. (\$250,000 Environmental and Natural Resources Trust Fund)
- **Renewable Energy Demonstration and Education in State Parks.** This project provides for an agreement with the Center for Energy and Environment to demonstrate cost-effective applications of renewable energy technologies in state parks by developing technology selection guidelines, installing projects in state parks, and providing public renewable energy education. (\$230,000 Environmental and Natural Resources Trust Fund)
- **State Park and Recreation Area Acquisition, Development, Betterment, and Rehabilitation.** This project provides funds as follows: 1) \$2,500,000 for state park and recreation area acquisition; and 2) \$1,000,000 for state park and recreation area development, betterment, and rehabilitation of state parks and recreation areas. The use of the Minnesota Conservation Corps is encouraged. The commissioner must submit grant requests for supplemental funding for federal Intermodal Surface Transportation Efficiency Act money in eligible categories and report

the results to the Legislative Commission on Minnesota Resources. (\$3,500,000 Environmental and Natural Resources Trust Fund)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends a biennial appropriation of \$1.524 million from the General Fund for increased maintenance and operations funding for the Metro regional parks system.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: PARKS & RECREATION MGMT
ACTIVITY: PARKS & RECREATION MGMT

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	16,717	17,207	17,605	18,155	18,155	18,031	18,581	18,581
OPERATING EXPENSES	7,715	9,180	7,571	8,812	8,812	7,658	7,894	7,894
CAPITAL OUTLAY	2,376	3,562	524	3,499	3,499	523	523	523
=====								
SUBTOTAL STATE OPERATIONS	26,808	29,949	25,700	30,466	30,466	26,212	26,998	26,998
LOCAL ASSISTANCE	2,253	2,238	2,238	2,238	3,000	2,238	2,238	3,000
OTHER EXPENSES	1							
TRANSFERS			17	17	17	17	17	17
=====								
TOTAL EXPENDITURES	29,062	32,187	27,955	32,721	33,483	28,467	29,253	30,015
AGENCY PLAN ITEMS:		FUND						
-----		-----						
LCMR NEW ALLOCATIONS		EVT		3,980				
PARK PERMIT FEE INCREASE		GEN		300			300	
PARKS OPERATIONS		GEN		486			486	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				4,766			786	
GOV'S INITIATIVES:		FUND						
-----		-----						
(P) METRO AREA REGIONAL PARKS OPERATIONS		GEN			762			762
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					762			762
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	3,020	2,388		3,980	3,980			
GENERAL	22,779	23,812	23,898	24,684	25,446	24,309	25,095	25,857
MINNESOTA RESOURCES	200							
NATURAL RESOURCES	227	1,032	631	631	631	632	632	632
STATUTORY APPROPRIATIONS:								
NATURAL RESOURCES		201	21	21	21	20	20	20

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: PARKS & RECREATION MGMT
ACTIVITY: PARKS & RECREATION MGMT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
SPECIAL REVENUE	2,772	4,151	3,357	3,357	3,357	3,457	3,457	3,457
FEDERAL		395						
ENVIRONMENTAL	19	72						
GIFT	45	136	48	48	48	49	49	49
TOTAL EXPENDITURES	29,062	32,187	27,955	32,721	33,483	28,467	29,253	30,015
REVENUE COLLECTED:								
DEDICATED:								
NATURAL RESOURCES	80	22	21	21	21	20	20	20
SPECIAL REVENUE	3,056	3,348	3,382	3,382	3,382	3,482	3,482	3,482
FEDERAL		126						
ENVIRONMENTAL	91							
GIFT	47	47	48	48	48	49	49	49
NONDEDICATED:								
GENERAL	540	548	548	548	548	548	548	548
CAMBRIDGE DEPOSIT FUND	6,050	6,406	6,420	7,206	7,206	6,440	7,226	7,226
TOTAL REVENUES COLLECTED	9,864	10,497	10,419	11,205	11,205	10,539	11,325	11,325
FTE BY EMPLOYMENT TYPE:								
REGULAR	253.7	253.7	253.7	253.7	253.7	253.7	253.7	253.7
TEMP/SEAS/PART_TIME	157.8	157.2	157.2	173.0	173.0	157.2	172.6	172.6
OVERTIME	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
TOTAL FTE	414.4	413.8	413.8	429.6	429.6	413.8	429.2	429.2

F.Y. 1998-99 BUDGET INITIATIVE

maintenance will be passed to local governments to cover costs and improve service in the parks and trails system.

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Parks and Recreation Management
ACTIVITY:

ITEM TITLE: Metro Regional Park System Operations and Maintenance

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$762	\$762	\$762	\$762
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$1.524 million from the General Fund to increase the amount granted to the Met Council for the maintenance and operation of the metro regional parks system.

RATIONALE:

The Met Council currently receives a grant of \$2.238 million in each year of the biennium for the maintenance and operation of the metro regional parks system. The amount of the annual grant has remained constant since F.Y. 1994, and the annual grant of \$2.238 million is included in DNR's agency plan for the coming biennium.

Since F.Y. 1991, the percentage of regional parks maintenance and operating costs paid by this annual grant has steadily decreased. In F.Y. 1991, the state paid just over 9% of the regional system's operating and maintenance costs. For F.Y. 1998 and F.Y. 1999, the \$2.238 million grant will cover 4.98% and 4.76% respectively of these costs.

Increasing the grant by \$762,000 to \$3.0 million in each of F.Y. 1998 and F.Y. 1999 will increase the percentage of operating and maintenance costs covered by the state to 6.67% and 6.38%.

PROGRAM OUTCOMES:

Increased funding reverses the declining share that the state pays toward the operating and maintenance costs of the regional park system. With level funding in both the state and local budgets the funding earmarked for operations and maintenance has not kept up with inflation or with increased costs that result from heavy parks system usage. An increase in the state grant for operations and

This page intentionally left blank.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Trails and Waterways Management
ACTIVITY: Trail Recreation

ITEM TITLE: Snowmobile Grants-in-Aid and DNR Snowmobile Trail Maintenance

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Grants	\$600	\$-0-	\$-0-	\$-0-
Natural Resources Fund:				
Snowmobile Account				
- Grants	\$600	\$600	\$600	\$600
- State Operations	\$150	\$150	\$150	\$150
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends this increase from the General Fund and the Snowmobile Account in the Natural Resources Fund for snowmobile grants-in-aid (GIA) and DNR snowmobile trail maintenance.

RATIONALE:

This program provides grants to local units for the development and maintenance of snowmobile trails on a cost-share basis.

The combination of a healthy economy and several good snow seasons have resulted in greatly increased snowmobile sales and increased usage throughout the state. In fact, snowmobile registrations have increased from about 191,000 in 1991 to 255,000 in 1996. As a result, the positive economic affects have also increased. A recent Department of Trade and Economic Development report estimates that snowmobilers spend over \$70 million yearly on day and overnight snowmobile trips within the state. The present level of funding for the GIA program has remained the same the last 5 years.

During the last 5 years, the GIA program has had to absorb inflationary costs, thereby reducing the effectiveness of the program by approximately 20%. The program has also expanded by approximately 1,000 miles because of trail reroutes.

For those reasons, the legislature made a supplemental appropriation of \$600,000 from the General Fund for grants in F.Y. 1995. An additional supplemental appropriation of \$600,000 from the Snowmobile Account was made for F.Y. 1996.

The requested \$600,000 for F.Y. 1998 from the General Fund and \$600,000 per fiscal year from the Snowmobile Account would allow the GIA program to do more of the necessary maintenance and grooming critical to keeping the snowmobile trail system in good shape, even though needs would still outstrip resources.

The \$150,000 per fiscal year from the Snowmobile Account would help maintain DNR trails in state parks, state forests, and state trails such as the Taconite and North Shore Trails. There are a number of factors that have greatly impacted the department's ability to adequately maintain DNR snowmobile trails. These factors include the combination of good snow seasons and the renewed interest in snowmobiling. The DNR snowmobile maintenance program has not seen an increase in funding since the late 1980s, except for occasional salary supplements and/or inflation adjustments. With the overwhelming increase in use, existing funding levels do not meet the demand for trail grooming and maintenance, even though lower priority trails have been eliminated during the past few years.

Snowmobile trails appeal to both trail users and to local commercial and economic development interests that benefit from the increased tourism and commercial activity attributable to trail users. Various civic and community groups are also in support of Minnesota's system of snowmobile trails.

PROGRAM OUTCOMES:

The increase requested for the GIA trail system will help increase efforts at maintaining and grooming trails, some of which are in poor condition throughout the season. But many other miles of trails added by clubs from other revenue sources and through volunteer efforts will remain outside of the GIA trail system until more resources are made available from the Snowmobile Account.

The increase for DNR trails will help agency staff keep pace with increases in snowmobile use and will help alleviate the affects of inflation on maintenance and grooming efforts.

LONG-TERM IMPACT:

These increases will help strengthen the program and further encourage snowmobile use. This increase will also help provide adequate levels of maintenance and will help support local economies that are based on tourism.

1998-99 Biennial Budget

PROGRAM: Fish and Wildlife Management

AGENCY: Natural Resources, Department of (DNR)

PROGRAM DESCRIPTION:

This program exists to manage and protect of Minnesota's fish, wildlife, and native plant populations and natural communities.

The issues associated with these activities are 1) ecosystem management of fish, wildlife, and native plants for their intrinsic values and sustainable benefits to people; 2) maintaining the tremendous diversity of species and habitats that occur in the natural communities in Minnesota; and 3) providing the public with varied, high-quality recreational and educational opportunities related to fish, wildlife, and native plants.

The increased development of the lands and waters in the state heightens concerns for maintaining the viability of ecosystems while supporting economic growth. Stewardship of ecosystems and economic opportunities presents a great challenge. Expectations for quality hunting, fishing, and viewing are as varied as the individuals pursuing them. This variety of expectations for quality experiences can create conflict among users. Funds from license fees for fishing, hunting, and trapping may fall short of that needed to meet the demands for recreation and the challenges of managing ecosystems.

The Fish and Wildlife Division works towards the following goals: providing sustainable wild populations of fish, wildlife, and native plants; providing sustainable natural communities and ecosystems; providing sustainable recreational and commercial opportunities for users; and having people knowledgeable about fish, wildlife, and native plant communities.

PROGRAM STATUS:

License fee revenue has been fluctuating for several bienniums and has resulted in several actions by the legislature. In 1994, the legislature shifted several payments (including Indian treaty payments, in-lieu-of-tax payments, and ditch assessments) from the Game and Fish Fund to the General Fund. The 1994 legislature also established the citizen oversight committees to review the annual report on revenue and expenditures for the Game and Fish Fund and make recommendations to the commissioner and legislature on use of the fund.

In F.Y. 1994-95, significant Game and Fish Fund program reductions amounted to \$3.3 million and a workforce reduction by 25 FTEs. This is continued in the present program budget. The program also absorbed non-salary inflation in the last 2 bienniums with a further reduction in the workforce of 21 FTEs.

The program has moved to ecosystem-based management. This requires more interaction among units in the DNR and closer cooperation with other natural resource agencies. Partnerships with local units of government and citizen groups increase the effectiveness of achieving common goals. The County Biological Survey, Natural Heritage, Scientific and Natural Areas, and Nongame Research Programs have been relocated in the Ecological Services Section supporting the ecosystem approach.

PLANNED RESULTS:

The program budget plan will allow the reported performance measures from the 1996 Annual Performance Report to be accomplished or accelerated as follows:

- Manage lake and stream ecosystems to protect and improve habitat, protect unique or at-risk species, protect wetlands, have biologically based protected streamflows, review permits and projects with environmental impacts, and minimize the spread of exotic species. The fish funding initiative will increase aeration systems, miles of easement acquisition, lake and stream improvement projects, and lake rehabilitations. Ecological Services will increase lake mapping for the larger important fish lakes and improve aquatic plant management by increased information collection and technical assistance to conservation groups, lake associations and resource managers.
- Manage terrestrial and wetland ecosystems to protect and improve associated species; protect critical wetland and terrestrial habitats and communities; and maintain populations of wild birds, mammals, reptiles and amphibians.
- Manage fish populations in individual lakes and streams based on current biological data and angler-use information. Increase the number of biological assessments and work with stakeholders to update management plans on individual waters.
- Maintain fish and wildlife populations at levels that accommodate the needs of anglers, hunters, trappers, and wildlife viewers. The number of waters with special regulations will be increased.
- Improve the quality of natural resource education programs to improve comprehension of fish and wildlife ecosystems. The number of participants in the MinnAqua Program will increase.

BUDGET AND REVENUE SUMMARY:

Summary for the program plan is as follows:

- A proposed fishing license fee increase will generate \$2,167,000 in F.Y. 1998 and \$5,823,000 in F.Y. 1999.
- The proposed fishing license fee increase will increase expenditures by \$1,800,000 in F.Y. 1998 and \$2,600,000 in F.Y. 1999 for the Fish Management Activity and increase expenditures for the Ecological Services Activity by \$200,000 each year of the biennium.
- The \$1.00 surcharge on most deer/bear licenses includes \$.50 for deer/bear computerized licensing and deer/bear management. Also, \$.50 is for emergency deer feeding and to repay a loan of \$750,000 from the fund for deer feeding in F.Y. 1996. Effective 7-1-97, the amount contributed to deer feeding is reduced to \$.25 once the loan is paid.
- The transfer of \$16,000 from the Exotic Species Program to the Minnesota Conservation Corps is for exotic species boat inspections.
- The division will incur non-salary inflation of \$840,000 in operating activities. The agency plan provides non-salary inflation of \$343,000 for the Fish Management Activity.
- Contractual agreements for salaries above 2.5% will be absorbed by the activity operating budget, resulting in further reductions in activities.
- The deer/bear dedicated account appropriation will be reduced by \$199,000 in the next biennium as a result of a special deer feeding emergency appropriation from the account in F.Y. 1996.
- Expenditures from the dedicated deer management account will be reduced by \$750,000 in the next biennium to balance the account.

1998-99 Biennial Budget

PROGRAM: Fish and Wildlife Management

AGENCY: Natural Resources, Department of (DNR)
(Continuation)

- To offset reductions in the deer/bear dedicated account, \$199,000 will be restored in the next biennium to the wildlife operations and management budget from non-dedicated Game and Fish Fund receipts.
- A proposed Trout and Salmon Stamp increase of \$3.50 will generate \$318,000 in income and \$250,000 in expenditures each year of the biennium.

LCMR Recommendations

- **Fisheries Statewide Hatchery Rehabilitation.** This project provides funds to accelerate the Reinvest in Minnesota (RIM) Program to implement projects to maintain and improve statewide fish culture facilities. (\$400,000 Environmental and Natural Resources Trust Fund)
- **RIM - Accelerate Fisheries Acquisition.** This project provides funds to accelerate the RIM Program for the acquisition of land adjacent to lakes and streams to provide for angler and management access or protection of critically riparian habitat, including access for non-boat owners and urban users. (\$500,000 Environmental and Natural Resources Trust Fund)
- **RIM - Critical Habitat Acquisition and Enhancement.** This project provides funds to accelerate the RIM Program for activities authorized under M.S. 84.943. Projects must occur in both urban and rural areas. (\$400,000 Environmental and Natural Resources Trust Fund)
- **RIM - Wildlife and North American Waterfowl Management Plan Acquisition.** This project provides funds to accelerate acquisition and enhancement of North American Waterfowl Management Plan wetlands and associated uplands on a cost-share basis and wildlife habitat in areas of high population growth. (\$500,000 Environmental and Natural Resources Trust Fund)
- **RIM - Wildlife Habitat Stewardship.** This project provides funds to accelerate the RIM Program for improvement of wildlife habitat and natural plant communities statewide on public lands, both urban and rural, to protect and enhance wildlife, native plant species, and ecological diversity. (\$400,000 Environmental and Natural Resources Trust Fund)
- **Wolf Management Plan.** This project provides funds to develop a management plan for Minnesota wolves for implementation when Minnesota wolves are removed from the federal endangered species list. (\$100,000 Future Resources Fund)
- **State Wolf Management: Electronically Moderating the Public Discussion.** This project provides for an agreement with the International Wolf Center to provide a public electronic forum and information on wolf management. This appropriation must be matched by at least \$20,000 of non-state money. (\$100,000 Future Resources Fund)
- **School Nature Area Project.** This project provides for an agreement with St. Olaf College for the second biennium to accelerate partnerships between institutions of higher education and schools to augment native vegetation in school nature areas, demonstrate methods of ecological enhancement to teachers and integrate them into school curriculum. (\$250,000 Environmental and Natural Resources Trust Fund)
- **Savanna Restoration for Sharp-Tailed Grouse.** This project provides for an agreement with the Minnesota Sharp-Tailed Grouse Society to identify and inventory restorable northern savannas for sharp-tailed grouse habitat. (\$30,000 Future Resources Fund)
- **RIM - Scientific and Natural Area Acquisition.** This project provides funds to accelerate the acquisition of land for scientific and natural areas under M.S. 84.033. (\$200,000 Environmental and Natural Resources Trust Fund)
- **Prairie Heritage Fund.** This project provides funds for an agreement with Pheasants Forever, Inc., for the acquisition of approximately 800 acres in small parcels of prairie grasslands and wetlands. The land must be open and accessible to the public. This appropriation must be matched by at least \$500,000 of non-state money. In addition to the required work program, parcels may not be acquired until parcel lists have been submitted to the Legislative Commission on Minnesota Resources and the commission has approved the parcel list or allowed 60 days to pass. (\$500,000 Future Resources Fund)
- **Prairie and Oak Savanna Restoration.** This project provides for an agreement with the St. Paul Audubon Society to restore natural areas of sites in at least 2 parks that have residual prairie and oak savanna areas. (\$50,000 Future Resources Fund)
- **Minnesota County Biological Survey - Continuation.** This project provides funds for the sixth biennium of a proposed 12-biennium project to accelerate the county biological survey for the systematic collection, interpretation, and distribution of data on the ecology of rare plants, animals, and natural communities. (\$1,170,000 Environmental and Natural Resources Trust Fund)
- **Stream Habitat Protection - Continuation.** This project provides funds to accelerate the streamflow protection program for the third biennium of a proposed 8-biennium effort to establish a watershed level stream habitat database and develop the tools to set protected flows for ecosystem diversity. (\$225,000 Environmental and Natural Resources Trust Fund)
- **Prairie-Grassland Landscapes.** This project provides funds for the second biennium to improve grassland ecosystem stewardship in the Glacial Lake Agassiz Interbeach Area in cooperation with the resource conservation and development councils. (\$125,000 Future Resources Fund)
- **Minnesota's Forest Bird Diversity Initiative - Continuation.** This project provides funds for the fourth biennium of a 6-biennium project for a comprehensive monitoring and research program that develops management tools to maintain forest diversity. (\$350,000 Environmental and Natural Resources Trust Fund)
- **Minnesota Frog Watch.** This project provides for an agreement with the Center for Global Environmental Education, Hamline University, for the second biennium to accelerate the Minnesota frog watch environmental education program for youth and families in formal and non-formal education settings. This project must be completed and final products delivered by June 30, 2000, unless otherwise specified in the work program. (\$300,000 Environmental and Natural Resources Trust Fund)
- **Biological Control of Eurasian Watermilfoil and Purple Loosestrife - Continuation.** This project provides funds for the third biennium of a 5-biennium project to develop biological controls for Eurasian watermilfoil and purple loosestrife. (\$150,000 Environmental and Natural Resources Trust Fund)
- **Control of Noxious Weeds in Native Wild Rice.** This project provides for an agreement with Bois Forte Reservation for a Nett Lake biocontrol study to link laboratory and field studies to remove exotic and nuisance weeds from a wild rice lake. This appropriation must be matched by

REVISED 2/28/97

PAGE D-209

1998-99 Biennial Budget

PROGRAM: Fish and Wildlife Management

AGENCY: Natural Resources, Department of (DNR)
(Continuation)

at least \$100,000 of non-state money. (\$100,000 Future Resources Fund)

- **Ballast Water Technology Demonstration for Exotic Species Control.** This project provides for an agreement with the Seaway Port Authority of Duluth for a demonstration project to test, evaluate, and refine techniques for preventing ballast water-based introduction and dispersal of exotic species in Lake Superior. (\$200,000 Future Resources Fund)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends new funding for the following initiatives:

- a biennial appropriation of \$200,000 from the General Fund for this portion of the multi-agency initiative on Water Monitoring and Ecological Data that will be added to DNR's Ecological Services to develop biocriteria, a tool for water quality analysis.
- a biennial appropriation of \$1.2 million from the General Fund for Ecological Services to collect scientific data on ecosystems and to provide essential natural resource information to state and local decision makers.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FISH & WILDLIFE MANAGEMENT

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FISH MANAGEMENT	23,457	25,998	24,255	27,205	27,205	24,462	27,312	27,312
WILDLIFE MANAGEMENT	20,516	21,658	17,602	19,070	19,070	17,875	17,563	17,563
ECOLOGICAL SERVICES	4,595	7,888	5,732	9,286	9,986	5,818	6,002	6,702
TOTAL EXPENDITURES BY ACTIVITY	48,568	55,544	47,589	55,561	56,261	48,155	50,877	51,577
AGENCY PLAN ITEMS:			FUND					
LCMR NEW ALLOCATIONS		EVT		4,845				
LCMR NEW ALLOCATIONS		MNR		1,205				
TECHNICAL REALLOCATIONS		NRF		<16>			<16>	
TROUT & SALMON STAMP FEE INCREASE		G&F		250			250	
FISHING LICENSE INCREASE		G&F		2,000			2,800	
BUDGET REDUCTION - DEER HABITAT		G&F		<375>			<375>	
WILD TURKEY MANAGEMENT		G&F		63			63	
TOTAL AGENCY PLAN ITEMS				7,972			2,722	
GOV'S INITIATIVES:			FUND					
(A) WATER MONITORING & ECOLOGICAL DATA		GEN			100			100
(B) COLLECT/DELIVER ECOLOGICAL INFORMATION		GEN			600			600
TOTAL GOV'S INITIATIVES					700			700
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	2,544	2,245		4,845	4,845			
GENERAL	2,361	2,980	2,702	2,702	3,402	2,749	2,749	3,449
MINNESOTA RESOURCES	1,104	2,080		1,205	1,205			
NATURAL RESOURCES	1,836	2,190	2,029	2,013	2,013	2,064	2,048	2,048
GAME AND FISH	30,684	32,672	32,052	33,990	33,990	32,669	35,407	35,407
OPEN APPROPRIATIONS:								
GENERAL	6,861	6,865	6,889	6,889	6,889	6,731	6,731	6,731
GAME AND FISH	474	715	715	715	715	715	715	715
STATUTORY APPROPRIATIONS:								
NATURAL RESOURCES	484	1,014	48	48	48	46	46	46
SPECIAL REVENUE	638	1,341	504	504	504	516	516	516

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FISH & WILDLIFE MANAGEMENT

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
GAME AND FISH	9	33	151	151	151	151	151	151
FEDERAL	1,287	2,423	2,041	2,041	2,041	2,056	2,056	2,056
GIFT	286	986	458	458	458	458	458	458
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	48,568	55,544	47,589	55,561	56,261	48,155	50,877	51,577
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	584.1	556.0	546.3	576.3	585.3	546.3	544.3	553.3
TEMP/SEAS/PART_TIME	63.7	60.5	56.8	64.8	65.3	56.8	56.0	56.5
OVERTIME	1.8	1.3	1.0	1.0	1.0	1.0	1.0	1.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	649.6	617.8	604.1	642.1	651.6	604.1	601.3	610.8

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FISH & WILDLIFE MANAGEMENT
ACTIVITY: ECOLOGICAL SERVICES

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,781	4,001	3,348	4,953	5,478	3,421	3,601	4,126
OPERATING EXPENSES	1,577	3,759	2,282	3,571	3,746	2,295	2,299	2,474
CAPITAL OUTLAY				185	185			
=====								
SUBTOTAL STATE OPERATIONS	4,358	7,760	5,630	8,709	9,409	5,716	5,900	6,600
LOCAL ASSISTANCE	237	128	100	575	575	100	100	100
TRANSFERS			2	2	2	2	2	2
=====								
TOTAL EXPENDITURES	4,595	7,888	5,732	9,286	9,986	5,818	6,002	6,702
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
LCMR NEW ALLOCATIONS		EVT		2,395				
LCMR NEW ALLOCATIONS		MNR		975				
TECHNICAL REALLOCATIONS		NRF		<16>			<16>	
FISHING LICENSE INCREASE		G&F		200			200	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				3,554			184	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(A) WATER MONITORING & ECOLOGICAL DATA		GEN			100			100
(B) COLLECT/DELIVER ECOLOGICAL INFORMATION		GEN			600			600
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					700			700
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	446	991		2,395	2,395			
GENERAL	1,173	1,874	1,718	1,718	2,418	1,747	1,747	2,447
MINNESOTA RESOURCES	161	296		975	975			
NATURAL RESOURCES	841	1,311	1,175	1,159	1,159	1,191	1,175	1,175
GAME AND FISH	1,228	1,438	1,370	1,570	1,570	1,398	1,598	1,598

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: FISH & WILDLIFE MANAGEMENT
ACTIVITY: ECOLOGICAL SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
STATUTORY APPROPRIATIONS:								
NATURAL RESOURCES		50	48	48	48	46	46	46
SPECIAL REVENUE	74	565	182	182	182	182	182	182
FEDERAL	663	1,212	1,236	1,236	1,236	1,251	1,251	1,251
GIFT	9	151	3	3	3	3	3	3
=====								
TOTAL EXPENDITURES	4,595	7,888	5,732	9,286	9,986	5,818	6,002	6,702
=====								
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	50	204	150	150	150	150	150	150
FEDERAL	777	852	1,260	1,260	1,260	1,275	1,275	1,275
GIFT	4	3	3	3	3	3	3	3
NONDEDICATED:								
GAME AND FISH	86	86	85	85	85	85	85	85
=====								
TOTAL REVENUES COLLECTED	917	1,145	1,498	1,498	1,498	1,513	1,513	1,513
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	60.1	56.1	53.4	85.4	94.4	53.4	53.4	62.4
TEMP/SEAS/PART_TIME	5.1	5.1	5.1	8.9	9.4	5.1	5.1	5.6
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
=====								
TOTAL FTE	65.3	61.3	58.6	94.4	103.9	58.6	58.6	68.1

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Fish and Wildlife Management
ACTIVITY: Ecological Services

ITEM TITLE: Collecting and Delivering Ecological Information

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$600	\$600	\$600	\$600
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION: The Governor recommends a biennial appropriation of \$1.2 million from the General Fund to Ecological Services to solidify its position as a provider of vital ecological information services by assisting local communities in using new and better ecological information to manage for a sustainable quality of life. Investments are recommended in the following areas:

1. collecting ecological data on important Minnesota ecosystems and ecological processes;
2. delivering ecological information in meaningful ways to decision makers;
3. restoring and preserving important ecological processes on key natural areas; and
4. storing and retrieving important ecological information for present and future uses.

Recommended investments are as follows:

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Collection of Ecological Data	\$219	\$219	\$219	\$219
Delivery of Ecological Information	211	211	211	211
Natural Area Management	95	95	95	95
Information Management	75	75	75	75
TOTAL	\$600	\$600	\$600	\$600

RATIONALE:

"We cannot have a healthy economy for very long without maintaining and restoring the environment that supports that economy. Conversely, we cannot cordon off the natural world as if humans have no place in it and as if we can lead prosperous lives without using the earth's resources."

- Governor Arne Carlson at the 1994 Minnesota Congress on Sustainable Development

The Governor recognizes that sustaining a high quality of life in Minnesota will require linking new and better knowledge of ecological and economic processes with wiser actions that promote a sustainable quality of life. Citizens, business leaders, and public officials must better understand how the forests, grasslands, lakes, and rivers that surround our local communities function; how they support and are impacted by human use; and how management decisions and land-use policies affect their long-term viability. Inspired by this new and better knowledge, Minnesotans will be able to make wise management decisions that provide healthy rivers and lakes, forests and grasslands, and wild animals and plants, as well as provide long-term economic opportunities for present and future generations.

The DNR has done a good job in rethinking how resource management professionals can support local communities as they make resource development decisions. Projects such as the Big Sandy Area Lakes Watershed Project, the Blufflands Initiative, and the Big Woods Landscape Project demonstrate that partnerships between the public and private sector, infused with active citizens, can make sustainable use of natural resources a reality in Minnesota.

These efforts also underscore the need for new and better knowledge about essential ecological processes within landscapes and communities. This knowledge is being created by a small core of ecological scientists with the DNR who are unable to service all the current requests or the anticipated increase in future requests. The department must make additional investments in collecting and linking new ecological knowledge to wiser resource decisions within Minnesota communities to help citizens create a sustainable future.

This investment initiative is a critical step in achieving the Fish and Wildlife Program's primary objectives, and it directly supports the program's ability to achieve all 11 performance measures.

PROGRAM OUTCOMES:

1. **Collecting ecological data on important ecosystems and ecological processes.**
(\$219,000/\$219,000; F.Y. 1998-99)

"Without accurate information about our current situation, we will not know whether we are becoming more or less sustainable."

- George Honadle at the 1994 Minnesota Congress on Sustainable Development
University of Minnesota Center for Natural Resource Policy and Management

The DNR must *collect* important ecological information in order to *deliver* important ecological information. This requires specialized expertise that understands how ecosystems work - the interrelationships between plants, animals, and physical elements of the environment (e.g., water, air, nutrients) - the natural variability of these systems, their vulnerability to stress, and their potential for recovery. Each factor affects the long-term viability of Minnesota's forests, grasslands, lakes, and rivers and their capacity to deliver economic, recreational, and ecological benefits. Such ecological expertise is in short supply within the department. Investing in our growing ecological information service responsibilities is a necessity as the department continues and expands its efforts to work with local communities. This investment enables the department to maintain 2 existing ecologists and to add an additional one.

Key program outcomes include:

- Management efforts to produce a sustainable supply of commercial and noncommercial forest products and benefits will be supported with continued efforts to collect ecological data that describes important structural and compositional features of biological diversity in

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Fish and Wildlife Management
ACTIVITY: Ecological Services

ITEM TITLE: Collecting and Delivering Ecological Information
(Continuation)

forest ecosystems.

- Vital ecological information on grassland ecology will continue to be collected and provided to citizens engaged in stewardship planning efforts for farm economies.
- Forest management planning efforts will be enhanced by accelerating efforts to collect data on rare plants, animals, and natural communities in the northern forests through the County Biological Survey as recommended by the Generic Environmental Impact Statement on Expanded Timber Harvesting in Minnesota.

2. Delivering ecological information in meaningful ways to decision makers.
(\$211,000/\$211,000; F.Y. 1998-99)

"Sustainable development is exactly what we need in Crow Wing County. We need jobs, we need our lakes and our environment, and we need our quality of life . . . Sustainable development will not happen until it takes place among local governments."

- Cheryl Gelbmann at the 1994 Minnesota Congress on Sustainable Development
County Commissioner, Crow Wing County

The DNR must improve its ability to deliver "effective" ecological data to resource users so that it becomes an important component in decision-making efforts of landowners, business leaders, public resource agencies, and local public officials. Linking new and better ecological information to decision makers happens when trust and credibility have been established, nurtured, and maintained. It takes time, patience, and experience to translate technical data and information so that local community members can understand and use it in making complex decisions or recommendations about future community actions. This investment enables the department to maintain existing efforts in the metropolitan area and to expand the delivery of ecological information in southeastern and northwestern Minnesota.

Key program outcomes include:

- Local resource planning initiatives will be supported by delivering ecological data on natural communities, natural features, and rare plants and animals to local governments, public land managers and landowners in formats that address local needs. Focus is in those areas of the state where the County Biological Survey has been completed.
- Local governments, resource agencies, and project regulators who are proposing development projects in southeastern Minnesota will be provided high-quality environmental information to help them attain their economic and recreation development goals while avoiding or minimizing impacts to rare resources and critical fish and wildlife habitats.

3. Restoring and preserving important ecological processes on key natural areas.
(\$95,000/\$95,000; F.Y. 1998-99)

" sustainability is not enough . . . Restoration must be the motto of the day."

- Paul Hawken at the 1994 Minnesota Congress on Sustainable Development
Author, The Ecology of Commerce

Scientific and natural areas (SNAs) are outstanding examples of the rich variety of ecosystems that comprise our state's natural heritage. Local communities are actively participating in protecting natural areas that remain and restoring previously degraded sites. SNAs serve as local ecological learning centers where citizens can observe, study, and participate in restoring natural community ecology. Working with local communities to protect and restore natural community ecology on SNAs requires professional experience and expertise. This investment will continue an existing position and expand natural area management efforts.

Key program outcomes include:

- Opportunities for citizens to participate in SNA management and restoration work will be expanded by coordinating an effective statewide network of management professionals and hundreds of community volunteer stewards.
- Management efforts will take place on native prairie tracts where prescribed burning, habitat restorations, noxious species eradication/control, seed collection, and signing are needed to maintain key natural areas.

4. Managing the ecological information analysis, storage, and retrieval systems.
(\$75,000/\$75,000; F.Y. 1998-99)

"Continuously provide timely, credible, up-to-date scientific information to the public and decision-makers."

- Recommendation of the 1994 Minnesota Congress on Sustainable Development

The surge of new information management technologies and the rising tide of important uses of ecological information makes the directed investment in analysis, storage, and retrieval systems critical. We must be able to quickly respond to requests from private citizens, private interests, and public resource managers for customized reports and maps with up-to-date information while ensuring that our data storage and retrieval systems are safe and secure. This investment will provide a new information systems manager to coordinate the maintenance and improvement of nearly 30 databases of ecological information.

Key program outcomes include:

- Local community efforts to responsibly manage natural resources will be supported by improving the storage and retrieval of important information on rare plants, animals, natural communities, and stream, river, and lake resources, and by improving the capacity to produce maps and reports depicting the location of ecological features at various scales.

LONG-TERM IMPACT: This investment initiative outlines increased investments in collecting and linking new and better ecological knowledge to wiser decisions that will promote a sustainable quality of life discussed at the 1994 Sustainable Development Congress. Without these increased investments, sustainable development will be much harder to achieve. With these investments, Minnesotans' shared vision of a sustainable future will be supported and enhanced by information that helps ensure our Minnesota landscapes continue to provide economic, recreational, and ecological benefits for generations to come.

1998-99 Biennial Budget

PROGRAM: Enforcement of Natural Resource Laws and Rules
AGENCY: Natural Resources, Department of (DNR)

PROGRAM DESCRIPTION:

The protection of Minnesota's natural resources and ensuring public safety in recreational pursuits regulated by the department are the activities of this program. Issues that affect this program include:

- Maintaining acceptable outcomes in our traditional game and fish role, while meeting emerging needs in recreational regulation and environmental regulation.
- Shifting the expectations of the division's clients and stakeholders from activity-based performance indicators (hours expended) to outcome-based performance indicators.
- Emphasizing the role of education in producing voluntary compliance rather than relying on traditional law enforcement techniques.

PROGRAM STATUS:

The Enforcement Division's goals include 1) to ensure the perpetuation of Minnesota's natural resources by protecting plant and animal populations and their environment, and 2) to ensure the safety of the public who utilize Minnesota's natural resources for recreational purposes.

These goals are accomplished by providing traditional law enforcement services and educational opportunities. The emphasis of the division is shifting toward education as an important tool to achieve voluntary compliance with necessary regulations. The division is also attempting to prioritize environmental protection as an essential method to protect native plant and animal species.

The division participates in all department ecosystem-based management (EBM) efforts by providing input into proposed regulatory schemes, providing regulatory services, and providing information to the public. As the department's EBM efforts become more widespread, the division's regulatory role will expand. The division's conservation officers are assigned to geographically based patrol areas that allows them to actively participate in the communities within their area. Officers live in one of these communities and are encouraged to become active local department representatives.

PLANNED RESULTS:

The division's budget plan will allow the performance measures outlined in the 1996 Annual Performance Report to be implemented at reported levels.

The division has recently completed a 2-year organizational and workload study entitled "Enforcement 2001" and is now beginning implementation. The study was undertaken to achieve the following goals:

- improve efficiency by 15% to 20%,
- involve internal and external stakeholders more directly in the operation of the division and create increased support for the division, and
- improve the work environment for all within the division.

Implementation of 2001. The division has adopted a new organizational structure (effective 7-1-96) that plans and budgets along the functional lines of operations, information and education, and

administration/support. These changes will provide better support and allow more efficient use of appropriated funding to become more effective in the division's assigned role.

By 7-1-97 the division will scale back to a 3-region alignment to decrease costs and improve support to the field. Field support will improve in the 3-region alignment by utilizing existing supervisory and management positions for priority work identified during the study.

Snowmobile Priority. The division will prioritize snowmobile enforcement, especially speed and alcohol enforcement that have proven to be factors in fatal accidents. This will be accomplished by means of a special enforcement task force that will operate in areas of need around the state. In addition, local officers will be directed to prioritize snowmobile enforcement above other workloads during peak periods.

BUDGET AND REVENUE SUMMARY:

Revenue

This activity generates non-dedicated revenue to the Natural Resources Fund and Game and Fish Fund as follows:

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Water Recreation	\$4,038	\$4,465	\$4,798	\$4,301
Snowmobile	90	68	72	72
All-Terrain Vehicle	4	4	4	4
Game and Fish	<u>476</u>	<u>500</u>	<u>506</u>	<u>513</u>
TOTAL	\$4,608	\$5,037	\$5,380	\$4,890

Grants

- **County Boat and Water Safety Grant Program.** Grants to the counties are made under M.S. 86B.701 and funded from the Water Recreation Account. Currently, the department provides boat and water safety grants to 78 counties to operate a program of boat and water safety law enforcement and education. Activities undertaken through the grant program by county sheriffs include enforcement of boating regulations, search and rescue operations, rental boat inspections, and informational and educational programs.

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Natural Resources Fund	\$1,082	\$1,082	\$1,082	\$1,082

- **Turn-In-Poachers (TIP) Youth Activity Book.** An agreement with TIP, Inc., for an activity book to inform and educate children on how poaching affects our natural resources. (Biennial appropriation of \$50,000 in F.Y. 1996 from the Future Resources Fund.)

Program Plan

The agency plan for the Enforcement Program is as follows:

- Implementation of the recommendations from the division's organizational study will allow the division to provide an adequate level of service into future biennia with an anticipated decreased level of funding available to state agencies.

PROGRAM: Enforcement of Natural Resource Laws and Rules

AGENCY: Natural Resources, Department of (DNR)

(Continuation)

- The division anticipates an increase in funding of approximately \$100,000 each year as a result of the Game and Fish Fund fee increase proposal. This funding will be utilized to enhance the division's traditional game and fish regulatory work by increasing the ability of officers to patrol.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

The plan will allow the division to meet desired outcomes in all priority areas in the coming biennium. The implementation of the division study recommendations will allow improved service during a period of anticipated lower state agency funding levels. The division will continue to actively relate to the citizens of the state through the activities of conservation officers as well as improving relationships with both internal and external stakeholders.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends new funding for the following two initiatives:

- a biennial appropriation of \$200,000 from the General Fund for the purchase of specialized equipment that will improve the division's ability to enforce snowmobile laws and operating safety.
- a General fund appropriation of \$200,000 in each of F.Y. 1997 and F.Y. 1998 for anticipated law enforcement expenses related to the provisions of the 1837 Treaty settlement.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: ENFORCEMENT--NR LAWS&RULES
ACTIVITY: ENFORCEMENT--NR LAWS&RULES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	12,521	13,579	13,792	13,792	13,862	14,136	14,136	14,136
OPERATING EXPENSES	3,291	4,598	3,953	4,053	4,283	3,953	4,053	4,153
SUBTOTAL STATE OPERATIONS	15,812	18,177	17,745	17,845	18,145	18,089	18,189	18,289
PAYMENTS TO INDIVIDUALS	10							
LOCAL ASSISTANCE	1,100	1,114	1,082	1,082	1,082	1,082	1,082	1,082
TOTAL EXPENDITURES	16,922	19,291	18,827	18,927	19,227	19,171	19,271	19,371
AGENCY PLAN ITEMS:		FUND						
FISHING LICENSE INCREASE		G&F		100			100	
TOTAL AGENCY PLAN ITEMS				100			100	
GOV'S INITIATIVES:		FUND						
(A) 1837 TREATY HARVEST COMMICATION/ENFORCE		GEN			200			
(P) SNOWMOBILE EQUIPMENT		GEN			100			100
TOTAL GOV'S INITIATIVES					300			100
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,842	3,239	3,180	3,180	3,480	3,252	3,252	3,352
MINNESOTA RESOURCES	18	32						
NATURAL RESOURCES	2,974	3,741	3,608	3,608	3,608	3,645	3,645	3,645
GAME AND FISH	10,970	12,160	11,939	12,039	12,039	12,174	12,274	12,274
SOLID WASTE	100	100	100	100	100	100	100	100
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	10	5						
GIFT	8	14						

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: ENFORCEMENT--NR LAWS&RULES
ACTIVITY: ENFORCEMENT--NR LAWS&RULES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL EXPENDITURES	16,922	19,291	18,827	18,927	19,227	19,171	19,271	19,371
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	8							
GIFT	11							
NONDEDICATED:								
NATURAL RESOURCES	4,132	4,537	4,874	4,874	4,874	4,377	4,377	4,377
GAME AND FISH	476	500	506	506	506	513	513	513
TOTAL REVENUES COLLECTED	4,627	5,037	5,380	5,380	5,380	4,890	4,890	4,890
FTE BY EMPLOYMENT TYPE:								
REGULAR	207.5	208.9	208.9	208.9	208.9	208.9	208.9	208.9
TEMP/SEAS/PART_TIME	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
OVERTIME	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
TOTAL FTE	232.7	234.1	234.1	234.1	234.1	234.1	234.1	234.1

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Natural Resources, Department of (DNR)
PROGRAM: Enforcement of Natural Resource Laws and Rules
ACTIVITY:

ITEM TITLE: Snowmobile Equipment

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$100	\$100	\$100	\$100
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$200,000 from the General Fund to purchase specialty equipment for the Enforcement Division to allow conservation officers to more effectively and safely enforce the snowmobile laws and rules.

RATIONALE:

The ability of the Enforcement Division to enforce the snowmobile laws and rules is seriously impacted by a lack of specialty equipment necessary to safely and effectively carry out this role. The division has not been able to fund the purchase of portable breath testers, radar speed detection guns, or helmet communications systems from existing funding.

The need for this equipment has reduced the ability of the division to regulate snowmobile activity at a time when fatalities and serious accidents have increased significantly. Funding for this equipment will allow conservation officers to better detect violations of speed and alcohol laws. Current and historical statistics show that in excess of 50% of fatal snowmobile accidents involve excessive speed and/or alcohol consumption.

The helmet communications systems will allow officers to communicate while on a snowmobile without the need to remove their helmet, which is currently the case. This will improve officer safety and contribute to the apprehension of violators. The communications system will allow continuous communication with other officers, aircraft, and dispatch points without the need to stop and remove a helmet.

The requested funding will provide specialty equipment to the Enforcement Division at a level that will allow conservation officers to more safely and effectively regulate snowmobile activity.

PROGRAM OUTCOMES:

The Enforcement Division is charged with the enforcement of the laws and rules necessary to regulate recreational snowmobile activity and ensure public safety. An increase in snowmobile registrations, coupled with technological advances in the machines themselves making them faster and more comfortable at speed, has strained the ability of the division to adequately regulate the sport. These technological changes have also increased the number of miles driven each year by the "average snowmobiler."

A dramatic increase in fatal accidents during the winter of 1995-96 and again this winter has served to highlight the problems associated with the sport.

The division has prioritized snowmobile enforcement for several years and continues to train youth in the safe operation of snowmobiles. As is evidenced by the current level of fatal accidents, these efforts have not been adequate to control the careless and reckless behavior of the small minority of operators. This winter conservation officers were directed to increase their enforcement activity level in this area and have effectively reduced the speed of snowmobile operators in areas of concentrated effort.

The requested funding for specialty equipment will allow an increased ability to detect speed and alcohol violations, major causes of fatal and personal injury accidents. Increased enforcement on speed, alcohol, and reckless operation will limit the number of fatalities and serious personal injury accidents. Continued law enforcement efforts will be needed to change behavior of those operators who choose to operate snowmobiles irresponsibly, but those efforts are greatly enhanced by providing the necessary detection and safety equipment to conservation officers.

LONG-TERM IMPACT:

The long-term impact of increased enforcement of speed, alcohol, and reckless operation laws will be to change the perception of acceptability of these actions among snowmobilers. If these violations are effectively enforced on a long-term basis, the public acceptance of these types of behavior will diminish in much the same way that the public acceptance of driving a motor vehicle under the influence has changed. The enforcement effort alone will not result in this change. It will take a concerted effort on the part of snowmobile groups, increased education of operators, and continued law enforcement efforts to highlight these unacceptable behaviors.

A successful enforcement effort will significantly contribute to the behavioral change. In the long-term, public safety will be enhanced and more people will be able to enjoy the sport of snowmobiling without fear of being placed in jeopardy by the reckless actions of a small minority of operators.

1998-99 Biennial Budget

PROGRAM: Operations Support
AGENCY: Natural Resources, Department of (DNR)

PROGRAM DESCRIPTION:

This program provides support services to the 7 programmatic units through several offices and bureaus within the following budget activities:

- **Field Operations Support.** Field Services Bureau, Engineering Bureau, and Real Estate Management Bureau.
- **Regional Operations Support.** Administrative staff of 6 regional offices.
- **Special Services and Programs.** Information and Education Bureau, Human Resources Bureau, Office of Affirmative Action and Diversity, and the Office of Planning.
- **Administrative Management.** Commissioner's Office, Financial Management Bureau, License Bureau, and Management Information Services Bureau.

PROGRAM STATUS:

Some organizational changes in this program are planned for this biennium. They are planned in order to further the goal of employing management strategies and technologies that facilitate the most effective and efficient use of information and resources, and to build the DNR organization around implementing ecosystem-based management.

The Regional Administration Activity will be taking a leadership role with department units to strengthen consolidated area offices. This leadership will ensure that the department aligns itself for focusing on community service and cooperative relationships for resource management in a coordinated and effective manner.

Within the Field Operations Activity, the Bureau of Engineering is preparing to move some surveying functions and positions out to field locations. The Bureau of Real Estate Management is in the process of reorganizing into geographic area-based service teams to reduce costs, better facilitate ecosystem-based management, and make real estate services more responsive to customer needs.

The Office of Management and Budget will be created from the merger of the Office of Planning and the Financial Management Bureau to reflect the management strategies of integrating the planning and budget processes, improving cost management through program evaluation, and assessing external influences on natural resources management.

In addition, to further the goal of providing accessible, useful, and responsive DNR information, products, and services to DNR's customers, the Information Center will take on a broader, more centralized role. A toll-free telephone number statewide (1-888-MINN-DNR) will be installed, staff will be added, and the center will handle all customer requests for information in a systematic manner.

PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 Performance Report as follows:

- The ratio of support services costs to total costs will continue to drop slightly each fiscal year as cost effectiveness measurements are introduced and implemented.
- All department field station and central office staff will continue to have access to the department's computer network. We have achieved our goal of incorporating all employees as users ahead of schedule during the 1995-96 biennium and will continue to provide support services to users. The number of fully operational Geographic Information System centers established with base level funding to date is slightly less than originally planned, but it is estimated that the number will increase slightly each year of this biennium.
- At the 1998-99 base funding level, the overall condition of DNR facilities will deteriorate rather than improve. Therefore, an investment initiative has been submitted to address the backlog of maintenance concerns.
- With the funding currently provided for education and enforcement efforts, the agency expects to effectively reach the population involved in boating and have an impact on the number of boating deaths.
- Total revenues collected by the department will continue to increase. However, the ability of the department to accelerate the rate of collections is limited under current budget. Therefore, a budget initiative that includes the re-engineering of the DNR revenue system for faster cash flow and better revenue reporting has been submitted.
- Average cost per property acquisition transaction is expected to begin dropping modestly due to expected efficiencies resulting from the Real Estate Management Bureau's reorganization.
- The number of ecosystem-based partnerships will increase slightly and level off within this biennium.

BUDGET AND REVENUE SUMMARY:

The agency plan for the Operations Support Program is as follows:

- The agency plan includes a \$250,000 base adjustment in F.Y. 1998 to provide funds to the Office of Strategic and Long-Range Planning to be used for a grant to the Northern Counties Land-Use Coordinating Board.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.
- A budget reduction of \$112,380 per year in the dedicated computerized licensing and deer/bear management account that supports related operations in the License and Management Information Services Bureaus as a result of changes made in the previous legislative session regarding the \$.50 per license earmarked for emergency deer feeding. The reduction is offset in the agency plan by an increase from non-dedicated receipts in the Game and Fish Fund.

LCMR Recommendations

- **Phalen Wetland Restoration - Phase II.** This project provides funds for an agreement with the city of St. Paul for design, pre- and post-construction monitoring and construction of approximately 9 acres of wetland. (\$400,000 Environmental and Natural Resources Trust Fund)
- **Point Douglas Bluffland Acquisition.** This project provides funds for an agreement with the Carpenter St. Croix Valley Nature Center to purchase approximately 125 acres of blufflands in the Mississippi and St. Croix riverways. The land must be open and accessible to the public in perpetuity. (\$525,000 Future Resources Fund)

1998-99 Biennial Budget

PROGRAM: Operations Support
AGENCY: Natural Resources, Department of (DNR)
(Continuation)

- **Minnesota Point Protection.** This project provides funds for an agreement with the Park Point Community Club for administrative expenses to secure the protection of the old-growth stands and bird sanctuary at Minnesota Point. (\$75,000 Future Resources Fund)
 - **Mesabi Trail Land Acquisition and Development.** This project provides funds for an agreement with the St. Louis and Lake Counties Regional Rail Authority for the development and land acquisition of trail segments. This appropriation must be matched by at least \$600,000 of non-state money. (\$600,000 Future Resources Fund)
 - **Chippewa County Regional Trail.** This project provides funds for an agreement with the city of Montevideo to complete the construction of the Chippewa County trail system in Montevideo. This segment is for a 4.3-mile westerly segment and will link all prior segments. This appropriation must be matched by at least \$400,000 of non-state money. (\$400,000 Future Resources Fund)
 - **Local Initiatives Grants Program.** This project provides matching grants as follows:
 - \$600,000 to local units of government for local park and recreation areas; \$50,000 of the appropriation is to complete the Lareu public access.
 - \$600,000 to local units of government for natural and scenic areas.
 - \$900,000 for trail grants to local units of government on land to be maintained in perpetuity for the purpose of the grant; \$200,000 is for grants of up to \$50,000 per project for trail linkages between communities, trails, and parks, and \$700,000 is for grants of up to \$250,000 for local trails of regional significance.
 - \$600,000 for a statewide conservation partners program to encourage private organizations and local governments to cost share improvement of fish, wildlife, and native plant habitats and research and surveys of fish and wildlife. Conservation partners grants may be up to \$10,000 each.
 - \$200,000 for environmental partnerships program grants of up to \$10,000 each for environmental service projects and related education activities through public and private partnerships.
- The above appropriations, in combination, are available half for the metropolitan areas and half for outside of the metropolitan area. (\$2,900,000 Future Resources Fund)
- **Metropolitan Regional Park System.** This project provides for payment by the Commissioner of Natural Resources to the Metropolitan Council for subgrants to rehabilitate, develop, acquire, and retrofit the metropolitan regional park system consistent with the Metropolitan Council's regional recreation open space capital improvement. This appropriation may be used for the purchase of homes only if the purchases are expressly included in the approved work program. (\$3,500,000 Environmental and Natural Resources Trust Fund)

- **Children's Museum at Judy Garland Birthplace.** This project provides funds for an agreement with the Judy Garland Children's Museum to assist in the design, construction, and equipment of a children's museum. This appropriation must be matched by at least \$1,600,000 of non-state money. (\$200,000 Future Resources Fund)
- **Catch and Release.** This project provides funds for an agreement with the Rainy Lake Sportfishing Club to accelerate its catch and release program. This appropriation must be matched by at least \$10,000 of non-state contributions, either cash or in-kind. (\$20,000 Future Resources Fund)
- **Environmental Indicators Initiative - Continuation.** This project provides funds for the second biennium of a 3-biennium project to create a statewide framework for selecting and monitoring environmental indicators to assess and communicate Minnesota's environmental health status and trends. (\$250,000 Environmental and Natural Resources Trust Fund)
- **Environmental Service Learning.** This project provides funds for an agreement with Stowe Environmental Elementary School to develop a partnership of schools, communities, and agencies to create a model of environmental service learning. (\$100,000 Environmental and Natural Resources Trust Fund)
- **Partners in Accessible Recreation and Environmental Responsibility.** This project provides funds for an agreement with Wilderness Inquiry for the second biennium to provide a statewide program of environmental education, outdoor recreation, and inclusion of people with disabilities and other minority groups. (\$550,000 Environmental and Natural Resources Trust Fund)
- **Environmental Service Learning Projects in Minneapolis Schools.** This project provides funds for an agreement with Eco Education to provide training and minigrants for student-lead service learning projects. (\$100,000 Future Resources Fund)
- **White Oak Learning Center Environmental Awareness Through History.** This project provides funds for an agreement with the White Oak Society, Inc., to create an education program integrating environmental education into historical, cultural, and social contexts. (\$125,000 Future Resources Fund)
- **Sustainable Gardening for Minnesota Homes and Communities.** This project provides funds for an agreement with the Sustainable Resources Center for the fifth biennium to accelerate community garden programs through technical assistance to encourage ecologically sound landscape plantings and maintenance. Up to \$60,000 is to provide a link of sustainable farmers with urban communities. (\$400,000 Future Resources Fund)
- **New Models for Land-Use Planning.** This project provides funds for an agreement with the Land Stewardship Project for planning, inventory, technical assistance, and education addressing voluntary easements, purchase and transfer of development rights to create a protected green corridor in Washington and Chisago Counties, and up to \$30,000 is to provide training in adapting holistic resource management concepts and principles for decision making in land-use planning. (\$530,000 Environmental and Natural Resources Trust Fund)
- **Search and Retrieval System for Natural Resource Data.** This project provides funds for an agreement with the Izaak Walton League, John McCabe Chapter, to design and field test a natural resource data search and retrieval system. This appropriation must be matched with at least \$50,000 of non-state money. (\$50,000 Environmental and Natural Resources Trust Fund)
- **Land-Use Development and Natural Resource Protection Model.** This project provides funds

1998-99 Biennial Budget

PROGRAM: Operations Support

AGENCY: Natural Resources, Department of (DNR)
(Continuation)

for an agreement with the city of Winona to develop a geographic information system implementation tool to assist in the evaluation of natural resource protection in land-use decision making by local governments. This appropriation must be matched by at least \$88,000 of non-state money. (\$400,000 Environmental and Natural Resources Trust Fund)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends increased funding for the following initiatives:

- \$766,000 in F.Y. 1998 and \$826,000 in F.Y. 1999 for an agency information technology initiative, with \$450,000 each year from the General Fund and the remainder from 6 dedicated accounts;
- \$428,000 in F.Y. 1998 and \$300,000 in F.Y. 1999 for the electronic licensing system (ELS) and the revenue management system, with \$300,000 each year from the General Fund and the remainder from 4 dedicated accounts;
- a biennial appropriation of \$830,000 from the General Fund for community assistance and education, a multi-agency initiative that resulted from the work of environmental cluster;
- a biennial appropriation of \$1 million from the General Fund for a statewide initiative to reduce deferred maintenance needs and protect the public investment in DNR's existing facilities;
- a General Fund appropriation of \$100,000 in each of F.Y. 1997 and F.Y. 1998 to implement a communications plan that increases the public's understanding of the issues surrounding the 1837 Treaty settlement.

1997 Deficiency

For F.Y. 1997, a General Fund deficiency of \$500,000 is included in the agency plan to partially offset the program funds used by the department to satisfy a binding arbitration award paid to a contractor regarding the removal of the Flandrau Dam.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: OPERATIONS SUPPORT

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
FIELD OPERATIONS SUPPORT	9,223	10,886	10,199	10,199	10,699	10,384	10,384	10,884
REGIONAL OPERATIONS SUPPORT	3,761	4,615	3,613	3,613	4,028	3,689	3,689	4,104
SPECIAL SERVICES AND PROGRAMS	10,041	18,201	6,736	17,411	17,511	6,573	6,573	6,573
ADMINISTRATIVE MANAGEMENT	7,279	8,909	8,587	9,037	10,231	8,719	8,719	9,845
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	30,304	42,611	29,135	40,260	42,469	29,365	29,365	31,406
AGENCY PLAN ITEMS:		FUND						
=====		=====						
LCMR NEW ALLOCATIONS		EVT		5,780				
LCMR NEW ALLOCATIONS		MNR		5,345				
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				11,125				
GOV'S INITIATIVES:		FUND						
=====		=====						
(A) 1837 TREATY HARVEST COMMICATION/ENFORCE		GEN			100			
(B) REPAIR & MAINT OF STATE BUILDINGS		GEN			500			500
(B) COMMUNITY ASSISTANCE & EDUCATION		GEN			415			415
(B) INFORMATION RESOURCE MANAGEMENT		GEN			450			450
(B) INFORMATION RESOURCE MANAGEMENT		G&F			200			250
(B) INFORMATION RESOURCE MANAGEMENT		NRF			116			126
(B) ELECTRONIC LICENSING SYSTEM		GEN			300			300
(B) ELECTRONIC LICENSING SYSTEM		G&F			100			
(B) ELECTRONIC LICENSING SYSTEM		NRF			28			
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					2,209			2,041
EXPENDITURES BY FUND:								
=====								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	2,343	5,830		5,780	5,780			
GENERAL	12,903	15,121	15,093	15,093	16,858	15,135	15,135	16,800
MINNESOTA RESOURCES	2,441	5,036		5,345	5,345			
NATURAL RESOURCES	3,122	3,466	3,355	3,355	3,499	3,416	3,416	3,542
GAME AND FISH	7,048	8,730	7,981	7,981	8,281	8,094	8,094	8,344
STATUTORY APPROPRIATIONS:								
GENERAL		65						
SPECIAL REVENUE	411	1,009	556	556	556	561	561	561

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: OPERATIONS SUPPORT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
GAME AND FISH	167	202	190	190	190	190	190	190
FEDERAL	1,121	2,055	1,284	1,284	1,284	1,278	1,278	1,278
AGENCY	81							
GIFT	599	904	524	524	524	524	524	524
PERMANENT SCHOOL	68	193	152	152	152	167	167	167
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	30,304	42,611	29,135	40,260	42,469	29,365	29,365	31,406
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	370.1	367.5	366.6	367.6	381.0	366.6	366.6	380.0
TEMP/SEAS/PART_TIME	10.3	10.2	10.2	11.2	11.2	10.2	10.2	10.2
OVERTIME	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	383.0	380.3	379.4	381.4	394.8	379.4	379.4	392.8

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: OPERATIONS SUPPORT
ACTIVITY: SPECIAL SERVICES AND PROGRAMS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,877	4,304	4,154	4,254	4,254	4,251	4,251	4,251
OPERATING EXPENSES	1,818	3,626	2,220	2,370	2,470	2,220	2,220	2,220
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	5,695	7,930	6,374	6,624	6,724	6,471	6,471	6,471
LOCAL ASSISTANCE	4,346	10,271	351	10,776	10,776	91	91	91
TRANSFERS			11	11	11	11	11	11
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	10,041	18,201	6,736	17,411	17,511	6,573	6,573	6,573
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
LCMR NEW ALLOCATIONS		EVT		5,330				
LCMR NEW ALLOCATIONS		MNR		5,345				
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				10,675				
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(A) 1837 TREATY HARVEST COMMICATION/ENFORCE		GEN			100			
=====		=====			=====		=====	
TOTAL GOV'S INITIATIVES					100			
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	1,893	5,830		5,330	5,330			
GENERAL	3,618	4,207	4,286	4,286	4,386	4,118	4,118	4,118
MINNESOTA RESOURCES	2,191	4,485		5,345	5,345			
NATURAL RESOURCES	505	525	537	537	537	550	550	550
GAME AND FISH	134	139	138	138	138	140	140	140
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	262	614	294	294	294	294	294	294
FEDERAL	849	1,501	957	957	957	947	947	947
GIFT	589	900	524	524	524	524	524	524

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESOURCES DEPT
PROGRAM: OPERATIONS SUPPORT
ACTIVITY: SPECIAL SERVICES AND PROGRAMS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	10,041	18,201	6,736	17,411	17,511	6,573	6,573	6,573
REVENUE COLLECTED:								

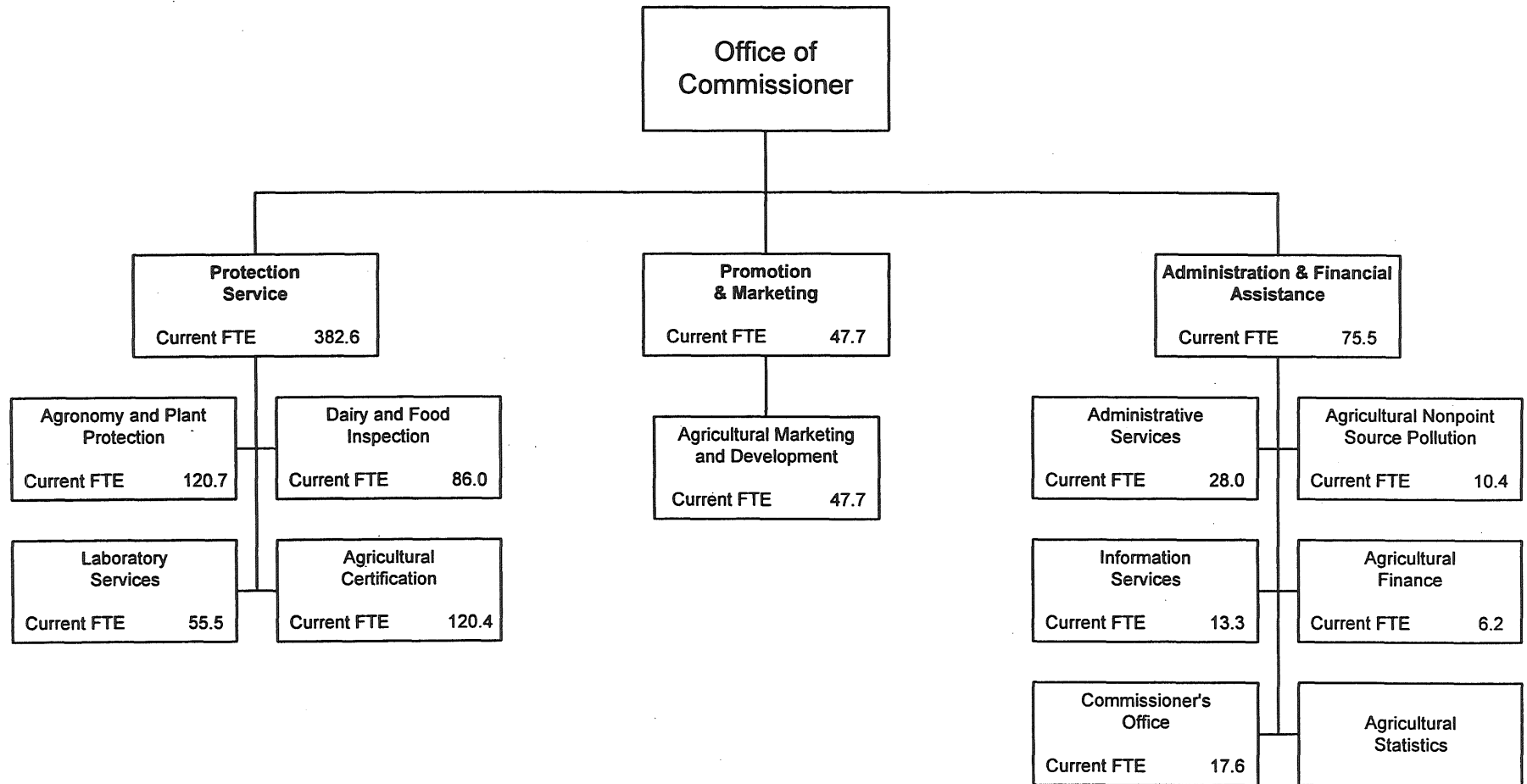
DEDICATED:								
SPECIAL REVENUE	292	313	244	244	244	244	244	244
FEDERAL	1,658	2,327	1,816	1,816	1,816	1,806	1,806	1,806
GIFT	505	530	524	524	524	524	524	524
NONDEDICATED:								
GENERAL	2							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	2,457	3,170	2,584	2,584	2,584	2,574	2,574	2,574
FTE BY EMPLOYMENT TYPE:								

REGULAR	79.9	77.3	77.3	78.3	78.3	77.3	77.3	77.3
TEMP/SEAS/PART_TIME	5.8	5.7	5.7	6.7	6.7	5.7	5.7	5.7
OVERTIME	.5	.5	.5	.5	.5	.5	.5	.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	86.2	83.5	83.5	85.5	85.5	83.5	83.5	83.5

Department of Agriculture

7/1/96

Organization Chart



1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Agriculture, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$13,847	\$13,847	\$27,694
<u>BASE ADJUSTMENT</u>			
One Time Appropriations	(75)	(75)	(150)
BB - Biennial Appropriations	125	125	250
BL - 1998-99 Comp. Inflation	222	449	671
DOC - Space Rent/Lease Increase/Decrease	<u>18</u>	<u>47</u>	<u>65</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$14,137	\$14,393	\$28,530
<u>AGENCY DECISION ITEMS</u>			
Agricultural Liming Materials Fee	26	26	52
Family Farm Payment Adjustment	(170)	(186)	(356)
Agricultural Statistics	8	10	18
Agriculture in the Classroom	5	5	10
Dairy Development & Enhancement	102	106	208
International Trade Opportunities	5	5	10
Agriculture Finance	-0-	10	10
Affirmative Action Officer	<u>50</u>	<u>50</u>	<u>100</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$14,163	\$14,419	\$28,582
<u>GOVERNOR'S INITIATIVES</u>			
Project Unity	1,250	1,250	2,500
Alternate Waste/Feedlot Package	290	290	580
Wheat & Barley Scab Research	1,600	-0-	1,600
Dairy Diagnostics	<u>960</u>	<u>40</u>	<u>1,000</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$18,263	\$15,999	\$34,262

Base Adjustments:

One time appropriations - grant to the U of M for applied research on odor control at feedlots.
Biennial appropriations - continuation of 2 F.Y. 1996 appropriations: Grant to Passing on the Farm Center - \$50,000, and Integrated Pest Management - \$75,000.

Brief Explanation of Agency Plan:

The Agency Decision Items are:

- The Agronomy and Plant Protection Division will no longer exempt municipalities that produce and distribute Agricultural Liming Materials from the inspection fees. The costs of providing this service to municipalities is currently not being recovered. To continue the exemption would require significant fee increases for other participants of the program without an increase in inspections.
- The agency will reallocate funds from the Family Farm Security Program, which is decreasing, to fund: a Dairy Development & Enhancement Specialist, International Trade Opportunities for Minnesota, increase funding for the Ag in the Classroom Program, hiring an Affirmative Action Officer for the agency, funding printing costs for the Agricultural Statistics Programs, and increasing funding for technical support issues for the Aggie Bond Program in the Agriculture Finance Program.

Revenue Summary:

Agricultural Liming Materials fees will increase by \$26,000 per year.

Affected Statutes:

- Agricultural Liming Materials: M.S. 18C.531, subdivision 2 and M.S. 18C.551; repealing M.S. 18C.541, subdivision 6.
- Proposed amendments will be in agency legislation.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan and further recommends the following 4 initiatives:

- Project Unity, an electronic information management system to modernize the agency's management system. In addition to the General Fund appropriation, the Governor recommends up to \$250,000 from dedicated sources allocated through their indirect cost plan, only if the allocation does not result in fee increases.
- Alternate waste and feedlot package to develop a scientific data base on odor from feedlot operations. Conduct research and demonstrations of technologies for biofilters as odor suppressants, and composting animal mortalities. Evaluate drainage systems for effectiveness, cost, and maintenance, and testing for pathogen survival and transmission in various approaches to manure management.
- Wheat and barley scab research to provide \$1.6 million for development of scab-resistant varieties of wheat and barley.
- Dairy Diagnostics of Minnesota's dairy farms to expand the efforts to enhance the financial success and long-term sustainability.

REVISED 2/28/97
PAGE D-270

1998-99 Biennial Budget

AGENCY: Agriculture, Department of
(Continuation)

REVENUE SUMMARY:

In the budget, departmental fees contribute 65% (\$23.2 million per year) of the budget for the Department of Agriculture. The major income generating fees for the department are from pesticide registration (\$4.9 million per year) and the grain inspection (\$3.9 million per year). An overall summary of department fee revenue is as follows:

General Funds - \$3.4 million per year.

Special Revenue Funds - \$18.3 million per year.

The department anticipates federal funds of \$1.5 million.

The department has proposed fee increases in the areas of fertilizer inspection, dairy services inspections, liming materials, grain buyer's licenses and a commercial feed law revision.

SUMMARY OF BUDGET REQUEST:

Ethanol Producer Payment Forecast: Ethanol Producer payments are forecast to almost double in the 1998-99 biennium from the \$25 million legislative cap on the 1996-97 appropriation. The forecast amount for the 1998-99 biennium is \$49.651 million. In the current biennium, the unexpended balance of the \$25 million appropriation cap is projected to be deficient by \$1.5 million for F.Y. 1997 producer payments. This will require the fourth quarter payments to be prorated as provided in Laws of Minnesota for 1995, Chapter 220, Sec. 7, Subd. 3.

	F.Y. 1998	F.Y. 1999
Agency Decision Items: General Fund		
Agricultural Liming Materials	\$26,000	\$26,000
Agency Reallocation: General Fund		
Family Farm Security Program	(\$170,000)	(\$186,000)
Dairy Development & Enhancement Specialist	\$102,000	\$106,000
International Trade Opportunities	\$5,000	\$5,000
Ag in the Classroom	\$5,000	\$5,000
Agriculture Statistics	\$8,000	\$10,000
Affirmative Action Officer	\$50,000	\$50,000
Agriculture Finance	\$-0-	\$10,000
Total	-0-	-0-

Requested Fee Change:

- Agricultural Liming Materials: \$26,000 per year

Agency Decision Items: Special Revenue

Fertilizer Inspection Services		
Increase in services costs.	\$263,000	\$263,000
Fertilizer Inspection Account		
LCMR Match monies for nitrate clinics.	\$50,000	\$-0-

Seed Potato Inspection Decrease	(\$63,000)	(\$63,000)
Reduce expenditures to bring in line with revenue.		
Fruit & Vegetables Inspection	(\$138,000)	(\$138,000)
Reduce expenditures to bring in line with revenue.		
Dairy Services Fee	\$229,000	\$229,000
Increase and adjust fees based on dairy herd size and processing facility size.		
Promotion Councils	(\$51,000)	(\$51,000)
Reduce appropriations to expenditure levels.		
Agricultural Land Preservation -		
Match monies for Future Resources Fund grant.	\$115,000	\$-0-
(Funding for this item is requested from the Minnesota Conservation Fund.)		

Requested Fee Changes

- Grain Buyers License Fees: \$90,000 per year
- Eliminate duplicate grain warehouse license fees: \$(5,000)
- Fertilizer Inspection Fees: \$213,000 per year
- Dairy Services Fees: \$229,000 per year

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan. In addition, the Governor recommends funding the following initiatives:

Project Unity - General Fund	\$1,250,000	\$1,250,000
- Special Revenue - Statutory	\$250,000	\$250,000

This will allow the agency to design and implement a comprehensive information management system to meet the challenges it faces of managing information and communicating with staff and customers. Funding from the Special Revenue Fund is recommended, providing the expenditure does not result in fee increases.

Water Quality Monitoring - Special Revenue	\$250,000	\$250,000
This appropriation from the Pesticide Regulatory Account in the Special Revenue Fund will allow expansion of the agency's surface and ground water monitoring for pesticides in watersheds and of specific landforms particularly sensitive to pesticide contamination. Data gathered from monitoring will facilitate the assessment of trends and effectiveness of pesticide management plans.		

Alternative Waste Feedlot Package - General Fund	\$290,000	\$290,000
This will provide information needed by researchers, agricultural professionals and producers to be able to manage manure in an environmentally responsible and scientifically-based manner. It will also provide information for evaluation and selection of odor management systems. In addition, it will provide information to local governments planning to implement policies and standards that support the local livestock industry while minimizing conflicts.		

Wheat and Barley Scab Research - General Fund	\$1,600,000	\$-0-
This will provide needed funding for the University of Minnesota to continue research into developing resistant varieties, developing a sound scab resistant management program and providing information to growers and food processors on the effects of scab impacted grain.		

1998-99 Biennial Budget

AGENCY: Agriculture, Department of
(Continuation)

Dairy Diagnostics - General Fund \$960,000 \$40,000

These funds will be used to continue and expand the dairy development efforts of the department to provide dairy families and business partnerships with individualized diagnostic programs to strengthen and enhance their ability to achieve long term dairy farming success and profitability.

The Governor concurs with the agency forecast for ethanol payments which, on a biennial comparison, almost doubles the Ethanol Producer Payment appropriation from \$25 million to over \$49 million. Current law states if a plant is not in production by June 30, 2000, it is not eligible for state producer payments. The Governor recommends the closure date of the program be accelerated to June 30, 1998 because of the early success of the program.

The Governor does not recommend increasing the \$25 million appropriation cap for the 1996-97 biennium to fund the projected shortfall. However, if feasible, it is recommended that the shortfall be amortized over the entire 1997 fiscal year, rather than the fourth quarter, to lessen the financial impact of the shortfall on facilities which did not qualify for payments in all four quarters of the year. An appropriation rider is recommended to authorize this one-time exception.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
PROTECTION SERVICE	24,855	24,890	25,774	26,291	28,141	26,049	26,366	26,616
AGRIC MARKETING & DEVELOPMENT	14,543	17,954	27,849	28,276	28,276	29,140	29,104	29,104
ADMIN & FINANCIAL ASSISTANCE	11,977	18,404	16,716	16,703	19,453	16,782	16,767	18,597
TOTAL EXPENDITURES BY PROGRAM	51,375	61,248	70,339	71,270	75,870	71,971	72,237	74,317
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				150	150			
GENERAL	13,712	14,997	14,137	14,163	18,263	14,393	14,419	15,999
MINNESOTA RESOURCES	820	157		350	350			
STATE GOVERNMENT SPECIAL REVENUE	168							
SPECIAL REVENUE	9,095	9,436	9,838	10,243	10,493	9,993	10,233	10,483
ENVIRONMENTAL	230	269	269	269	269	269	269	269
OPEN APPROPRIATIONS:								
GENERAL	10,799	14,201	23,829	23,829	23,829	25,822	25,822	25,822
STATUTORY APPROPRIATIONS:								
PUBLIC FACILITIES AUTHORITY	4,067	10,460	10,000	10,000	10,000	10,000	10,000	10,000
SPECIAL REVENUE	10,527	9,726	9,132	9,132	9,382	9,138	9,138	9,388
FEDERAL	1,400	1,621	2,252	2,252	2,252	1,489	1,489	1,489
ENVIRONMENTAL	120	234	779	779	779	779	779	779
AGENCY	355	2	2	2	2	2	2	2
GIFT	82	145	101	101	101	86	86	86
TOTAL EXPENDITURES	51,375	61,248	70,339	71,270	75,870	71,971	72,237	74,317
FTE BY EMPLOYMENT TYPE:								
REGULAR	484.7	507.4	508.8	515.2	522.2	508.8	515.1	522.1
TEMP/SEAS/PART TIME	21.1	11.6	11.3	11.3	11.3	11.1	11.1	11.1
TOTAL FTE	505.8	519.0	520.1	526.5	533.5	519.9	526.2	533.2

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Agriculture, Department of

REVENUE SOURCES:

The Department of Agriculture generates dedicated, non-dedicated, and federal revenue. Dedicated and non-dedicated revenue are generated through inspection fees, license fees, application fees, fees for service, interagency agreements for services provided, and interest earnings.

In the 1996-97 biennium, the department generated a total of \$73.049 million in revenue. Approximately 10% of these revenues are non-dedicated.

FEE STRUCTURE:

Fees are collected from industries regulated by the agency through the licensure and inspection of food and agricultural products to protect the public health and safety.

The majority of fees collected by the agency are through pesticide regulatory programs. These programs focus on human health and environmental protection -- particularly groundwater protection. Fees are generated through product registration, applicator testing, licensing and facility permitting fees.

The next largest group of fees collected is in the grain inspection program. These fees are collected for grain inspection and weighing services provided by the agency. The agency is the designated Federal Grain Inspection Agent for the state of Minnesota. These inspections allow the state producers to export their grain products.

Another large group of fees collected are in Dairy and Food Inspection Division, which include the Minnesota Consolidated Licensing Law and Dairy Inspection Services. The Minnesota Consolidated Licensing Law assesses fees for food handlers who produce, process, package, label, handle, distribute and/or sell food in the state of Minnesota. The Dairy Inspection Services assesses fees on all participants in the dairy production chain. This includes dairy farmers, dairy haulers and dairy processing plants.

RECENT CHANGES:

None.

FORECAST BASIS:

Overall revenue is expected to remain fairly stable.

DECISION ITEMS:

The agency is requesting fee increases for the following:

Agricultural Liming Materials will be increased \$26,000 per year. This increase extends the fee to municipalities that are receiving inspection services. Municipalities produce agricultural liming materials as by-product of their waste water treatment facilities. This is a non-dedicated fee.

Fertilizer Inspection will be increasing fees \$213,000 per year. This increases tonnage fees 10 cents a ton. This is needed to finance an increase in fertilizer inspection services.

Grain Buyers License will be increasing fees \$90,000 per year. Grain Buyers license fees are based on the volume of grain bought. This increase will recover costs of the program. Eliminate duplicate grain warehouse license fees. This will reduce fees by \$5,000 per year.

Dairy Services fees will be increasing \$229,000 per year. This fee is adjusting or increasing fees to more evenly distribute fees based on the number of cows in a dairy operation and to recover the cost of the agency decision item to increase the level of dairy services.

1998-99 Biennial Budget

PROGRAM: Protection Service
AGENCY: Agriculture, Department of

PROGRAM DESCRIPTION:

The mission of this program is to develop, administer and coordinate regulatory service programs which support and protect producers, processors, distributors and consumers of Minnesota agricultural products. This is accomplished through programs which apply state, federal or local laws and regulations associated with health, safety quality, labeling and environmental protection.

Activities of this program involve four divisions: Agronomy and Plant Protection, Agricultural Certification, Dairy and Food Inspection and Laboratory Services. These divisions regulate and service the diversified industries which produce, process and distribute Minnesota's agricultural products. Through their oversight, analysis and related regulatory activities they provide for the production, processing and distribution of safe, wholesome and properly represented agricultural products produced in a manner that will provide proper environmental protection.

Consumer protection is provided through activities which oversee and audit proper product composition and labeling, prevention and cleanup of environmental problems, analysis of product quality and composition, sanitary inspections of production, processing and distribution facilities and certification of product safety and quality.

These objectives are accomplished through a diversity of programs and activities:

- Cooperation with federal agencies to administer and enforce the Federal Insecticide, Fungicide and Rodenticide Act; Federal Seed Act; Food, Drug and Cosmetics Act; Organic Act; Code of Federal Regulations and numerous other state and federal laws associated with environmental regulation.
- Administration of environmental protection program associated with the proper handling and use of pesticides and fertilizer which range from service oriented activities and training to inspection and enforcement.
- Prevention and control of pests which affect agricultural products and urban environments through monitoring, education and eradication.
- Certification services which provide for the inspection and analysis of agricultural and horticultural commodities and products to assure quality, promote effective marketing and uniform product representation whether in intrastate, interstate or international commerce.
- Provide licensing and inspection programs which will protect the safety of food products, from producer to consumer, by documenting regulatory outcomes and product compliance.
- Document the composition, quality and wholesomeness of agricultural products through product testing and laboratory analysis.
- Provide the product sampling and laboratory analysis as necessary to respond to environmental and product safety emergencies which may impact public health and safety.

The clientele for these activities include farmers, manufacturers, processors, distributors, retailers, exporters and consumers of agricultural products.

PROGRAM STATUS:

The Protection Services program was reorganized to combine Agronomy Services and related activities from Plant Protection to form the new Agronomy and Plant Protection Division. The combining of Food Inspection and the Dairy Inspection portion of Dairy and Livestock formed the new Dairy and Food Inspection Division. A number of similar service and certification programs from Livestock, Plant Protection, Grain Licensing and Auditing, and Grain Inspection were combined to form the new Agricultural Certification Division. Through these changes it is anticipated that department clientele can be served in a more efficient manner. Efficiencies of service will be enhanced through the development and implementation of Project Unity, the computerization project proposed by the department. Programs and opportunities provided by Project Unity will strengthen the department's ability to serve its clientele and to enhance consumer confidence in Minnesota's agricultural products. Reorganized divisions will be better positioned to not only serve their regulatory clientele but to serve the many customers of Minnesota's vast array of agricultural products.

Environmental impacts of nitrogen on ground water quality as well as phosphorus and pesticides impact on surface water present challenges for Minnesota's agriculture and environment which must be continually strengthened and addressed in all areas of this program.

Revenues and expenses associated with grain inspection have been organized so the financing of past deficits can be repaid and future services provided from self-sustaining revenue resources.

The movement to and application of risk-based inspection programs associated with the adoption of Hazard Analysis Critical Control Point (HACCP) systems will be an important step to strengthening consumer confidence as will the adoption and implementation of the Uniform Food Code.

The rapid advance of biotechnology will necessitate activity revisions in many areas of this program to accommodate new products and processes being adopted by agricultural industries.

The Laboratory Services Division currently provides the analytical support services necessary for this program area. Future technological changes and demands will have to be met in order to satisfy changing clientele needs and to document product safety and compliance.

PLANNED RESULTS:

Some adjustments in funding levels in all activities in this program area will have to be made to meet current and anticipated levels of activity. This is especially true for the dairy inspection program which, because of a number of changes in the budget and program responsibilities, will have a significant budget shortage.

The agency budget plan will allow the reported performance measures from the 1996 Annual Performance Report to be accomplished. Key indicators and results that can be accomplished within projected base level funding include:

- Spending for waste pesticide collection will be accelerated in 1998 and 1999 to provide for the collection and disposal of 50% of the waste pesticides identified by the department by 2002.

1998-99 Biennial Budget

PROGRAM: Protection Service

AGENCY: Agriculture, Department of
(Continuation)

- Close 70 Voluntary Cleanup Technical Assistance Program (VCTAP) sites by the year 2000.
- Discover, investigate and clean up 130 non-emergency point source sites by the year 2002.
- Increase annually the number of ground water landscapes and streams of primary watersheds monitored for agricultural chemicals.
- Obtain 95% compliance to current good manufacturing practices for all commercial medicated feed manufacturing facilities inspected.
- Treat 100% of all Gypsy moth infestations detected to prevent their establishment in Minnesota.
- Inspect 100% of the nurseries receiving out-of-state stock to prevent the introduction of pests.
- Examine 100% of buy and store grain elevators and 70% of storage warehouses each year to reduce the economic risk to customers using these facilities.
- Monitor at least 90% of the livestock markets each year for compliance with licensing and bonding regulations.
- Provide grain quality reports to grain sellers and buyers by the next business day for at least 95% of the samples received annually.
- Dairy production and processing facility inspections will not exceed 105% of those required and will have an initial compliance rate of at least 95% by the end of 1998.
- At least 95% of all inspected food facilities will receive a passing rating on their initial inspection by the end of F.Y. 1998.

BUDGET AND REVENUE SUMMARY:

This program area generates and receives dedicated and non-dedicated revenue but an important consideration of this program has always been the value of services it provides to all the citizens of Minnesota.

Summary of the agency's plan is as follows with additional details provided at the budget activity level:

- **LCMR project: Nitrate Education and Testing \$150,000.** This is an LCMR recommendation from the Environmental Trust Fund to the department to conduct nitrate testing clinics. The LCMR is requiring an agency match of \$50,000 which the agency is requesting be appropriated from the Fertilizer Inspection Account.
- **Agricultural Liming Materials Law.** Apply tonnage and licensing fees uniformly to all agricultural lime material producers increasing revenues and expenditure authority by \$26,000 annually. A separate legislative initiative has been submitted.

- **Fertilizer Inspection Account.** A proposed increase in fertilizer inspection fees to generate \$213,000 additional revenue with an increase in expenditure authority request of \$263,000 annually for increased effort on water quality protection. A separate legislative initiative has been submitted.
- **Seed Potato Reduction.** Expenditures related to seed potato inspection will be reduced by \$63,000 annually to bring them in line with revenue.
- **Fruit and Vegetable Reduction.** Expenditures related to fruit and vegetable inspection will be reduced by \$138,000 annually to bring them in line with revenue.
- **Wholesale Food Processor/manufacturer License Fees.** The license fee schedule for food processors and manufacturers will be adjusted to more fairly distribute costs by adding 1 lower fee bracket and 1 higher fee bracket resulting in a revenue increase of \$5,000. A separate legislative initiative will be submitted.
- **Dairy Services Fees.** Fees will be adjusted and increased to more fairly distribute the cost of inspection services based on herd size and type of processing facilities. This change will increase revenue by an estimated \$229,000. A separate legislative initiative will be submitted.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan. In addition, the Governor recommends the following initiatives:

- \$500,000 from the Pesticide Regulatory Account to accelerate monitoring of surface and ground water for agricultural chemicals.
- \$1,600,000 from the General Fund for wheat and barley scab research.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: PROTECTION SERVICE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGRONOMY & PLANT PROT	9,531	10,275	10,895	11,384	13,234	10,991	11,280	11,530
DAIRY & FOOD INSPECTION	4,619	4,579	4,657	4,886	4,886	4,746	4,975	4,975
LABORATORY SERVICES	3,556	3,767	3,751	3,751	3,751	3,821	3,821	3,821
AGRICULTURAL CERTIFICATION	7,149	6,269	6,471	6,270	6,270	6,491	6,290	6,290
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	24,855	24,890	25,774	26,291	28,141	26,049	26,366	26,616
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
=====		=====						
LCMR NEW ALLOCATIONS		EVT		150				
AGRIC LIMING MATERIALS FEES		GEN		26			26	
DAIRY SERVICES FEE INCREASE		SR		229			229	
SEED POTATO REDUCTION		SR		<63>			<63>	
FRUIT & VEGETABLES REDUCTION		SR		<138>			<138>	
FERTILIZER LCMR MATCH		SR		50				
FERT FEE INC FOR NONPOINT POLLUTION		SR		263			263	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				517			317	
=====								
GOV'S INITIATIVES:		FUND						
=====		=====						
(B) WATER MONITORING INITIATIVE		SR			250			250
(B) WHEAT & BARLEY SCAB RESEARCH		GEN			1,600			
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					1,850			250
=====								
EXPENDITURES BY FUND:								
=====								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				150	150			
GENERAL	6,966	6,685	6,780	6,806	8,406	6,928	6,954	6,954
MINNESOTA RESOURCES	90							
STATE GOVERNMENT SPECIAL REVENUE	168							
SPECIAL REVENUE	8,976	9,295	9,646	9,987	10,237	9,801	10,092	10,342
ENVIRONMENTAL	230	269	269	269	269	269	269	269
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	6,782	7,082	7,070	7,070	7,070	7,070	7,070	7,070
FEDERAL	1,168	1,325	1,230	1,230	1,230	1,202	1,202	1,202
ENVIRONMENTAL	120	234	779	779	779	779	779	779

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: PROTECTION SERVICE

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY	355							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	24,855	24,890	25,774	26,291	28,141	26,049	26,366	26,616
FTE BY EMPLOYMENT TYPE:								
=====								
REGULAR	364.4	385.1	385.8	390.2	393.2	385.8	390.1	393.1
TEMP/SEAS/PART_TIME	18.2	10.8	10.8	10.8	10.8	10.8	10.8	10.8
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	382.6	395.9	396.6	401.0	404.0	396.6	400.9	403.9

1998-99 Biennial Budget

BUDGET ACTIVITY: Agronomy and Plant Protection
PROGRAM: Protection Service
AGENCY: Agriculture, Department of (MDA)

ACTIVITY DESCRIPTION:

The mission of this division is to serve and protect the citizens of Minnesota, and the state's agriculture, environment, and economy through education, technical assistance, certification, and regulation. The mission of this division is expanded as a result of the transfer of the pest management, nursery inspection and phytosanitary certification programs of the former Plant Protection Division to the former Agronomy Services Division.

Statutory authority for regulatory and service functions is found in 9 activity areas: 1) Pesticide; 2) Fertilizer; 3) Agricultural best management practices; 4) Commercial feed; 5) Nursery inspection; 6) Phytosanitary certification; 7) Protection of unwanted plant pests; 8) Seed; and 9) Noxious weed. These programs, largely fee supported, address truth in-labeling consumer protection issues while incorporating enhanced public health and environmental protection efforts. Important program areas include establishing and promoting voluntary measures and enforcing regulations to provide for increased efficiency of agricultural production and environmental protection. Still basic to these functions, however, are educating clientele, facility inspections and product sampling. The federal government delegates to this division authority for administration of the Federal Insecticide, Fungicide, and Rodenticide Act, the Federal Seed Act, the Food, Drug and Cosmetic Act and the Organic Act for Phytosanitary Certification.

The division licenses a variety of pesticide and fertilizer applicators and companies and permits agricultural chemical facilities. Pesticide and fertilizer mixing, loading and storage sites have been identified as significant sources of ground water contamination. To minimize and prevent future accidents, the department has adopted modern, effective secondary containment and rinse pad rules. All licensed bulk pesticide facilities in Minnesota are required to construct pollution prevention structures. Rules for improved bulk fertilizer facilities are currently being updated. Inspection and training sessions for anhydrous ammonia safety at agricultural chemical facilities remain a high priority.

Responses to agricultural chemical incidents and clean-up of contaminated sites are a major effort of the division. The Agricultural Chemical Response and Reimbursement Account (ACRRA), funded through dedicated surcharges on pesticide and fertilizer licenses and registrations, provides reimbursement for clean-up costs up to \$189,000 per incident. A five member board authorizes reimbursement. Clean-ups are conducted with MDA oversight. Some contaminated sites qualify for use of Minnesota Environmental Response and Liability Act (MERLA) funds.

Programs for the collection of waste pesticide and for pesticide container recycling are in place throughout Minnesota. A program for pesticide container recycling developed widespread support within local communities. The Waste Pesticide Collection Program developed rules and procedures as well as began the removal of waste pesticides from Minnesota farms and homes to reduce potential health or environmental impacts.

The division is charged with the responsibility to protect water resources from agricultural chemical contamination and to strive towards preventing degradation of water resources. Increased concern regarding surface water impacts of agricultural chemicals are being addressed with the development of Best Management Practices (BMPs) for fertilizer and pesticides. Development and promotion of BMPs are supported by a monitoring program that incorporates an increasing degree of local

partnerships. Implementation of programs to address surface and ground water protection from nutrients and pesticides remain a high priority.

The Feed Regulatory Program provides for product safety measures through an inspection and sampling program. Of concern in recent years is the occurrence of drug residues in human food produced by animals. Most illegal drug residues have been traced to producer-made feeds or to feeding practices in violations of label directions. The division anticipates increased attention of the feed producers to food safety concerns.

The monitoring and management of plant pests is a proactive measure to prevent the establishment of serious pests in Minnesota's environment. Current plant protection programs have effectively addressed proven plant and tree pests in Minnesota, however, very recent monitoring information from Wisconsin indicates that the Gypsy Moth infestation may be accelerating its spread westward. Current Minnesota monitoring and pest management efforts may need to be increased. A national emergency, in the spring of 1996, developed with the introduction of the Karnal Bunt fungal disease on wheat. The division cooperated with wheat producing states and the United States Department of Agriculture (USDA) to monitor and restrict movement of host material of this significant disease into Minnesota.

Programs involving inspection of seed, feed and fertilizer distributors will continue to impact firms for compliance with good manufacturing practices and other requirements. These also involve sampling and analysis of products for quality and verification of claims to assure a fair marketplace and to protect all purchasers. In cooperation with local government, the division administers of the Noxious Weed Law. The county agricultural inspector is a unique feature in Minnesota government agency services and is vitally important to these regulatory programs.

BUDGET ISSUES:

The agency budget plan will result in the following:

- Maintenance of same levels of regulatory inspections for quality assurance, human and environmental safety with regard to pesticides, lime, seed and nursery stock.
- Technical support will remain constant for agricultural emergencies, site remediation, noxious weed regulation, pesticide container recycling and disposal, and Japanese Beetle monitoring and management. Support for Gypsy Moth monitoring and management may need to be increased to protect Minnesota's forest resources.
- Increased activity regarding monitoring of nutrients and pesticides in surface water, promotion of best management practices for nutrients and pesticides, waste pesticide collection, increased and refocused efforts of feed inspections, compliance and increased monitoring of Karnal Bunt fungal disease of wheat. The division anticipates an increase in interstate shipment of nursery stock requiring additional nursery inspections and an ongoing demand for seed laboratory analysis. The division also anticipates an increased level of activity in commodity inspection and issuance of phytosanitary certifications to permit Minnesota's commodities to be exported to domestic and foreign markets. The division will utilize cross training and cost accounting procedures to help meet some of these increased needs.

Agency Decision Items for this activity are:

- **Agricultural Liming Materials Law.** A uniform application of licensing and tonnage inspection fees is requested to support the agricultural liming materials program. Currently, only agricultural lime producers pay tonnage fees and are licensed while municipalities, which receive services, pay only the sample analysis costs. The revenue increase and corresponding expenditure increase is for \$26,000 annually. A separate legislative initiative has been submitted.

1998-99 Biennial Budget

BUDGET ACTIVITY: Agronomy and Plant Protection
PROGRAM: Protection Service
AGENCY: Agriculture, Department of
(Continuation)

- **Minnesota Commercial Feed Law.** A significant revision to the Minnesota Commercial Feed Law has been submitted which will modify and modernize the feed program to increase its ability to address feed regulatory concerns. A separate legislative initiative has been submitted.
- **Fertilizer Inspection Account.** An increase in fertilizer inspection fees of \$213,000 annually with an increase in expenditures of \$263,000 is requested to address water quality related issues. Additionally a one-time \$50,000 match for an LCMR nitrate testing clinics grant is requested. A separate legislative initiative has been submitted.

M.S. Ch. 103H authorizes the development of best management practices for agricultural chemicals, agricultural practices, and evaluations of contamination and management of areas where contamination is detected. The Nitrogen Fertilizer Task Force developed a nitrogen fertilizer management plan to evaluate, assess and respond to areas of current intense nitrate contamination. The Nitrogen in Minnesota Ground Water Report (MDA/Minnesota Pollution Control Agency) provided recommendations relating to ground water protection following a review of the status of nitrogen in Minnesota. Currently, there is a significant need to address nitrate contamination from agricultural sources.

Phosphorus is the predominant limiting nutrient that controls algae and weed growth in Minnesota's lakes and streams. It can originate from a variety of sources including phosphorus fertilizer, soil erosion, runoff, feedlots and septage. The importance of phosphorus contributions from these sources and the degree of the problem is not clearly understood at this time. Many studies have been conducted and, collectively, these studies can help define the statewide nature of the problem.

The division anticipates new, continuing or phase out grant activities in the areas of pesticide enforcement; groundwater, worker and endangered species protection; applicator training and certification; state pesticide management plan; wellhead protection; nutrient management and training; urban chemical use survey, BMPs and education; metropolitan area nutrient use practices and education; medicated feed mill inspection; Karnal Bunt detection and producer pesticide application records requirements; Cannabis sativa detection and control.

- **Wheat and Barley Scab.** These funds will be pass through monies for the University of Minnesota to continue research to find a solution to wheat and barley scab, and elimination of this devastating plant disease.

LEGISLATIVE COMMISSION ON MINNESOTA RESOURCES (LCMR) RECOMMENDATIONS:

This appropriation is from the future resources fund to the Department of Agriculture to accelerate knowledge of nitrate levels in private drinking water supplies through development of water testing clinics for rural well owner and education programs. This appropriation must be matched by at least \$50,000 from the agriculture fertilizer inspection account.

REVENUE:

This activity generates dedicated and non-dedicated revenues. Dedicated revenues include the following accounts: Seed Inspection, Waste Pesticide Collection, Fertilizer Inspection, Agricultural Chemical Response and Reimbursement Account, Feed Inspection and the Pesticide Regulatory Account. Non-dedicated revenue include lime inspection and nursery inspection and certification, and phytosanitary inspection and certification.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: PROTECTION SERVICE
ACTIVITY: AGRONOMY & PLANT PROT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	5,110	5,504	5,605	5,887	6,010	5,702	5,881	6,004
OPERATING EXPENSES	4,186	4,701	5,220	5,427	5,549	5,219	5,329	5,451
SUBTOTAL STATE OPERATIONS	9,296	10,205	10,825	11,314	11,559	10,921	11,210	11,455
LOCAL ASSISTANCE	235	70	70	70	1,675	70	70	75
TOTAL EXPENDITURES	9,531	10,275	10,895	11,384	13,234	10,991	11,280	11,530
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		EVT		150				
AGRIC LIMING MATERIALS FEES		GEN		26			26	
FERTILIZER LCMR MATCH		SR		50				
FERT FEE INC FOR NONPOINT POLLUTION		SR		263			263	
TOTAL AGENCY PLAN ITEMS				489			289	
GOV'S INITIATIVES:		FUND						
(B) WATER MONITORING INITIATIVE		SR			250			250
(B) WHEAT & BARLEY SCAB RESEARCH		GEN			1,600			
TOTAL GOV'S INITIATIVES					1,850			250
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				150	150			
GENERAL	1,486	1,400	1,413	1,439	3,039	1,438	1,464	1,464
MINNESOTA RESOURCES	90							
STATE GOVERNMENT SPECIAL REVENUE	168							
SPECIAL REVENUE	4,992	5,082	5,179	5,492	5,742	5,278	5,541	5,791
ENVIRONMENTAL	230	269	269	269	269	269	269	269

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: PROTECTION SERVICE
ACTIVITY: AGRONOMY & PLANT PROT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	2,099	2,755	2,742	2,742	2,742	2,742	2,742	2,742
FEDERAL	346	535	513	513	513	485	485	485
ENVIRONMENTAL	120	234	779	779	779	779	779	779
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	9,531	10,275	10,895	11,384	13,234	10,991	11,280	11,530
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	8,957	8,286	8,235	8,454	8,454	8,215	8,434	8,434
FEDERAL	578	729	723	723	723	683	683	683
ENVIRONMENTAL	105	85	47	47	47	45	45	45
GIFT	3	4	3	3	3	3	3	3
NONDEDICATED:								
GENERAL		18	18	18	18	18	18	18
CAMBRIDGE DEPOSIT FUND	520	522	522	548	548	522	548	548
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	10,163	9,644	9,548	9,793	9,793	9,486	9,731	9,731
FTE BY EMPLOYMENT TYPE:								

REGULAR	111.6	113.9	114.6	119.0	122.0	114.6	118.9	121.9
TEMP/SEAS/PART_TIME	9.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	120.7	122.9	123.6	128.0	131.0	123.6	127.9	130.9

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Agriculture, Department of
PROGRAM: Protection Service
ACTIVITY: Agronomy and Plant Protection Services

ITEM TITLE: Wheat and Barley Scab Research

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Grants	\$1,600	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1.6 million for wheat and barley scab research.

RATIONALE:

The wheat and barley scab outbreak in the 1990s has had devastating effects on the economic welfare of western Minnesota. Scab and vomitoxin epidemics from 1993 to the present are estimated to have resulted in \$1.2 billion in wheat and barley losses. Clearly, the initial costs and consequences were felt most severely by farmers. However, the crop failure brought on by wheat and barley scab has implications well beyond the farm economy itself. Wheat and barley merchandisers and others who live in small rural communities felt the effects of consecutive years of significantly reduced crops.

Wheat scab research studies have been undertaken sporadically since the 1920's. The disease has continued to appear from time to time causing significant economic losses. In the 1980's, the University of Minnesota, with the support of the Minnesota Wheat Council, again began researching this disease but only on a part-time basis. A scab screening nursery on the St. Paul campus identified the major scab-causing pathogen and studied resistance in literally thousands of wheat lines.

Following the significant economic hardship of 1993 and 1994 and at the urging of the Minnesota Association of Wheat Growers and the Minnesota Barley Council, \$477,000 was appropriated by the legislature in 1995, with an additional \$1 million for the 1996-97 biennium for scab research at the Agricultural Experiment Station of the University of Minnesota. This long-term effort, to overcome a very complex problem that is not easily solved, involved faculty, staff and graduate students from 5 departments on the St. Paul campus and at the Crookston and Morris Experiment Stations.

In 1994, representatives of the University's departments of Agronomy and Plant Genetics, Bio-science and Agricultural Engineering, Food Science and Nutrition, Plant Pathology and Soil, Water and Climate, the Crookston and Morris Experiment Stations and administrators met and planned a systematic, sustained research effort to overcome the scab problem. Five major projects were undertaken:

1. Accelerated development of scab resistant wheat and barley facilitated by designing and developing effective scab screening nurseries.
2. Studies on the biology, epidemiology and management of head scab.
3. Mycotoxin research and analysis.
4. The effect of scab on processing quality of infected grain.
5. The storability of scab-infected grain.

In addition, a small grains specialist at the Crookston station coordinated educational programs in the area; and a soil scientist studied decomposition of plant residues under various tillage and management methods and to evaluate the inoculum potential of these residues at various stages of decomposition.

The legislative appropriations have advanced the understanding of the disease, accelerated the development of barley and wheat resistant varieties and examined field practices that can minimize the impact of the disease until disease resistant varieties can be released. The multi-discipline approach also involves not only the production aspects of the disease but the storage and food processing effects of the disease on the grain.

The results of Minnesota's research are coordinated with researchers at North Dakota State University, South Dakota State University, the University of Manitoba and others throughout the Midwest. Information is exchanged on a continuing basis to give the states and province maximum return on their research investment. A regional forum at which results of research are formally presented and discussed is held annually. Minnesota is the site for the 1997 forum.

PROGRAM OUTCOMES:

From the work supported by appropriations for scab research since 1994 researchers have gained knowledge about the scab fungus itself and how it interacts with small grains in the field and in the bin. This information is being used in developing resistant varieties, in developing a sound scab resistant management program and providing information to growers and food processors on the effects of scab impacted grain.

Researchers involved in the experiment station's various scab related projects have requested \$800,000 for each year of 1998-1999 biennium to continue to build on the established research for a long-term solution to the wheat scab problem. Their proposals have been reviewed and endorsed by farmer-members of the Minnesota Wheat and Barley Growers Associations.

LONG-TERM IMPACT:

The long-term impact of this initiative is to minimize and prevent, to the greatest degree possible, adverse economic and agronomic impacts of wheat scab disease. This will be accomplished by development and education of management strategies with the eventual, anticipated development of wheat scab resistant varieties of small grains.

1998-99 Biennial Budget

BUDGET ACTIVITY: Dairy and Food Inspection
PROGRAM: Protection Service
AGENCY: Agriculture, Department of

ACTIVITY DESCRIPTION:

The mission of this activity is to administer the dairy and food laws and regulations designed to protect consumers from substandard products and provide for the movement of dairy and food products produced and processed in Minnesota in intrastate, interstate and international commerce.

Dairy inspectors conduct over 23,000 inspections annually of dairy farms, plants and distributors of milk and dairy products as required by federal and state laws and regulations. These inspections are designed to evaluate the sanitary conditions under which milk is produced and processed to assure product safety and proper representation. The Interstate Milk Shipper Certification Program conducted by the division provides for the unrestricted movement of Grade A milk products in interstate commerce in accordance with Food and Drug Administration (FDA) requirements.

Food inspectors conduct over 19,000 inspections annually to evaluate facilities, sample products and review processes to assure food products are processed and distributed in accordance with federal, state and local laws and regulations. These inspections are conducted in all state licensed food, meat, fish, poultry and beverage establishments, including warehouses and retail food markets. Some of these inspections are conducted under federal contracts on behalf of the United States Department of Agriculture (USDA), FDA and United States Department of Commerce (USDC). The division also reviews retail food store designs and plans to assure proper compliance with construction requirements associated with protecting the safety of retail food products.

Over 10,000 dairy and food samples are taken each year and analyzed for composition and safety in the department laboratory. Consumer complaints and concerns relating to quality, condition, safety, advertising or other potential problems with dairy or other food products are investigated and acted on in an appropriate and timely manner. Matters related to food safety which could or do impact the public health are responded to immediately and all responsibilities are coordinated with the appropriate federal and state agencies, counties and municipalities through contracts and cooperative agreements.

Customers of this activity are dairy farmers and plants, retail and wholesale food handlers, food processors, federal, state and local regulatory agencies and the general public.

Authority for this activity is found in M.S. Chapters 17, 28, 28A, 29, 30, 31, 31A, 32, 33 and 34.

BUDGET ISSUES:

This activity is responsible for protecting the public health through state and federal laws and regulations related to dairy and food sanitation and safety. The following are issues which will result in budget impacts:

- The new Food Code and Hazard Analysis Critical Control Point (HACCP) programs will need to be incorporated into the programs of this activity. This will involve training activities, plan reviews, increased industry cooperation, coordination with other agencies and computerization of the division and its programs through IPO Project Unity.

- To increase the effectiveness of food safety programs more products will need to be sampled and analyzed for microbial and chemical safety and compliance. This will mean an increase of 25% over the 10,000 dairy and food samples currently being analyzed.
- It is likely the federal government will continue to move inspection and product safety responsibilities back to state agencies with little or no funding support.
- Food processing and distribution facilities are becoming larger which will increase inspection costs and related food safety activities.
- The number of dairy farms is dropping by 700-800 per year, however cattle and production numbers remain fairly steady. Farms are becoming larger and more technologically advanced which requires increased inspection time, therefore fee schedules need to be revised to address this industry trend.

Agency Decision Items:

- Retail Food Handlers Manager Certification Legislation. The commissioner may require the certification of retail food handlers under the program of the Department of Health established in section 157.011, subd. 2. Funding will be provided through an agreement with the Department of Health and dependent on the services provided by the Department of Agriculture.
- Dairy Services Fee Increases. A fee adjustment and increase has been proposed in order to more fairly distribute the cost of services between producers and processors. Farm inspection fees will be based on herd size, manufacturing plants will have an inspection fee, laboratories will pay fees based on criteria performed and frozen dairy foods sold in Minnesota will be assessed a fee. These increases will raise revenue and expenditures by an estimated \$229,000 annually.
- Wholesale Food Processor/Manufacturer License Fee Increase. One lower fee bracket (less than \$125,000 annual sales) and 1 higher fee bracket (over \$10,000,000 annual sales) will be added to license fees to more fairly distribute the cost of inspection. This change will increase revenue by \$5,000 annually.

REVENUE

This activity generates non-dedicated revenue from licensing retail, wholesale, processing food handlers and dairy plants. Dedicated revenue is received from dairy farms, plants, pasteurization units and tank truck inspection fees as well as Grade A processor fees based on the instate sale of selected dairy products. Federal contracts generate dedicated revenue from inspection of poultry and eggs, meat, fish, wholesale warehouses and processors, beverage plants, canning plants and retail plan reviews. The dedicated accounts are as follows: Milk Inspection Services, Food Handler Plan Review, Beverage Inspection Fund, Egg Law Inspection Fund and Commercial Canneries Inspection.

1998-99 Biennial Budget

PROGRAM: Agricultural Marketing and Development

AGENCY: Agriculture, Department of
(Continuation)

- Maintaining modest growth for participants in the Minnesota Food Expo and other food shows.
- Providing basic levels of information and education on sustainable agriculture, IPM and whole farm planning.
- Providing agriculture land use technical assistance to local governments.
- Continuing full implementation of Agricultural Best Management Practices Loan Program.
- Providing Minnesota agriculture with environmental, production and economic data.
- Reviewing, monitoring and regulating agricultural biotechnology.

BUDGET ISSUES:

The Agency Budget Plan will result in the following:

- **Small scale value-added.** The consumer trend toward linking purchasing decisions with locally grown or processed commodities will increase the need for assistance to producers and community groups to take advantage of this trend.
- **Lands Emerging from CRP.** As old CRP contracts expire and new contracts are written, an effort is needed to update contract location data and monitor the impact of those actions on water quality.
- **Controlling Plant Pests.** Producers need timely information to control plant pests while protecting yields.
- **Expansion of Minnesota's Ethanol Industry.** Several new production facilities will result in dramatic production increases. Projected production in F.Y. 1997 and 1999 is expected to be 2 and 3 times greater, respectively, than in 1995. For the F.Y. 1998-99 biennium, an increase of \$24,651,000 is needed. These production increases may require an increase in payments from the fund in the 2000-2001 biennium. Thereafter, the demand for payments will decline until the program sunsets 6-30-2010. In the current biennium, the unexpended balance of the \$25 million appropriation cap is projected to be deficient by \$1.5 million for F.Y. 1997 producer payments. This will require the fourth quarter payments to be prorated as provided in Laws of Minnesota for 1995, Chapter 220, Sec. 7, Subd. 3.
- **Agricultural Land Preservation.** Nonfarm development consumes Minnesota farmland at the rate of about a township each year, increasing public service costs and resulting in the loss of prime farm land. Local feedlot siting controversies create a difficult environment for producers to make investment decisions. With existing resources, the department provides technical assistance to local units of government, and reports on the status of the program to the legislature. These resources are not sufficient to conduct an exhaustive analysis of behavioral, tax or fiscal impacts of alternative approaches or modifications to the existing program, or to do several representative "cost of sprawl" studies across the state in order to educate local government

officials on the hard fiscal costs of inefficient land use management (similar to the one done by the department in 1989).

GRANTS:

Title: Sustainable Agriculture Grant Program

Statutory Authority: M.S. 17.116. Purpose: To demonstrate and publicize agricultural practices that are economically and energy efficient and protect the environment. Recipients: Farmers, educational institutions, or non-profit organizations. Eligibility Criteria: On-farm demonstrations that show how to reduce off-farm inputs, use energy more efficiently, or produce usable on-farm energy. Awards may not exceed \$50,000. Project costs above \$25,000 must be cost-shared at a ratio of 1 to 1.

REVENUE:

This program generates revenue in the form of dedicated receipts, federal grants and gifts for special projects. Dedicated receipts include advertising revenue used to publish direct marketing booklets; payments for booth rental at MDA sponsored food or trade shows; license fees or gifts regarding the MN Grown Promotion program; receipts for services to Commodity Research and Promotion Councils; and payments for assisting with agricultural surveys. The major proportion of revenue involves potential federal grants for plant pest survey activities, market research and/or promotion and sustainable agriculture. The department anticipates some gift revenue to conduct market research and certain biological control projects.

LEGISLATIVE COMMISSION ON MINNESOTA RESOURCES (LCMR) RECOMMENDATIONS:

REINVENTING THE AGRICULTURAL LAND PRESERVATION PROGRAM \$100,000. This appropriation is from the Future Resources Fund to the Department of Agriculture to evaluate effectiveness of Minnesota's agricultural land preservation programs, identify and quantify fiscal impacts of rural sprawl. This appropriation must be matched by at least \$100,000 of nonstate money or from the Minnesota Conservation Fund. (\$100,000)

REDUCING MINNESOTA RIVER POLLUTION FROM LACUSTRINE SOILS. This appropriation is from the Future Resources Fund to the Department of Agriculture in cooperation with the University of Minnesota to research the impact of farming systems utilizing crop residue for sediment control on lacustrine landscapes in the Minnesota River Basin. (\$250,000)

BUDGET AND REVENUE SUMMARY:

The agency budget plan for this program is as follows:

- Increase the Ethanol Producer payments by \$24,651,000 for the biennium.
- Reallocation of funds from the Family Farm Security Program to the Agricultural Statistics Service and the Agriculture in the Classroom program.
- A reduction of \$51,000 per year for promotion councils because the current level of funding is above projected needs.
- Flexibility to use a portion of the Sustainable Agriculture grants to assist with the development of small-scale value added processing facilities.

1998-99 Biennial Budget

PROGRAM: Agricultural Marketing and Development
AGENCY: Agriculture, Department of
(Continuation)

LCMR Project: Reinventing the Ag-Land Preservation Program:

- This is an LCMR recommendation to spend \$100,000 from the Future Resources Fund and \$115,000 from the Minnesota Conservation Fund to improve the effectiveness of the Agricultural Land Preservation program.

LCMR Project: MN River Pollution from Lacustrine Soils:

- This is an LCMR recommendation for \$250,000 from the Future Resources Fund to reduce Minnesota River pollution from lacustrine soils.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

B04-pr02.wat
01-09-97 5:36 pm cle

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: AGRIC MARKETING & DEVELOPMENT
ACTIVITY: AGRIC MARKETING & DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,761	1,918	2,351	2,300	2,300	2,061	2,010	2,010
OPERATING EXPENSES	1,127	1,470	1,509	1,987	1,987	1,097	1,112	1,112
=====								
SUBTOTAL STATE OPERATIONS	2,888	3,388	3,860	4,287	4,287	3,158	3,122	3,122
PAYMENTS TO INDIVIDUALS	38	160	160	160	160	160	160	160
LOCAL ASSISTANCE	11,617	14,406	23,829	23,829	23,829	25,822	25,822	25,822
=====								
TOTAL EXPENDITURES	14,543	17,954	27,849	28,276	28,276	29,140	29,104	29,104
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
LCMR NEW ALLOCATIONS		MNR		350				
AGRIC STATISTICS		GEN		8			10	
AGRIC IN THE CLASSROOM		GEN		5			5	
PROMOTION COUNCILS REDUCTION		SR		<51>			<51>	
AGRIC LAND PRESERVATION LCMR MATCH		SR		115				
=====		=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS				427			<36>	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	2,732	3,235	2,906	2,919	2,919	2,954	2,969	2,969
MINNESOTA RESOURCES	730	157		350	350			
SPECIAL REVENUE	119	141	192	256	256	192	141	141
OPEN APPROPRIATIONS:								
GENERAL	10,799	14,201	23,829	23,829	23,829	25,822	25,822	25,822
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	87	89	54	54	54	54	54	54
FEDERAL	53	82	817	817	817	82	82	82
GIFT	23	49	51	51	51	36	36	36
=====								
TOTAL EXPENDITURES	14,543	17,954	27,849	28,276	28,276	29,140	29,104	29,104

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: AGRIC MARKETING & DEVELOPMENT
ACTIVITY: AGRIC MARKETING & DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	173	165	158	158	158	158	158	158
FEDERAL	25	82	817	817	817	82	82	82
GIFT	49	36	51	51	51	36	36	36
=====								
TOTAL REVENUES COLLECTED	247	283	1,026	1,026	1,026	276	276	276
FTE BY EMPLOYMENT TYPE:								

REGULAR	45.0	43.9	43.9	43.9	43.9	43.9	43.9	43.9
TEMP/SEAS/PART_TIME	2.7	.8	.5	.5	.5	.3	.3	.3
=====								
TOTAL FTE	47.7	44.7	44.4	44.4	44.4	44.2	44.2	44.2

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Agriculture, Department of
PROGRAM: Agricultural Marketing and Development

ITEM TITLE: Ethanol Industry Development Appropriation Forecast

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund - Statutory Appropriation				
- Grants	\$23,829	\$25,822	\$25,856	\$22,205
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 41A.09

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the statutory appropriation from the General Fund for Ethanol Producer Payments be capped at \$49,651,000 for the biennium. This represents an increase of \$24,651,000 over the current biennium. Rider language capping the appropriation will be included in the Governor's appropriation bill. The appropriation is available in either year of the biennium.

Although no statutory changes are required to authorize funding, current Statute states that if a plant is not in production by 6-30-2000 it is not eligible to receive state producer payments. Due to the early success of the program, the Governor recommends moving the plant start up deadline date to 6-30-1998. This change will allow ample time for projects now under way to complete their development plans while bringing appropriate closure to the state's role in the development process. In addition, the department will clarify the statute to avoid confusion and ensure that an orderly and predictable phase down of payments will occur after 6-30-2000.

In the current biennium, the Governor does not recommend increasing the \$25 million appropriation cap for the 1996-97 biennium to fund the projected shortfall. However, if feasible, it is recommended that the shortfall be amortized over the entire 1997 fiscal year, rather than the fourth quarter, to lessen the financial impact of the shortfall on facilities which did not qualify for payments in all four quarters of the year. An appropriation rider is recommended to authorize this one-time exception.

RATIONALE:

In 1990 Minnesota imported \$1 billion in petroleum products for gasoline while two-thirds of the state's corn crop was exported as a low value commodity. The advent of the 1992 EPA oxygenated fuel program saw Twin City carbon monoxide levels decline to attainment levels for the first time since 1975. Ethanol blends have been used exclusively to comply with Clean Air Act requirements in the Twin Cities with no further violations to date. Though market conditions could change,

ethanol use is expected to grow. In F.Y. 1996 the state used 145 million gallons of ethanol. Due to an existing statute requiring statewide oxygenate use, this figure should reach 200 million gallons by the year 2000.

Minnesota farmers and businessmen have invested well over \$150 million in the state's ethanol industry since August of 1993. Today 8 plants are in production and 3 others are under construction. Minnesota's production capacity increased to over 90 million gallons in F.Y. 1996 and is expected to exceed 168 million by the year 2000. Each year, the industry will double the value of over 100 million bushels of the state's corn crop by converting it into value added products including ethanol, industrial starch, sweeteners, carbon dioxide, corn germ and livestock feed. The Minnesota ethanol program is on the verge of accomplishing a statutory goal to replace 10% of the state's imported gasoline with renewable ethanol from Minnesota crops and food waste products.

A dependable producer incentive program was and is necessary to complete the development and ensure that this new industry can compete for market share with a well established petroleum industry and large ethanol producers outside the state.

The extraordinary investments by the state, Minnesota farmers and businesses and the financial community have resulted in a rapid expansion of the industry. Projected production in F.Y. 1997 and 1999 is expected to be 2 and 3 times greater, respectively, than in F.Y. 1995. For the F.Y. 1998-99 biennium, an increase of \$24,651,000 is needed for ethanol producer payments. These production increases may also require a increase in payments from the fund in the 2000-2001 biennium. Thereafter the demand for payments will decline until the program sunsets 6-30-2010. This appropriation provides support for the 8 existing plants and 3 plants now under construction. Projections for F.Y. 2000 and 2001 reflect the level of funding required when these same plants reach their full capacity. In addition, there are three other Minnesota communities the department is aware of which are now in the process of raising capitol for ethanol projects of 14 million gallons or more. Under the existing statute and considering the planned startups and expansions mentioned above, no more than 22 million additional gallons will qualify for state producer payments in the future. Regardless of how many other plants start production the payments will not exceed the statutory \$30 million limit and the reduction of the payments will begin immediately on 6-30-2000.

PROGRAM OUTCOMES:

The goal of the program is to replace 10% of all gasoline used in the state, reduce air pollution and provide economic development for rural Minnesota. To meet this demand, ethanol production and related corn products will double the value of 10% (70 million bushels) of the state's corn crop. Petroleum imports will be reduced by \$100 million each year. This initiative will result in over 3,800 new jobs being created while generating \$90 million in rural payroll and \$300 million in capitol investments; \$140 million of value will be added to Minnesota crops and food processing waste products each year.

The phase out of the excise tax credit is being implemented by the Department of Revenue and it will be completely eliminated by 10-1-1997. This credit was a direct incentive for members of the state's petroleum industry to use ethanol blends. It was instrumental in building market share allowing consumers and industry to experience ethanol blends. It now appears that ethanol can maintain market share in competition with petroleum oxygenates. The focus of this provision was to shift state resources away from building market share toward incentives that would result in additional production capacity in the state.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Agriculture, Department of
PROGRAM: Agricultural Marketing and Development

ITEM TITLE: Ethanol Industry Development Appropriation Cap
(Continuation)

LONG-TERM IMPACT:

By the year 2000 Minnesota corn plants will process at least 110 million bushels of corn (15% of the state's crop) into ethanol, industrial starch, sweeteners, carbon dioxide and a variety of livestock feed products. In 1986 little corn was being processed and 2/3 of the state's annual corn crop was exported with the Minnesota crop consistently receiving the lowest prices in the nation. Over 7,000 Minnesota farmer investors will now profit from the processing and marketing of their own crops in their own local corn milling facilities. Millions of dollars will stay in the community and provide local jobs and economic development. This will help to reverse the long term trend of low export commodity prices, lost farms and local businesses, and continued migration of rural residents to urban centers where infrastructure and environment are already overloaded.

The expanded use of ethanol in gasoline will reduce carbon monoxide and toxic aromatic hydrocarbons in the environment while the state's petroleum import payments will shrink by \$100 million per year. As agricultural biotechnology advances the future holds great promise for the expansion of ethanol production utilizing a variety of food processing and municipal waste in addition to various energy crops that will be raised by the Minnesota farmers and processed in the same plants that have been built for corn processing. The department is collaborating with other state agencies and members of the private sector to develop production systems that will provide large quantities of agricultural biomass for conversion into ethanol and other forms of domestic renewable energy.

b04-bi05.wat
01-09-97 5:36 pm cle

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: Administration and Financial Assistance
AGENCY: Agriculture, Department of

PROGRAM DESCRIPTION:

The mission of this program is to provide overall policy direction and supervision of departmental programs, administer a variety of agricultural financial assistance programs, and to provide support services for the department.

The budget activities of this program include the following functions: Financial and personnel support services, agricultural best management practices as it relates to agricultural nonpoint source pollution, information services, administering agricultural loan programs and providing administrative support from the Commissioner's Office.

The objectives for this program are to:

- Meet administrative challenges to fulfill statutory mandates within budgetary limits.
- Assist departmental activities regarding administration, information services, planning, personnel, employee safety, office management, and accounting.
- Promote programs that encourage agriculture land preservation.
- Encourage the adoption of sustainable farming practices and systems.
- Administer grants to agricultural societies and associations.
- Provide affordable financing to beginning farmers as well as assist existing farmers to improve or expand their operations.
- Provide affordable financing for ethanol and other value-added processing facilities.
- Provide services directly to family farms through the Farm Advocate Program.
- Administer Women, Infant and Children (WIC) Program.

The internal clientele for these activities include managers, supervisors and employees of the agency. The external clientele for these activities include farmers, the public-at-large, producers, associations of producers and manufacturers, educators and school districts, state, federal and local governments and other interested public parties including the Agricultural Utilization Research Institute (AURI), and the University of Minnesota.

These activities are carried out under the following budget activities: Administrative Services, Agricultural Nonpoint Source Pollution, Information Services, Agricultural Finance and the Commissioner's Office.

PROGRAM STATUS:

As part of the department's reorganization, the former budget activities of Financial Administration and Personnel, Safety and Office Management Divisions were merged into the Administrative Services Division. In addition, the Women, Infant and Children (WIC) and planning functions were transferred to the Commissioner's Office. This resulted in a flattening of the organization which will provide for the consolidation of like functions, as well as creating a more efficient operation.

This program contributes to the realization of the following goals:

- Enable managers and employees to perform their jobs in a more efficient manner through decentralized accounting/purchasing functions within the Department of Agriculture.
- Promote Best Management Practices within the state of Minnesota.
- Develop an information resource system so that the department has Internet technology for the

21st century.

- Work to diversify agricultural products and markets.
- Facilitate the competitive and orderly marketing of Minnesota farm products.
- Provide financial assistance to farmers to encourage extending of credit on real estate and to help farmers purchase land, improve facilities and restructure debt.

PLANNED RESULTS:

The agency budget plan will allow the budget activities within the administration and financial assistance program to accomplish their stated objectives:

- Provide department wide support services including administration, personnel, office management, information services, accounting and planning.
- Project Unity will re-engineer processes, model and build new shareable data bases and software applications, upgrade desktop, network and information exchange technology, provide information access to field staff clients and stakeholders, and establish a program to maintain necessary user and support skills and knowledge.
- Continue working toward stabilizing and expanding Minnesota's livestock industry with emphasis on the dairy industry.
- Continue facilitating the competitive and orderly marketing of Minnesota farm products.

BUDGET AND REVENUE SUMMARY:

The agency plan for this program is:

The agency will reallocate \$170,000 in F.Y. 1998 and \$186,000 in F.Y. 1999 of funds from the Family Farm Program to fund:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Dairy Development & Enhancements	\$102,000	\$106,000
International Trade Opportunities	\$5,000	\$5,000
Ag in the Classroom	\$5,000	\$5,000
Agricultural Statistics	\$8,000	\$10,000
Affirmative Action Officer	\$50,000	\$50,000
Agricultural Finance	\$-0-	\$10,000

These reallocations will enable the agency to establish a Dairy Development and Enhancement Program, increase International Trade Opportunities for Minnesota, increase funding for Ag in the Classroom (Agricultural Marketing and Development Program), increase funding for printing in Agricultural Statistics (Agricultural Marketing and Development Program), hire an Affirmative Action Officer for the agency, and fund technical support costs in the Aggie Bond Program in Agricultural Finance.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends the following initiatives:

- \$2,500,000 from the General Fund for Project Unity to modernize the agency's information management systems. Up to \$500,000 from special revenue dedicated funds is also recommended for Project Unity. (This funding does not require a direct appropriation as it will be funded from the agency's dedicated, indirect cost account).
- \$580,000 from the General Fund for an alternate Waste/Feedlot initiative to determine problems, trends and effective solutions to feedlot issues.
- \$1,000,000 from the General Fund to provide diagnostic services to Minnesota dairy farmers to enhance their prospects for long term success and profitability.

REVISED 2/28/97

PAGE D-312

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: ADMIN & FINANCIAL ASSISTANCE

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMINISTRATIVE SERVICES	1,935	2,048	1,953	1,953	1,953	1,966	1,966	1,966
AG NONPNT SOURCE POLLUTION	4,872	11,504	10,938	10,938	11,228	10,953	10,953	11,243
INFORMATION SERVICES	732	792	770	770	770	780	780	780
AGRICULTURAL FINANCE	2,632	1,702	1,138	968	968	1,156	980	980
COMMISSIONERS OFFICE	1,806	2,358	1,917	2,074	4,534	1,927	2,088	3,628
TOTAL EXPENDITURES BY ACTIVITY	11,977	18,404	16,716	16,703	19,453	16,782	16,767	18,597
AGENCY PLAN ITEMS:		FUND						
FAMILY FARM PAYMENT ADJUSTMENT		GEN		<170>			<186>	
DAIRY DEVELOPMENT & ENHANCEMENT		GEN		102			106	
INTERNATIONAL TRADE OPPORTUNITIES		GEN		5			5	
AGRIC BOND PROGRAM		GEN					10	
AFFIRMATIVE ACTION OFFICER		GEN		50			50	
TOTAL AGENCY PLAN ITEMS				<13>			<15>	
GOV'S INITIATIVES:		FUND						
(B) PROJECT UNITY		GEN			1,250			1,250
(B) PROJECT UNITY		SR			250			250
(B) ALTERNATE WASTE/FEEDLOT PACKAGE		GEN			290			290
(B) DAIRY DIAGNOSTICS		GEN			960			40
TOTAL GOV'S INITIATIVES					2,750			1,830
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,014	5,077	4,451	4,438	6,938	4,511	4,496	6,076
STATUTORY APPROPRIATIONS:								
PUBLIC FACILITIES AUTHORITY	4,067	10,460	10,000	10,000	10,000	10,000	10,000	10,000
SPECIAL REVENUE	3,658	2,555	2,008	2,008	2,258	2,014	2,014	2,264
FEDERAL	179	214	205	205	205	205	205	205
AGENCY		2	2	2	2	2	2	2
GIFT	59	96	50	50	50	50	50	50
TOTAL EXPENDITURES	11,977	18,404	16,716	16,703	19,453	16,782	16,767	18,597

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: ADMIN & FINANCIAL ASSISTANCE

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	75.3	78.4	79.1	81.1	85.1	79.1	81.1	85.1
TEMP/SEAS/PART_TIME	.2							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	75.5	78.4	79.1	81.1	85.1	79.1	81.1	85.1

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: ADMIN & FINANCIAL ASSISTANCE
ACTIVITY: COMMISSIONERS OFFICE

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	849	926	927	1,043	1,299	935	1,053	1,309
OPERATING EXPENSES	449	771	479	520	1,854	481	524	1,808
=====								
SUBTOTAL STATE OPERATIONS	1,298	1,697	1,406	1,563	3,153	1,416	1,577	3,117
PAYMENTS TO INDIVIDUALS	243	246	246	246	246	246	246	246
LOCAL ASSISTANCE	265	415	265	265	1,135	265	265	265
=====								
TOTAL EXPENDITURES	1,806	2,358	1,917	2,074	4,534	1,927	2,088	3,628
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
DAIRY DEVELOPMENT & ENHANCEMENT		GEN		102			106	
INTERNATIONAL TRADE OPPORTUNITIES		GEN		5			5	
AFFIRMATIVE ACTION OFFICER		GEN		50			50	
=====		=====	=====					
TOTAL AGENCY PLAN ITEMS				157			161	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) PROJECT UNITY		GEN			1,250			1,250
(B) PROJECT UNITY		SR			250			250
(B) DAIRY DIAGNOSTICS		GEN			960			40
=====		=====	=====					
TOTAL GOV'S INITIATIVES					2,460			1,540
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,000	1,475	1,089	1,246	3,456	1,099	1,260	2,550
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	568	573	573	573	823	573	573	823
FEDERAL	179	214	205	205	205	205	205	205
GIFT	59	96	50	50	50	50	50	50

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE DEPT
PROGRAM: ADMIN & FINANCIAL ASSISTANCE
ACTIVITY: COMMISSIONERS OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL EXPENDITURES	1,806	2,358	1,917	2,074	4,534	1,927	2,088	3,628
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	2							
FEDERAL	179	210	205	205	205	205	205	205
GIFT	50	50	50	50	50	50	50	50
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	1	1	1	1	1	1	1	1
TOTAL REVENUES COLLECTED	232	261	256	256	256	256	256	256
FTE BY EMPLOYMENT TYPE:								
REGULAR	17.6	17.6	17.6	19.6	23.1	17.6	19.6	23.1
TOTAL FTE	17.6	17.6	17.6	19.6	23.1	17.6	19.6	23.1

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Agriculture, Department of
PROGRAM: Administration and Financial Assistance
ACTIVITY: Commissioner's Office

ITEM TITLE: Project Unity - Electronic Information Management System

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund	\$1,250	\$1,250	\$1,250	\$1,250
Special Revenue/Statutory	\$250	\$250	\$250	\$250
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends General Funds of \$1,250,000 per year for Project Unity. The agency may include a line item for Project Unity on their agency indirect cost plan of up to \$250,000 per year. This line item will be waived for any accounts where this would result in a fee increase.

RATIONALE:

Project Unity will modernize the Minnesota Department of Agriculture's electronic information management system to address the department's responsibilities in the rapidly changing environment of agricultural marketing, regulation and policy. The department's mission of promotion and regulation is challenged by the increasing need for precise information on a timely basis and the need to develop linkage with complex external data systems. The department serves a diverse group of clientele in greater Minnesota and urban Minnesota. Additionally, the department needs to interface and adapt to the fast changing business-client computer technology used by external clients on statewide, national, and international basis. To fulfill its mission and serve its diverse client base in the twenty-first century, the department needs to gather, store, and maintain a vast amount of information that is readily accessible to its employees and external clients. Project Unity is the department's proposal to meet these needs.

The current internal business needs of the department as well as requests from outside clients have increased demands for detailed and extensive information. To meet these demands and provide improved customer service, the department needs to dramatically add to its ability to supply timely, accurate and understandable information. Currently, a relatively small percentage of the data and information is stored electronically on existing systems which were designed "ad-hoc" in response to the needs of the time. These systems have limited or non-existent capabilities to talk to each other; while the department is still dependent on a considerable amount of additional data that exists in the traditional paper copy method which is even less efficient.

Project Unity's focus is to modernize the electronic information system to improve the quality of information maintained by the department. This effort will initially review network and information management processes resulting in the development of a central computer system which will standardize data, storage, and retrieval information. This integrated computer based system, designed by identifying and documenting client, staff, legal and policy needs, will greatly contribute to improvements in process efficiencies to meet department, division, and program responsibilities.

PROGRAM OUTCOMES:

The department will use integrated computer technology, in conjunction with existing and traditional managerial approaches, to achieve the following outcomes:

1. Establish department wide standards for storage of data.
2. Improve internal and external response times through enhanced information analysis and management.
3. Develop centralized geographic information systems (GIS) capabilities.
4. Provide faster, more precise response and analysis to information requests.
5. Improve response and consistency in compliance assistance and enforcement of regulations.
6. Establish and improve computer linkage among field staff, and between field staff and St. Paul office.
7. Use advanced information technology to assist in making effective policy decisions.

Project Unity results will improve department wide accessibility to data for cross program utilization, policy development, and evaluation. It will reduce duplication of data entry from various divisions, and eliminate discrepancies in important data which would otherwise be kept in two or more unrelated databases. The information contained in the integrated system would provide for multi-division reports, compliance history, geographic information, and create public access to MDA's information repository.

Another component of Project Unity will include bringing computer technology to the department's 125 field staff who at this time rely on either non-existent or limited electronic technology to support them in their various compliance assistance and regulatory roles. Efforts will include breaking barriers which create limited and cumbersome access to central office data base information from greater Minnesota employees.

LONG-TERM IMPACT:

Project Unity is of vital importance and the highest priority for the F.Y. 98-99 biennium. The department recognizes the changing environment and economy of the agriculture sector; and Project Unity, with staff and client participation, will enable the department to identify computer technology to help achieve the desired improvements requested by its clients.

This initiative will enable the department to improve its ability to meet the demands of a changing vital agriculture community and general public in the 21st century. It will further increase the availability of department wide data for management and oversight information to direct program activities and make policy decision. Project Unity will also provide easier access to department information regarding regulatory, environmental protection programs, outreach and education work, promotion and marketing efforts, and provide improvements across all divisions.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Agriculture, Department of
PROGRAM: Administration and Financial Assistance
ACTIVITY: Commissioner's Office

ITEM TITLE: Dairy Diagnostics

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$90	\$40	\$-0-	\$-0-
- Grants	\$870	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1,000,000 from the General Fund be provided for the expansion of the efforts to enhance the financial success and long term sustainability of Minnesota's dairy farms. These funds will be used to continue and expand the dairy development efforts of the Department of Agriculture to provide dairy families and business partnerships with individualized diagnostic programs to strengthen and enhance their ability to achieve long term dairy farming success and profitability.

The Governor further recommends that any unexpended grant funds in the first year carry forward to the second year of the biennium.

RATIONALE:

The dairy industry in Minnesota employs over 40,000 people and generated over \$4,000,000,000 in dairy product sales each year. It is Minnesota's leading agricultural industry but it continues to decline with the loss of over 2 dairy farms a day for the last 5 years. Currently, Minnesota has a strong infrastructure of dairy processing plants but the lack of an adequate supply of milk could threaten the long term stability of these operations. Current plant operating days are at 5.5, which is 85% of the plant capacity in Minnesota.

The upper Midwest remains an area capable of supporting a strong dairy industry with its abundant water supply and ability to produce grain and forages. Dairy farms are an integral part of the agricultural community and their success is important to all dairy sector stakeholders and rural communities.

It is the purpose of the dairy diagnostic team approach to work with individual dairy farm operators in cooperation with dairy industry partners and local educators to develop a plan for the future that

will enhance the profitability and long term success of each individual farm. Many of these dairy farms may become demonstration farms to provide information and education to other dairy producers.

Currently there are 3 Dairy Diagnostic Team Projects being conducted across the state with funds received from the 1996 Legislature. The results of these pilot projects will provide insight into the most successful way to expand these diagnostic services to more dairy producers. The primary objective of this program is to increase the number of Minnesota dairy herds having one-on-one advice from a specialized diagnostic team. These teams will utilize a process which has been demonstrated to be successful in enhancing profitability and providing guidance that will promote long term financial success.

This project represents a major step forward in providing the assistance and support which dairy producers must have if they are to be a part of the future of this important industry.

PROGRAM OUTCOMES:

This initiative will provide a Dairy Diagnostic Program which will be accessible to dairy farmers in all areas of the state. Through the Dairy Development Program in the Department of Agriculture and through a statewide grants program, it is anticipated that all interested dairy farmers will have access to diagnostic help for their specific farm.

This initiative will provide for the establishment of dairy diagnostic teams made up of agricultural business professionals, educators and farm business management personnel. These teams will provide a diagnosis of the dairy farms business and establish priorities to improve profitability. It is intended that the individual farm operators will participate in the selection of team members for their farm. Teams will be trained to identify production and business strengths, weaknesses, opportunities and pitfalls for each farm. Then an individualized strategic plan will be established and specific action steps and goals will be laid out. This will usually include enrollment in a farm business management program and participation in a production management program.

Progress will be monitored and meetings will be held to discuss results and to make the necessary adjustments to promote long term financial success and sustainability.

The department will work with the area coordinators for these grants to maintain program unity and to coordinate the communication of program results and the identification of demonstration farms.

LONG-TERM IMPACT:

This initiative will provide dairy farmers with the information necessary to establish a milk production base capable of sustaining the dairy industry in Minnesota well into the next century. Without a farm management plan and specific goals and objectives, it will be difficult to survive as a dairy producer. Many of the dairy farms going out of business currently are doing so for economic reasons. This initiative will also provide the information necessary for a dairy farmer to obtain the cooperation of a financial institution. It also brings help to the dairy farmers on an individualized local basis. They work with diagnostic teams from their own area who understand their needs and limitations and will be around for future advice. This program will emphasize the importance of working together to enhance success. It establishes a system where the success of one dairy farmer can be shared with many other. Dairy farmers will have the opportunity to grow in the directions which is best suited for their family and the future success of their business. Most of all, it will provide them with the help necessary to produce the milk needed to support an industry that is vital to the economy and well being of this state.

1998-99 Biennial Budget

AGENCY: Agricultural Utilization Research Institute (AURI)

AGENCY DESCRIPTION:

The Agricultural Utilization Research Institute (AURI) is a non-profit corporation created by the state of Minnesota to fuel new growth in the agricultural economy by developing value-added uses and new and expanded markets for Minnesota farm products and commodities. AURI builds public-private partnerships with farmers, entrepreneurs and business innovators, and provides a comprehensive menu of business and technical services that increases the probability of new venture success.

AURI programs and services include:

- Market Development Initiatives - assist commodity groups, farm organizations and industry organizations identify opportunities to add value to agricultural commodities and develop new markets or expand existing markets;
- Initial Product Assessments - offer support for short-term projects (not more than \$15,000) to test technical feasibility and commercial viability of new business concepts;
- AURI Partnerships - help move new products and processes into the marketplace through technical assistance, business development guidance and up to \$100,000 in loans;
- AURI Applied Research Services acquires, develops and transfers new technologies in emerging markets where the potential for new commercial investment is most promising. Focus areas for AURI applied research include alternative fuels and lubricants, industrial oilseeds products, new meat and dairy products and processes, value-added processing of cereal grains, alternative crops and starch-based degradable plastics and chemicals; and
- AURI's Pesticide Reduction Options (PRO) program funds research and demonstration projects intended to reduce the use of petroleum-based products in farm production.
- *AG Innovation News* is a quarterly newspaper published by AURI to inform the food, agriculture and business communities and the general public about developments in new agricultural-based products. The publication has a circulation of over 12,000, and is sent to 43 states and 9 foreign countries.

AURI programs are market-driven and its services are customer oriented. Operating from field offices in Crookston, Marshall, Morris and Waseca, the decentralized structure provides maximum accessibility for the rural clientele. Laboratory and pilot plant facilities in Crookston and Marshall assist clients with bench top research, formulation, testing and analysis and product scale-up. These unique and valuable resources integrated with business and marketing services enable rural innovators to access new product research and development technologies. The St. Paul AURI office helps link markets and businesses with rural clients and AURI services; administers PRO; and serves as a liaison to state agencies and university services. With the exception of PRO and Market Development Initiatives, AURI financial assistance is provided under negotiable but contractually specified repayment terms. AURI customers indicate that the Institute's allied business and technical services are as essential to success as the direct financial assistance provided.

The clientele for AURI programs include private for profit businesses engaged in the development and commercialization of value-added agricultural based products and processes, including entrepreneurs, farmer-owned cooperatives and other Minnesota based companies; agricultural organizations,

including commodity groups and general farm organizations, and individual farmers; and others. In serving these clients, AURI cooperates with economic development organizations, state and federal agencies and laboratories, nonprofit agricultural and environmental groups, universities and other post-secondary institutions conducting research; and private sector experts.

REVENUES:

The agency has the following revenue sources:

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Operating Revenue:					
State Appropriation	\$3,930	\$3,930	\$3,930	\$3,930	\$3,930
State Pesticide Regulatory Account	200	200	200	200	200
Hybrid Poplar Appropriation	-0-	200	200	-0-	-0-
Loan Repayments	169	562	450	450	550
Interest	180	125	125	175	175
Federal & Other	<u>312</u>	<u>460</u>	<u>1,423</u>	<u>1,585</u>	<u>1,565</u>
Total Revenue	\$4,719	\$5,477	\$6,328	\$6,340	\$6,420

EXPENDITURES:

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Expenditures:					
Product/Markets/Business Dev	\$3,163	\$3,311	\$3,117	\$3,120	\$3,200
Applied Research	1,103	851	1,331	1,335	1,335
Pilot Plant	198	220	209	210	210
Engineering/Informational Services	555	519	537	545	545
Administrative Services	<u>785</u>	<u>708</u>	<u>1,134</u>	<u>1,130</u>	<u>1,130</u>
Total Expenditures	\$5,804	\$5,609	\$6,328	\$6,340	\$6,420

ISSUES AFFECTING AGENCY'S OPERATION:

- The identification of both domestic and international market opportunities and the development of new technologies and value-added products to meet customer specifications are essential to future economic success for Minnesota-based companies and agricultural enterprises.
- Federal farm legislation will reduce federal farm price supports on raw commodities and encourage a market-driven agriculture. This will place pressure on Minnesota agriculture and increase the need to discover and develop new value-added opportunities.
- Consumer preference for safe foods, clean air and water, and product performance have propelled new federal regulations and present challenges and opportunities to Minnesota-based companies.
- Due to patent development by both AURI scientists and companies or universities under AURI projects, there will be greater emphasis on intellectual property issues.

1998-99 Biennial Budget

AGENCY: Agricultural Utilization Research Institute (AURI)
(Continuation)

WORKLOAD/EFFICIENCY MEASUREMENTS:

From 1989 to 1995, in its first 6 years of operation, AURI assisted in the development of 190 new products, the commercialization of 122 new products, the startup of 93 new businesses and the construction of 104 new facilities.

In F.Y. 1995, AURI funded \$2.26 million in projects, leveraged by \$6.88 million in private sector and other matching funds. This represents a 3:1 leverage of state investment.

■ Partnerships	\$1.37 million
■ Initial Product Assessments	\$312,914
■ New Markets	\$305,350
■ Applied Tech. Development	\$61,500
■ Pesticide Reduction Options	\$180,060

In F.Y. 1996, AURI will have funded \$1.32 million in projects, leveraged by \$7.05 million in private sector and other matching funds. This represents a 5:1 leverage of state investment.

F.Y. 1996 Grants and Loans:

■ Partnerships	\$924,000
■ Initial Product Assessments	\$131,210
■ New Markets	\$ 22,169
■ Applied Tech. Development	\$ 65,498
■ Pesticide Reduction Options	\$179,673

In addition, AURI engaged in numerous technology development and marketing initiatives, including:

- A leadership role in food safety, helping small meat poultry plants adopt Hazard Analysis and Critical Control Points (HACCP) as mandated by USDA through training and technical assistance in collaboration with the University of Minnesota, Minnesota departments of Agriculture and Health, Minnesota Technology, Inc., and the Minnesota livestock industry.
- Alfalfa product research and development with specially dedicated state funds as part of a collaborative effort with the University of Minnesota, private industry and the Minnesota Department of Agriculture, which will eventually result in a national biomass to energy plant and expanded feed and food product opportunities for Minnesota producers.
- Hybrid poplar research utilizing specially dedicated state funds to transfer technology and collaborate with the paper industry to expand markets for an alternative agricultural crop.
- Ten completed research and demonstration projects funded under AURI's Pesticide Reduction Options (PRO) program are projected to yield \$7 million in annual cost savings to Minnesota farmers. Another 14 projects are still underway.
- New products and cutting edge technologies to add value and utilize Minnesota grains, including quick frozen microwaveable wild rice and new wheat and dry edible bean products. In conjunction with commodity groups and the University of Minnesota, AURI is using state of the art grain milling technology to develop new food and non-food products.

- Biofuels and alternative fuel applications. AURI is a leader in a small engine initiative geared to expand the manufacture and use of agricultural-based alternative fuels and associated end use products in Minnesota and the Upper Midwest.
- Innovative technologies to transform waste liabilities into economic assets, including hog odor reduction, food waste recycling, organic fertilizers, land application of sweet corn waste, and composting of dead livestock.
- The award of a U.S. patent for a process to derive specialty chemicals from fats and oils.

EXPLANATION OF AGENCY'S BUDGET PLAN:

- AURI will place increased emphasis on market development, including the identification of broad market opportunities and market feasibility of products.
- The development and commercialization of products with short-to-medium term return on investment to the Minnesota economy will continue to receive major emphasis by the institute.
- Applied research, pilot plant services and engineering will be organized into teams emphasizing 4 focus areas with medium- and long-term opportunity for return on investment to the Minnesota economy:
 - Biomass, including energy from alfalfa, fiber for paper and building materials from cornstalks and hybrid poplars, feeds and co-products;
 - Proteins, including aquaculture, meats, dairy, grains and oilseeds, food safety and quality, and feed products;
 - Fats and Oils, including animal products, grains and oilseeds, renewable chemicals and fuels, food ingredients and feed products;
 - Alternative crops, including fruits, vegetables, herbs, food products, nutritional supplements and pharmaceuticals.
- In addition, the following key areas will be integrated with all 4 focus areas:
 - Waste Utilization
 - Pesticide Reduction

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan. In addition to the General Fund appropriation, the Governor recommends the same level of funding from the Department of Agriculture's Special Revenue Pesticide Regulatory Account for cooperative research for pesticide use reduction, evaluation and demonstration of best management practices, and other pesticide related activities as directed by ML 1993, chapter 367, section 39.

The Governor recommends adoption of a statutory amendment to increase coordination of programs with the Department of Agriculture and the University of Minnesota by adding representation to AURI's board of directors from the Department of Agriculture and the College of Agricultural, Food and Environmental Sciences.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE UTILIZATION RESRCH
PROGRAM: AG UTILIZATION RESEARCH INST
ACTIVITY: AG UTILIZATION RESEARCH INST

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	4,330	4,330	4,130	4,130	4,130	4,130	4,130	4,130
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,330	4,330	4,130	4,130	4,130	4,130	4,130	4,130
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	4,130	4,130	3,930	3,930	3,930	3,930	3,930	3,930
SPECIAL REVENUE	200	200	200	200	200	200	200	200
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,330	4,330	4,130	4,130	4,130	4,130	4,130	4,130
FTE BY EMPLOYMENT TYPE:								

TOTAL FTE								

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: AGRICULTURE UTILIZATION RESRCH

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	4,330	4,330	4,130	4,130	200	200		
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<200>	<200>	<200>	<200>				
SUBTOTAL BASE ADJ.	<200>	<200>	<200>	<200>				
BASE LEVEL	4,130	4,130	3,930	3,930	200	200		

1998-99 Biennial Budget

AGENCY: Legislative Commission on Minnesota Resources (LCMR)
(Continuation)

130	North Minneapolis Upper River Plan	Mpls Park and Recreation Brd	DNR	300
130	Preventing Stormwater Runoff through Watershed Land Design	UM	UM	250
030	Miller Creek Watershed Mgmt Plan	NRRI	BWSR	100
<u>Decision Making Tools</u>				
130	Risk of Multiple Chemical Exposure	Health	Health	150
030	Metro Groundwater Model to Predict Contaminant Movement	PCA	PCA	300
130	Wolf Management Plan	DNR	DNR	100
030	MN River Natural Resource Data	MN River Joint Powers Board	BWSR	250
030	Land Use Development and Natural Resource Protection Plan	City of Winona	DNR	400
130	Digital Soil Database	BWSR	BWSR	145
<u>Public Access to Natural Resource Data</u>				
030	Access to Environmental Information	LMIC	Planning	600
030	Electronic Access to Registry Historic Places	MHS	MHS	150
030	Access to Archaeological Knowledge	Institute for MN Archaeology	MHS	200
030	Search and Retrieval System for Natural Resource Data	Izaak Walton League	DNR	50
<u>Sustainable Development</u>				
130	Sustainable Development Assistance for Municipalities thru Electric Utilities	MN Municipal Utilities Assoc	Admin	250
030	Renewable Energy Demo in State Parks	Center for Energy and the Environment	DNR	230
130	Alfalfa Biomass Production	UM	UM	200

130	Wind Energy on Family Farms	Sustainable Resources Center	Admin	200
030	Connections through Yellow Bikes	St. Paul and Ramsey County Parks and Trails	OEA	75
130	Sustainable Gardening for Homes and Communities	Sustainable Resources Center	DNR	400
030	Re-establishing Riparian Forests along the Minnesota River	MN River Basin Joint Powers Board	BWSR	300
130	Economics for Lasting Progress	EQB	Planning	250
<u>Environmental Education</u>				
030	School Nature Area Project	St. Olaf College	DNR	250
130	Watershed Science Integrated Research	Science Museum	Sci Mus	500
030	Minnesota Frog Watch	Hamline Univ	DNR	300
130	Environmental Service Learning in Minneapolis Schools	Eco Education	DNR	100
030	Partners in Accessible Recreation	Wilderness Inquiry	DNR	550
030	Environmental Service Learning	Stowe Envir Elem	DNR	100
130	Public Discussion of Wolf Mgmt	International Wolf Ctr	DNR	100
130	Catch and Release	Rainy Lake Sportsmen	DNR	20
<u>Benchmarks and Indicators</u>				
030	Environmental Indicators Initiative	DNR	DNR	250
030	Forest Bird Diversity	DNR	DNR	350
030	Water Quality Indicators of Endocrine Disrupting Chemicals	PCA	PCA	250
030	Stream Habitat Protection	DNR	DNR	225
130	Wetland Ecosystems Monitoring	UM	UM	160
030	Loons as Indicators of Mercury	UM	UM	230
200	Lake Superior Research Vessel	UM	UM	50
030	Lake Superior Research Vessel	UM	UM	200

1998-99 Biennial Budget

AGENCY: Legislative Commission on Minnesota Resources (LCMR)
(Continuation)

Native Fish Species

130	Walleye Stocking and Special Regulations	UM	UM	200
130	Rare Mussel Conservation	UM	UM	86

Land Acquisition in High Growth Areas

030	Sand Dunes State Forest Acquisition	DNR	DNR	400
130	Arboretum Land Acquisition	UM	UM	450

Critical Lands or Habitats

130	Sustainable Woodlands on Private Lands	MN Forestry Association	DNR	875
130	Cannon River Watershed Mgmt Plan	Cannon River Watershed Partnership	BWSR	350
130	Prairie Heritage Fund	Pheasants Forever	DNR	500
030	Phalen Wetland Restoration	City of St. Paul	DNR	400
130	Point Douglas Bluffland Acquisition	Carpenter St. Croix Valley Nature Center	DNR	525
130	MN Point Protection	Park Point Community	DNR	75
130	Savanna Restoration for Grouse	Sharp-tailed Grouse Society	DNR	30
030	RIM Critical Habitat Acquisition	DNR	DNR	400
030	RIM Wildlife Habitat Stewardship	DNR	DNR	400
030	RIM Scientific and Natural Area	DNR	DNR	200
030	RIM Wildlife Acquisition	DNR	DNR	500
030	RIM Accelerate Fisheries Acquisition	DNR	DNR	500
030	MN County Biological Survey	DNR	DNR	1,170
130	Peatland Restoration	UM	UM	275
030	Fishing Pier and Shore Access	DNR	DNR	355

030	Public Boat Access	DNR	DNR	350
030	Fisheries Hatchery Rehabilitation	DNR	DNR	400

Wildlife or Trail Corridors

130	Mesabi Trail Land Acquisition and Development	St. Louis and Lake Cnty Regional Rail Auth	DNR	600
130	Chippewa Cty Regional Trail	City of Montevideo	DNR	400

Native Species Planting

130	Releaf Tree Planting and Preservation	DNR	DNR	300
130	Prairie and Oak Savanna Restoration	Audubon Society	DNR	50
030	Restoring White Pine in the Landscape	UM	UM	120

Exotic Species

130	Ballast Water Technology Demo	Duluth Port Auth	DNR	200
030	Biological Control of Eurasian Milfoil and Purple Loosestrife	DNR	DNR	150
130	Weed Control in Native Wild Rice	Bois Forte Reservation	DNR	100

Environment and Natural Resources Trust Fund (030)	20,950
Minnesota Future Resources Fund (130)	15,656
Great Lakes Protection Account (200)	50
GRAND TOTAL PROJECT ALLOCATIONS	<u>\$36,656</u>

GOVERNOR'S RECOMMENDATION:

**1996-97 Biennium
Projected Future Resources Fund Deficit**

The fund balance for the Future Resources Fund, prepared in conjunction with the February 1997 forecast, projects a deficit of \$2.381 million at the end of F.Y. 1997.

Legislative appropriations from the fund for 1996 and 1997 equaled available resources for the 1996-97 biennium as originally projected. However, a \$2.1 million error in the distribution of cigarette tax receipts was discovered in F.Y. 1996. In addition the Department of Finance has determined that projected expenditures for F.Y. 1996-97 had been understated in previous fund statements by about \$500,000. Correcting these two items results in a projected fund balance deficit of \$2.381 million for F.Y. 1997.

To address the projected deficit the Governor recommends two actions. First, repeal of the \$1.46 million transfer from the Future Resources Fund to the General Fund authorized by Laws of 1995, Chapter 220, section 21.

1998-99 Biennial Budget

AGENCY: Legislative Commission on Minnesota Resources (LCMR)
(Continuation)

Second, as required by MS 16A.152, subd 4c, the commissioner of Finance will unallot appropriations in the accounting system as necessary to ensure that the fund remains balanced. Based on a review of unobligated balances in the accounting system and the status of workplans approved by the LCMR, the commissioner of Finance will, prior to 6-30-97, unallot the following appropriation:

Laws of 1996, Chapter 407, section 8, subd 3(a) Metro Regional Park System \$1,000,000

These actions will balance the fund for the F.Y. 1996-97 biennium:

Projected fund deficit	(\$2,381)
Repeal transfer to General Fund	1,460
Unallotments	
Metro regional parks	<u>1,000</u>
Projected fund balance on June 30, 1997	\$ 79

The commissioner will re-establish the allotments for the metro regional parks appropriation on 7-1-97.

1998-99 Biennium

Budget development policies for the 1998-99 biennium instructed agencies to include the allocations recommended by the LCMR for the Environmental and Natural Resources Trust Fund and the Future Resources Fund as agency plan items. The total allocations recommended by the LCMR from the Future Resources Fund exceeds projected fund resources for the 1998-99 biennium.

The Governor recommends that the LCMR's spending proposal equal the resources available in each of the funding sources. Specifically, the Governor recommends that total appropriations from the Future Resources Fund for F.Y. 1998-99 not exceed \$14,668,000 which is \$988,000 less than preliminary LCMR allocations from this fund. The Governor recommends total appropriations from the Environmental Trust Fund not exceed \$22,270,000 and that appropriations from the Great Lakes Protection Account not exceed \$50,000. Total LCMR appropriations for F.Y. 1998-99 from all sources will not exceed \$36,988,000.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Trade and Economic Development, Department of (DTED)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$25,978	\$25,978	\$51,956
<u>BASE ADJUSTMENT</u>			
One-time Appropriation	(1,050)	(1,050)	(2,100)
Transfer between Agencies	-0-	-0-	-0-
Doc. Rent/Lease Inc/Dec	13	31	44
1998-99 Salary Inflation	<u>231</u>	<u>463</u>	<u>694</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$25,172	\$25,422	\$50,594
<u>AGENCY DECISION ITEMS</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$25,172	\$25,422	\$50,594
<u>BUDGET INITIATIVES</u>			
MN Job Skills Partnership	3,788	3,788	7,576
MN Investment Fund	2,000	2,000	4,000
Contamination Cleanup Funds	500	500	1,000
Drinking Water Revolving Funds	4,444	-0-	4,444
Advantage Minnesota	300	300	600
Minnesota Film Board	500	500	1,000
Software Technology	250	-0-	250
Pathways	2,000	2,000	4,000
China Strategic Trade Initiative	250	100	350
St. Paul Economic Development	2,000	2,000	4,000
PFA Wastewater Infrastructure Funding	<u>5,000</u>	<u>-0-</u>	<u>5,000</u>
BUDGET INITIATIVES	\$21,032	\$11,188	\$32,220
GOVERNOR'S RECOMMENDATION	\$46,204	\$36,610	\$82,814

BRIEF EXPLANATION OF AGENCY PLAN:

The agency is placing a strong emphasis on increasing efficiency and service while holding operational costs. To that end, services in 3 key areas - information management, information analysis, and communications - have been centralized to support the DTED line divisions: Business and Community Development; Tourism; and Trade. Aggressive use of technology to better serve agency customers is being employed. Two new projects - The Journey Travel Planning Service and Dylan Community Profiles - have been introduced and are receiving positive reviews. Where possible, program resources are being leveraged through external partnerships.

REVENUE SUMMARY:

None.

AFFECTED STATUTES:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that initiatives totaling \$32,220,000 be added to the agency as a comprehensive expansion of the state's efforts to create high quality jobs, aid potential employees in developing needed skills to participate in that job growth, and build upon the economic vitality the state currently enjoys.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Trade and Economic Development, Department of (DTED) Fund: Trunk Highway

Summary of Agency Actions:

Brief Explanation of Agency Plan:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$689	\$689	\$1,378
<u>BASE ADJUSTMENT</u>			
1998-99 Salary Inflation	17	34	51
<u>BASE LEVEL (for 1998 and 1999)</u>	\$706	\$723	\$1,429
<u>AGENCY DECISION ITEMS</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$706	\$723	\$1,429
<u>GOVERNOR'S INITIATIVES</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
GOVERNOR'S RECOMMENDATIONS	\$706	\$723	\$1,429

No Changes

Revenue Summary:

None.

Affected Statutes:

None.

1998-99 Biennial Budget

AGENCY: Trade and Economic Development, Department of (DTED)

AGENCY DESCRIPTION:

1. Vision

The purpose of the Department of Trade and Economic Development is to advance the economic vitality of Minnesota.

2. Mission

The department will employ all available resources to generate growth of high-quality jobs; expand foreign direct investment and exportation of Minnesota products; and encourage travel.

3. Organization

The department is organized under M.S. 116J into 3 operating divisions.

Business and Community Development (BCD): The primary emphasis of Business and Community Development is to facilitate the growth of existing Minnesota businesses. BCD provides a variety of financial, training, and technical services to communities, businesses, and economic development professionals.

Minnesota Trade Office (MTO): The MTO works to promote, assist, and enhance exports and foreign direct investments that contribute to the growth of the Minnesota economy. Primary functional areas include export outreach and education; international marketing and investment; and export finance.

Minnesota Office of Tourism (MOT): The Minnesota Office of Tourism markets Minnesota as a travel destination to tour operators, group tours and travel agents; promotes coverage of Minnesota in international and travel trade media; and initiates, develops, and coordinates activity with travel industry buyers and sellers in the U.S. and throughout the world.

Providing support to the 3 operating divisions are the divisions of Information and Analysis and Administration. Information and Analysis provides centralized communication, public relations, marketing, research, analysis, program evaluation and governmental liaison services. Administration offers cost-effective and efficient administrative, fiscal, human resources, and information services.

AGENCY ISSUES:

Improvements in Minnesota's business climate, and improving economic conditions and travel conditions nationally and worldwide, have helped Minnesota maintain strong economic growth. Although Minnesota's unemployment rate has been below 4% for more than 2 years and the state's job market is very tight, the Minnesota economy shows few signs of slowing. Moreover, with business investment remaining at high levels during the current economic expansion, the state of Minnesota finds itself in a unique and enviable economic position to encourage and leverage private sector investment in the state. DTED must take advantage of these economic conditions by facilitating private sector investment and quality job creation in the state through financial stimulus, export and

foreign direct investment assistance, improving community economic development capacity, and encouraging greater tourism to the state. This exceptional economic environment has generated an increase in the number of businesses and communities requesting DTED services and programs to assist them with their job creation, export and tourism activities.

- Minnesota continues to outpace national employment growth, and for the first time in many years, there are few signs of distress among Minnesota regions or industries. Several industrial sectors including manufacturing, FIRE, and business services continue to provide employees with above-average compensation packages (wages and benefits.) Many key industries within these sectors have shown particularly strong growth and account for a large share of employment growth. The Business and Community Development Division continues to facilitate investment and quality job creation through technical and financial assistance to businesses and communities. Although projections show strong job growth through 2001, shortages of labor (particularly skilled workers) and housing may dampen future economic growth potential.
- Despite continuing weakness in industrial machinery (computer) exports, overall exports from the state continue to grow, albeit at a slightly slower pace than the nation. However, exports in several Minnesota industries are growing rapidly and increasing their relative share of state exports and U.S. industry exports. As a result, Minnesota's export portfolio is becoming increasingly diverse and less dependent on computer exports. Moreover, Minnesota and the Minnesota Trade Office are well positioned to take advantage of the significant trade opportunities available in emerging markets.
- Minnesota relies on its tourism industry and the Office of Tourism to build the image and awareness of the state to travelers and potential businesses. Overall, tourism business receipts have grown from \$4.9B in 1990 to \$6.9B in 1994. Moreover, the state's advancing per capita ranking among states reflects an improving position within the national tourism industry. Partnerships, industry collaboration and Minnesota's assets provide the resources needed to take advantage of emerging international visitor markets and increase the share of U.S. and Minnesota resident tourism expenditures. Continued growth in Minnesota's tourism industry will help business receipts reach \$10B by 2000.

AGENCY STRATEGIES:

The department has identified 4 agency wide goals. Following are those goals and the strategies to achieve them:

1. **Goal: Facilitate growth of business by influencing private sector investment and quality job creation.**

Strategies:

- Stimulate quality job growth and private investment by providing financing stimulus to new and expanding businesses
- Improve skills and employability of citizens
- Increase Minnesota business exports and attract foreign direct investment
- Help make communities viable and accommodate business growth by enhancing their economic development capacity
- Increase Minnesota's share of domestic and international travel market

AGENCY: Trade and Economic Development, Department of (DTED)
(Continuation)

2. Goal: Promote Minnesota as an excellent business location and travel destination.

Strategies:

- Position Minnesota as a high-valued-added state with quality work force
- Publicize recent improvements to Minnesota's business climate as well as ongoing efforts for further reform
- Position DTED as the primary source for business, community, tourism and trade information
- Develop advocacy partnerships
- Increase public awareness of economic impact, value of tourism

3. Goal: Remove government impediments to doing business in Minnesota.

Strategies:

- Advocate initiatives to improve business climate
- Expedite the process of establishing and doing business in Minnesota
- Maximize access of government services and information through technology
- Coordinate economic development activities through partnerships with public and private organizations
- Scan environment to identify additional or potential impediments

4. Goal: Deliver programs and services efficiently and cost effectively.

Strategies:

- Cut costs by introducing cost-sharing, privatization, partnerships and cost-containment efforts while improving customer satisfaction and outcomes
- Maximize productivity through the effective use of technology
- Establish system for client feedback and outcome measurement
- Implement communication methods and systems to provide quick, coordinated and comprehensive information and technical assistance

REVENUE SUMMARY:

The department's total biennial budget request includes \$168,682,000 (71.4%) in federal funds and \$14,556,000 (6.2%) in special revenue funds. No significant changes in revenue are expected.

SUMMARY OF BUDGET REQUEST:

After six years of economic recovery, Minnesota faces significantly different economic challenges than businesses, communities and the state itself are accustomed to dealing with. At present, Minnesota is prospering. Unemployment rates are at record low levels throughout the state. Job openings are plentiful. For the first time in more than two decades, no industry and no region of Minnesota can be called economically distressed. Our challenges are to:

- 1) enhance the quality, not merely the number, of job opportunities available to Minnesotans;
- 2) enable an expanded number of Minnesota companies to take part in growing global markets; and
- 3) improve the infrastructure of our communities in order to prepare them to accommodate further development.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that initiatives totaling \$32,220,000 be added to the agency as a comprehensive expansion of the state's efforts to create high quality jobs, aid potential employees in developing needed skills to participate in that job growth, and build upon the economic vitality the state currently enjoys

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
BUSINESS/COMMUNITY DEVELOPMENT	52,005	86,089	103,199	103,199	123,481	102,152	102,152	112,740
MINNESOTA TRADE OFFICE	2,458	2,443	2,474	2,474	2,724	2,503	2,503	2,603
OFFICE OF TOURISM	8,700	9,629	8,268	8,268	8,768	8,348	8,348	8,848
INFORMATION & ANALYSIS		1,382	1,408	1,408	1,408	1,437	1,437	1,437
ADMINISTRATIVE SUPPORT	1,957	3,301	3,096	3,096	3,096	3,153	3,153	3,153
TOTAL EXPENDITURES BY PROGRAM	65,120	102,844	118,445	118,445	139,477	117,593	117,593	128,781
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	28,746	34,148	25,172	25,172	46,204	25,422	25,422	36,610
MINNESOTA RESOURCES	45							
TRUNK HIGHWAY	679	689	706	706	706	723	723	723
OPEN APPROPRIATIONS:								
GENERAL	26	74	314	314	314	314	314	314
STATUTORY APPROPRIATIONS:								
GENERAL	4	74						
SPECIAL REVENUE	5,432	10,312	7,755	7,755	7,755	6,950	6,950	6,950
FEDERAL	30,183	57,529	84,498	84,498	84,498	84,184	84,184	84,184
GIFT	5	18						
TOTAL EXPENDITURES	65,120	102,844	118,445	118,445	139,477	117,593	117,593	128,781
FTE BY EMPLOYMENT TYPE:								
REGULAR	229.6	228.4	228.4	228.4	228.4	228.4	228.4	228.4
TEMP/SEAS/PART_TIME	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	231.3	230.1	230.1	230.1	230.1	230.1	230.1	230.1

**1998-99 Biennial Budget
Agency Level Revenue Summary**

Agency: Trade and Economic Development, Department of (DTED)

REVENUE SOURCES:

DTED generates dedicated and non-dedicated revenue.

The dedicated revenue is generated from loan repayments, seminars and tourism marketing. Non-dedicated revenue is generated from loan and grant repayments and PFA organizational fees (as an offset to the General Fund appropriation).

Grants from the federal government represent about \$85,000,000/year from various agencies.

FEE STRUCTURE:

None.

RECENT CHANGES:

None

FORECAST BASIS:

DTED is expecting revenues to remain similar to 1997.

DECISION ITEMS:

None.

**1998-99 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Trade and Economic Development, Department of

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
USEPA-Clean Water SRF	Yes	Loans-Pol Subdiv	-0-	-0-	25,000	25,000
USEPA-Drinking Water SRF	Yes	Loans-Pol Subdiv	-0-	-0-	32,000	32,000
USEPA-Tourism Loan Pgm Septic Loans	Yes	Loans-Pol Subdiv	-0-	-0-	250	-0-
USEPA-Septic Loans SCDP	Yes	Loans-Pol Subdiv	-0-	1,250	-0-	-0-
USDOA-Mn Rural Partners	No	SO	119	105	100	100
USHUD-Sm Cities Comm Dev Block Grt Pgm	Yes	Grants-Pol Subdiv	28,664	55,237	25,718	25,654
USSBA-Sm Business Develop Centers	Yes	State Op/Grts-PS	1,300	878	1,340	1,340
USCOMMERCE-Red River Trade Corridor	No	Grants-Pol Subdiv	59		40	40
NASDA	Yes	Intl Mkt Develop	41	59	50	50
Agency Total			30,183	57,529	84,498	84,184

Key:

SO - State Operations

PROGRAM: Business and Community Development
AGENCY: Trade and Economic Development, Department of (DTED)

PROGRAM DESCRIPTION:

The programs and services of this program are delivered directly to businesses and communities, or in partnership with economic development service providers, utilities, banks, local government and others. The division focuses its efforts primarily on facilitating job creation and retention by Minnesota companies.

PROGRAM STATUS:

The division is organized into 5 main program areas:

Business Development and Finance programs include the Minnesota Investment Fund, a tax-exempt Revenue Bond program through the Agricultural and Economic Development Board, the Capital Access Program and the Tourism Loan Program. The Office targets Minnesota's highest growth industries for marketing Minnesota's business climate, and works in partnership with other economic development organizations including Advantage Minnesota to expand Minnesota's economic base and create high quality employment opportunities.

Minnesota Job Skills Partnership provides training grants through state higher education institutions to assist business with customized training needs. Minnesota Job Skills Partnership's purpose is to enable businesses and the community to be economically viable; to enable Minnesota citizens to be economically self-sufficient; and to support the state's educational institutions in being more responsive to business needs.

Community Development programs include financing for housing, sewer and water capacity, and commercial rehabilitation. Programs for rural housing and other infrastructure needs are financed through the federal Small Cities Development Program. The Office of Community Finance also administers Contaminated Site Cleanup Grants, Community Resource Program Grants, Border City Enterprise Zone tax credits, and Mortgage Credit Certificate Aid Grants. The Minnesota Public Facilities Authority manages a \$450,000,000 bond pool to finance wastewater treatment facilities, and uses federal dollars, in cooperation with MPCA, Department of Agriculture, and DTED to finance non-point source pollution projects.

Regional Initiatives provide service to local economic development service providers on a regional basis to support job creation needs. The Office of Regional Initiatives administers the Urban Initiative Program, the Minnesota Initiative Fund Challenge Grant Program, and the Star Program, and works with Regional Development Commissions, Community Development Corporations, MEDA and WomenVenture. The Office also administers the DYLAN database to provide property and community profile information to businesses in seeking site location assistance.

Small Business Assistance Office serves as point of first, and continuing, contact for businesses that are starting, operating and expanding in Minnesota. The Office of Small Business Assistance provides "one-stop information" on business planning, financing, marketing, licensing and regulatory questions, produces many publications on a variety of topics on doing business in Minnesota, and administers, under federal law, the Small Business Development Centers at 23 locations around the state.

PLANNED RESULTS:

The division's programs facilitate the creation of new jobs. The division's customers are businesses and communities and the division serves these customers through financial and technical assistance. Primary goals of the division include:

1. Stimulate job growth and private investment by providing financing assistance to communities, and to new and expanding businesses:
2. Enhance businesses ability to grow jobs in Minnesota and compete globally by developing a well trained work force:
3. Help make communities viable and accommodate job growth by investing in decent housing, public infrastructure, and functional business districts:
4. Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities.
5. Facilitate start-up and growth of existing businesses in Minnesota, targeting small business, by providing information, business counseling and technical assistance.

BUDGET AND REVENUE SUMMARY:

The base, General Fund budget will allow BCD to make progress toward its stated mission of using all available resources to advance economic vitality for all Minnesota citizens through the retention and creation of high quality jobs, and to influence private sector decision-making relative to business start-ups and expansions. Most of the programs are, by nature, straight expenditures without potential to provide direct revenue back to the department. (The programs stimulate revenue to the state through additional income, sales and other taxes collected from businesses and individuals assisted through the programs.) Where authorized by law, DTED can and does recapture and reuse some program funds.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$30,870,000 be added to the agency plan for creating jobs and sustaining economic vitality. Initiatives funded include:

- \$7,576,000 for the Job Skills Partnership;
- \$4,000,000 for the Minnesota Investment Fund;
- \$1,000,000 for Contamination Clean-up Funds;
- \$4,444,000 to match federal funds for the Drinking Water Revolving Fund;
- \$600,000 for Advantage Minnesota;
- \$250,000 for the Software Technology Center;
- \$4,000,000 for the Pathways Program,
- \$5,000,000 for the PFA's Wastewater Infrastructure Funding; and
- \$4,000,000 for City of St. Paul Economic Development.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REGIONAL INITIATIVES	4,333	6,143	6,197	6,197	6,197	5,397	5,397	5,397
BUSINESS DEVELOPMENT & FINANCE	7,011	8,192	6,258	6,258	8,808	6,008	6,008	8,308
COMMUNITY DEVELOPMENT	34,420	66,587	85,750	85,750	97,694	85,704	85,704	88,204
SMALL BUSINESS ASSISTANCE	2,291	1,890	2,313	2,313	2,313	2,313	2,313	2,313
MINN JOB SKILLS PARTNERSHIP	2,371	2,312	2,216	2,216	8,004	2,220	2,220	8,008
DEPUTY COMMISSIONER	1,579	965	465	465	465	510	510	510
TOTAL EXPENDITURES BY ACTIVITY	52,005	86,089	103,199	103,199	123,481	102,152	102,152	112,740
GOV'S INITIATIVES:		FUND						
(B) MN JOB SKILLS PARTNERSHIP PROGRAM		GEN			3,788			3,788
(B) MN INVESTMENT FUND		GEN			2,000			2,000
(B) CONTAMINATION CLEANUP FUNDS		GEN			500			500
(B) DRINKING WATER REVOLVING FUNDS		GEN			4,444			
(B) ADVANTAGE MINNESOTA		GEN			300			300
(B) SOFTWARE TECHNOLOGY		GEN			250			
(B) PATHWAYS		GEN			2,000			2,000
(B) ST. PAUL ECONOMIC DEVELOPMENT		GEN			2,000			2,000
(B) PFA WASTEWATER INFRASTRUCTURE FUNDS		GEN			5,000			
TOTAL GOV'S INITIATIVES					20,282			10,588
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	17,603	19,459	11,672	11,672	31,954	11,739	11,739	22,327
OPEN APPROPRIATIONS:								
GENERAL	26	74	314	314	314	314	314	314
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	4,288	9,075	6,805	6,805	6,805	6,005	6,005	6,005
FEDERAL	30,083	57,470	84,408	84,408	84,408	84,094	84,094	84,094
GIFT	5	11						
TOTAL EXPENDITURES	52,005	86,089	103,199	103,199	123,481	102,152	102,152	112,740

1998-99 Biennial Budget

BUDGET ACTIVITY: Business Development and Finance
PROGRAM: Business and Community Development
AGENCY: Trade and Economic Development, Department of (DTED)

ACTIVITY DESCRIPTION:

The Business and Community Development Division facilitates business development through a variety of programs. These programs include financing of business retention and expansions; promoting and marketing Minnesota as an excellent business location; and providing information on laws and regulations governing business start-ups and expansions in the state of Minnesota.

The Office of Business Development and Finance is responsible for bringing together the state's resources to assist in business retention, expansion, and new or relocation opportunities. Stimulating capital investment and new employment opportunities throughout Minnesota is the result of these efforts.

The Office of Business Development and Finance administers grant and loan programs that assist in business start-ups, retention or expansions. Programs include the Minnesota Investment Fund, the Small Cities Development Set-aside Program, the Tourism Loan Program, the Capital Access Program, and the Agricultural and Economic Development Program.

Minnesota Investment Fund (M.S. 116J.8731) and Small Cities Development Program (M.S. 116J.403) Economic Development Set-Aside

The purpose of this program is to help local units of government improve and strengthen their business and economic base by providing, through the community, financing for business expansions and relocations.

Agricultural and Economic Development Board (M.S. 41A.022)

The Agricultural and Economic Development Board was created by the Rural and Economic Development Act of 1987. The board administers the Small Business Development Loan Program. This program makes direct loans to businesses utilizing tax-exempt revenue bonds issued by the board.

Capital Access Program (M.S. 116J.876)

The Capital Access Program provides assistance to businesses, particularly small and medium-sized businesses obtaining conventional financing for start-up or expansion costs. The program enables bank lenders to address situations where a fundamentally good loan does not meet all of a bank's underwriting standards.

Tourism Loan Program (M.S. 116J.617)

The Tourism Loan Program provides otherwise unavailable low-interest financing to existing tourism related businesses that provide overnight lodging. The program features a revolving fund whereby interest and principal payments by borrowers are made for additional tourism-related loans.

BUDGET ISSUES:

The Minnesota Investment Fund, using both General Fund appropriations and a set-aside from the Small Cities Development fund, allows communities to finance business expansions and to keep a portion of the loan repayments to establish locally administered revolving funds for future development projects.

In F.Y. 1996, the program awarded \$6,000,000 in state and federal economic development funds, funding a total of 21 projects throughout the state of Minnesota, helping to create approximately 1,231 jobs.

ACTIVITY DESCRIPTION:

Office of Business Development and Finance (M.S. 116J.58)

The Office of Business Development and Finance houses industry specialists in 4 targeted industries: Computer and Electrical Components; Forest Products; Health Care; Printing and Publishing. These specialists help foster the growth of jobs, revenues, and investment in their specific industry group. The targeted industries were identified based on 5 criteria: total employment in Minnesota, growth in Minnesota employment, location quotient, value-added manufacturing, and attractive wage levels.

The Office of Business Development and Finance also administers a pass-through grant, awarded by the legislature to *Advantage Minnesota* (M.S. 116J.693.)

BUDGET ISSUES:

Advantage Minnesota's current appropriation of \$200,000 per year leverages more than the required one-to-one match. The state appropriation, with private partners, funds a marketing program to enhance direct investment in Minnesota.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Trade and Economic Development, Department of (DTED)
PROGRAM: Business and Community Development
ACTIVITY: Business Development and Finance

ITEM TITLE: Software Technology Center

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$250	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$250,000 for the Software Technology Center (STC), to work in concert with the Minnesota software association to support efforts to expand the state's software industry.

RATIONALE:

The software industry employs more than 22,000 Minnesotans. Opportunities exist to further expand this industry by supporting the efforts of the Software Technology Center, pursuing international trade, and expanding partnerships with higher education.

PROGRAM OUTCOMES:

Low cost access for early stage businesses to cutting edge software and hardware through the Software Technology Center; expansion of international trade market, currently representing 15% of sales; improved education and training.

LONG-TERM IMPACT:

Continued expansion of industry which has grown from 4,700 jobs in 1980 to 22,000 in 1995.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Job Skills Partnership Program
PROGRAM: Business and Community Development
AGENCY: Trade and Economic Development, Department of (DTED)

ACTIVITY DESCRIPTION:

Minnesota Job Skills Partnership Program (M.S. 116L)

The Minnesota Job Skills Partnership Program is governed by an 11 member board including the Commissioners of DTED, DES, and the Chancellor of the MNSCU System. The agency has the three-fold purpose of stimulating economic development, contributing to economic opportunity for individuals, and serving as an educational catalyst between business and industry.

Its 3 functions are to facilitate the creation of businesses, jobs, and new educational programs by serving as a provider of information, technical assistance, and grant assistance regarding the development and provisions of education and training for businesses in Minnesota.

BUDGET ISSUES:

The Minnesota Job Skills Partnership program is driven by the needs of employers. Employers, in partnership with educators and communities, target specific training needs to aid in the business' relocation or expansion needs. The educational institutions benefit through added curricula and closer working relationships with businesses in their communities. Employees benefit by gaining training to meet emerging labor market demand where there are skill shortages. For 1997, the program is estimating training 3,316 new or existing employees in approximately 24 businesses.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT
ACTIVITY: COMMUNITY DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,048	1,126	1,082	1,082	1,082	1,048	1,048	1,048
OPERATING EXPENSES	161	441	307	307	307	300	300	300
SUBTOTAL STATE OPERATIONS	1,209	1,567	1,389	1,389	1,389	1,348	1,348	1,348
LOCAL ASSISTANCE	33,010	60,589	26,418	26,418	38,362	26,418	26,418	28,918
OTHER EXPENSES		4,280	57,800	57,800	57,800	57,800	57,800	57,800
NON-CASH TRANSACTIONS	201	151	143	143	143	138	138	138
TOTAL EXPENDITURES	34,420	66,587	85,750	85,750	97,694	85,704	85,704	88,204
GOV'S INITIATIVES:		FUND						
(B) CONTAMINATION CLEANUP FUNDS		GEN			500			500
(B) DRINKING WATER REVOLVING FUNDS		GEN			4,444			
(B) ST. PAUL ECONOMIC DEVELOPMENT		GEN			2,000			2,000
(B) PFA WASTEWATER INFRASTRUCTURE FUNDS		GEN			5,000			
TOTAL GOV'S INITIATIVES					11,944			2,500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	5,725	6,996	2,158	2,158	14,102	2,176	2,176	4,676
OPEN APPROPRIATIONS:								
GENERAL	26	74	74	74	74	74	74	74
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE		3,030	800	800	800	800	800	800
FEDERAL	28,664	56,487	82,718	82,718	82,718	82,654	82,654	82,654
GIFT	5							
TOTAL EXPENDITURES	34,420	66,587	85,750	85,750	97,694	85,704	85,704	88,204

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT
ACTIVITY: COMMUNITY DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	789	800	800	800	800	800	800	800
FEDERAL	28,664	56,487	82,718	82,718	82,718	82,654	82,654	82,654
GIFT	5							
NONDEDICATED:								
GENERAL	413	515	515	515	515	515	515	515
=====								
TOTAL REVENUES COLLECTED	29,871	57,802	84,033	84,033	84,033	83,969	83,969	83,969
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	19.8	19.8	19.8	19.8	19.8	19.8	19.8	19.8
=====								
TOTAL FTE	19.8	19.8	19.8	19.8	19.8	19.8	19.8	19.8

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Trade and Economic Development, Department of (DTED)
PROGRAM: Business and Community Development
ACTIVITY: Community Development

ITEM TITLE: Wastewater Infrastructure Funding Program (WIF)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Local Operations	\$5,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends appropriating \$5,000,000 for F.Y. 1998 to the Minnesota Public Facilities Authority for the Wastewater Infrastructure Funding Program with the first \$2,400,000 to the city of Cambridge. Funding is available until spent.

RATIONALE:

The Wastewater Infrastructure Funding Program was modified in 1996 to lower thresholds for eligibility. This funding request would be used by the authority to keep wastewater treatment costs affordable and competitive and assist communities that have high debt loads due to higher treatment standards prior to the lowering of the threshold for eligibility for the WIF program.

PROGRAM OUTCOMES:

Keep communities wastewater systems affordable.

LONG-TERM IMPACT:

The use of General Fund moneys will enable communities to refund existing debt allowing those communities to offer competitive sewer service charges.

This page intentionally left blank.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT
ACTIVITY: REGIONAL INITIATIVES

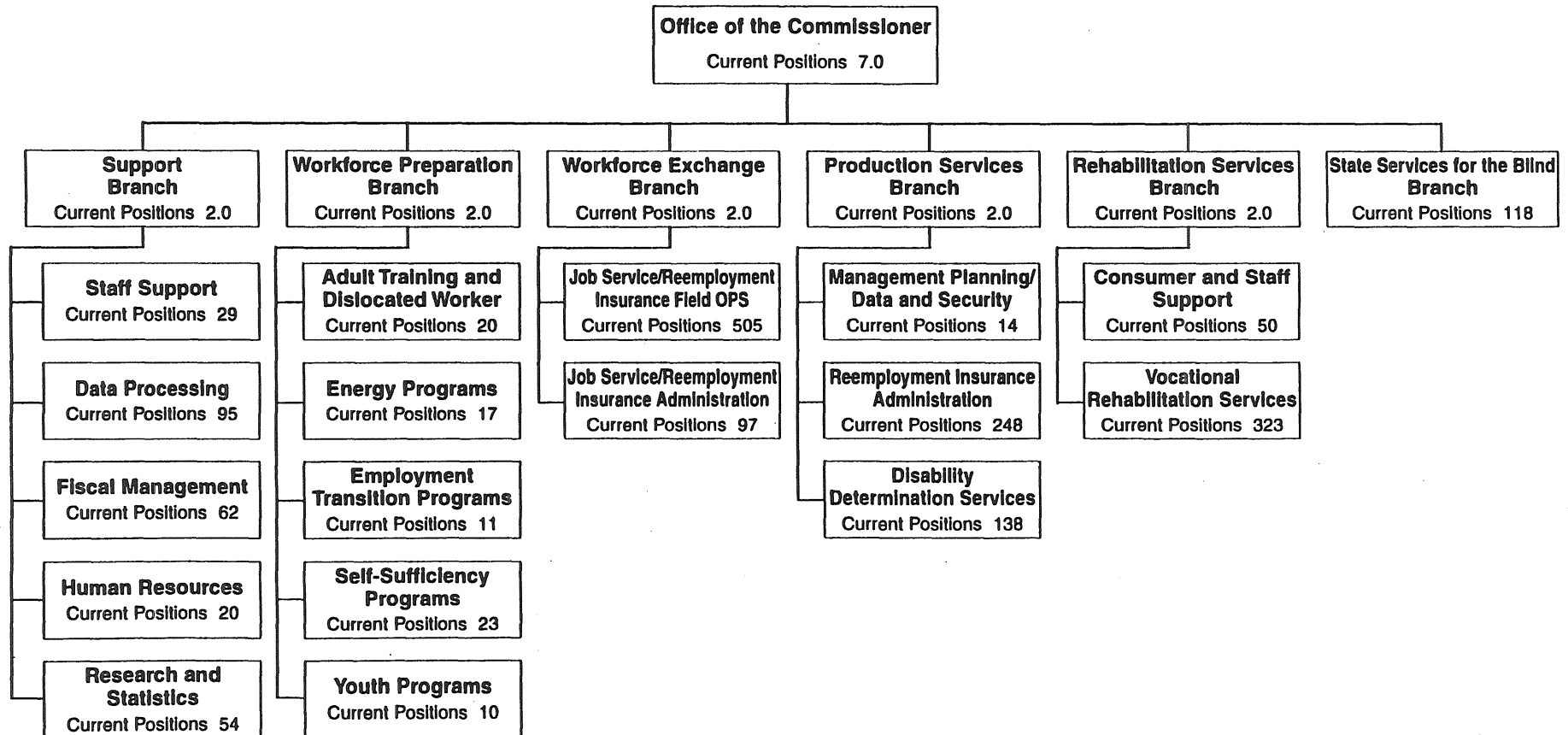
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	464	556	556	556	556	556	556	556
OPERATING EXPENSES	410	307	201	201	201	201	201	201
SUBTOTAL STATE OPERATIONS	874	863	757	757	757	757	757	757
LOCAL ASSISTANCE	558	625	645	645	645	645	645	645
OTHER EXPENSES	2,809	4,640	4,780	4,780	4,780	3,980	3,980	3,980
NON-CASH TRANSACTIONS	92	15	15	15	15	15	15	15
TOTAL EXPENDITURES	4,333	6,143	6,197	6,197	6,197	5,397	5,397	5,397
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	903	968	727	727	727	727	727	727
OPEN APPROPRIATIONS:								
GENERAL			240	240	240	240	240	240
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	3,311	5,070	5,130	5,130	5,130	4,330	4,330	4,330
FEDERAL	119	105	100	100	100	100	100	100
TOTAL EXPENDITURES	4,333	6,143	6,197	6,197	6,197	5,397	5,397	5,397
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	2,602	2,027	2,027	2,027	2,027	2,227	2,227	2,227
FEDERAL	104	100	100	100	100	100	100	100
GIFT	5							
NONDEDICATED:								
GENERAL	5	5	5	5	5	5	5	5
TOTAL REVENUES COLLECTED	2,716	2,132	2,132	2,132	2,132	2,332	2,332	2,332

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT
ACTIVITY: REGIONAL INITIATIVES

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	3.5	11.2	11.2	11.2	11.2	11.2	11.2	11.2
TOTAL FTE	3.5	11.2	11.2	11.2	11.2	11.2	11.2	11.2

**Department of Economic Security
Organization Chart
7-1-96**



1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Economic Security, Department of (DES)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$57,227	\$57,227	\$114,454
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(9,255)	(9,255)	(18,510)
Biennial Appropriations	751	-0-	751
Transfers Between Agencies	(20,238)	(20,238)	(40,476)
Documented Rent/Lease Increase	13	30	43
Annualization of New Program	-0-	-0-	-0-
1998-99 Compensation Inflation	<u>82</u>	<u>164</u>	<u>246</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$28,580	\$27,928	\$56,508
<u>AGENCY DECISION ITEMS</u>			
Extended Employment Monitoring	140	140	280
Extended Employment Grants	<u>(140)</u>	<u>(140)</u>	<u>(280)</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$28,580	\$27,928	\$56,508
<u>GOVERNOR'S INITIATIVES</u>			
Workforce Center	1,600	1,400	3,000
Youth Intervention Program	245	245	490
Centers for Independent Living	1,200	1,200	2,400
Hire Education Loan Program	<u>10,000</u>	<u>-0-</u>	<u>10,000</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$41,625	\$30,773	\$72,398

Brief Explanation of Agency Plan:

- Plan includes the shift of \$140/yr from program costs to State Operations to cover statutory required monitoring/oversight of the Extended Employment program.
- Transfers to the Department of Children, Families and Learning of \$20,238 General Fund appropriations and \$58,678 in federal funds have been accommodated in the plan.
- Investments in Agency Infrastructure are prominent throughout the program budgets.

- One time appropriations of \$9,255,000 are identified in the Omnibus Appropriation Laws of 1995 and 1996 to be for only one year with no provision for continuation into the next biennium as a base appropriation. These include appropriations for Extended Employment Arbitration, Minnesota Workforce Centers, Transitional Housing, Youth Intervention Program, Minnesota Youthbuild, Minnesota Youth Program, Learn to Earn, Minnesota City Grants Program, and Home Energy Assistance Programs.

Revenue Summary:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following adjustments:

The Governor recommends that \$3,000,000 for the biennium be added to the agency plan for the Minnesota Workforce Center initiative to better serve employers, dislocated workers, and other job seekers.

The Governor also recommends an increase of \$2,400,000 for the biennium for grants to the Centers for Independent Living.

The Governor also recommends an increase of \$490,000 for the biennium be added to the Youth Intervention Program.

The Governor also recommends the creation of the \$10,000,000 Hire Education Loan Program to finance customized training programs.

For the F.Y. 1996-97 biennium, the legislature transferred \$3,000,000 each year from the Dislocated Worker Fund to the General Fund. The Governor recommends continuing this transfer in the F.Y. 1998-99 biennium. The Governor recommends an additional \$3,500,000 be transferred from the Dislocated Worker Fund to the General Fund each year for important initiatives and programs that benefit dislocated workers.

The Governor also recommends that up to \$8,000,000 each year from the Dislocated Worker Fund be used for paying claims and administrative expenses incurred by the Minnesota Comprehensive Health Association (MCHA), which covers the health care costs of dislocated and unemployed workers with chronic health care needs which makes them otherwise uninsurable.

AGENCY: Economic Security, Department of (DES)

AGENCY DESCRIPTION:

The mission of the Department of Economic Security (DES) is to help people help themselves achieve economic security, under M.S. 268, 268A and 248.

The customers of DES programs are: unemployed persons searching for jobs; employers looking for qualified employees; employed workers searching for new job opportunities; persons eligible for reemployment insurance; students exploring career options or searching for work; employers looking for critical labor market information; human resource managers needing to educate themselves on employment laws and regulations; public assistance clients looking to achieve self-sufficiency; dislocated workers in need of retraining; senior citizens in search of employment; displaced homemakers; disadvantaged youth in need of jobs and training; disabled persons needing job training or seeking to live independently; blind or visually impaired people who need training to live independently or who want non-visual entertainment, information, and/or assistive technology; households needing assistance to pay energy bills; and low-income families with children ages 3 to 5 wanting to enroll in Head Start. To enhance customer outcomes, DES is working with its customers to clearly define outcome measures to better determine the success of services and promote continuous improvement.

Direction for DES' operation is: 1) Minnesotans will be able to live independently and fully participate in their communities; 2) Minnesotans in temporary economic hardship will have their basic needs met and an opportunity for prompt return to suitable employment; 3) Minnesotans will have the training and skills to be successful in the workplace; and 4) Minnesota employers, educators, and individuals will have labor market information needed to compete in the world economy.

DES is organized into branches: Workforce Preparation, Workforce Exchange, Workforce Rehabilitation Services, Workforce Services for the Blind, Production, and Support. The branches provide: low-income weatherization and energy assistance, Head Start, emergency food and housing, economic opportunity programs (which will transfer to the Minnesota Department of Children, Families and Learning on 7-1-97), job training, dislocated workers' services, displaced homemakers' services, youth employment and training services, veterans' employment services, labor market information, reemployment insurance, employment, employment assistance, disability determination, employment and independent living assistance for people with disabilities, and agency support.

Most DES programs are provided directly from DES offices throughout the state (job service, reemployment insurance, rehabilitation services, and services for the blind). Other programs are contracted to community-based agencies which provide the services, e.g., extended employment, job training partnership act, dislocated workers, displaced homemakers, and the following programs which will transfer to the Minnesota Department of Children, Families and Learning: emergency food and housing, economic opportunity, Head Start, energy assistance, and weatherization. In these programs, DES serves as the administrator, which includes monitoring, training, and providing technical assistance.

DES is committed to, and in the process of, integrating and redesigning its employment and training services for employers and job seekers. Minnesota Workforce Centers (WFCs) are "one-stop" facilities that provide all DES employment and training-related services under one roof. Comprehensive job services are offered at these centers, including career counseling, skills assessment, training, reemployment insurance, placement, local labor market information, and other employment services.

The centers aim to be convenient, responsive, accessible, integrated, economical, and customer-friendly.

AGENCY ISSUES:

The following factors are shaping the policies and programs at DES:

Workforce Centers. The nation's workforce system has undergone significant change in the past decade and promises to look vastly different as the next century approaches. To meet the challenge of new workforce realities, DES must continuously improve and adapt its services. Minnesota was awarded a "one-stop" demonstration grant by the U.S. Department of Labor not only because it had an ambitious and timely plan, but because Minnesota has shown commitment to quality and investment in services that maximize results. Formerly, employers and job seekers had to go to as many as 5 different offices to get the services or information they required. Now, with Minnesota Workforce Centers, there is only one door to enter. This replaces confusing and expensive duplication of effort with efficient and convenient service delivery to customers. The new structure will allow for a much better match between available skilled workers and jobs.

Labor Market Information. The delivery of high-quality information to help all Minnesotans make good decisions about their work life is a critical element of workforce competitiveness. DES must help provide the tools for customers to make informed career training and employment choices through effective assessment and timely, pertinent career information. Further, DES must provide access to enhanced and increasingly localized labor market information for employers, job seekers, and planners.

Technology Infrastructure. As DES consolidates its services into Workforce Centers, there is a need to expand its computer network infrastructure and develop a software integration plan for the Workforce Center System. This infrastructure will provide a convenient, flexible way to utilize demographic and labor market information in summary and comparative ways. Making this information accessible to employers, educators, job seekers, and the general public is a key component to enhancing Minnesota's workforce system.

A Skilled Workforce. DES is concentrating on identifying employer needs and working with educators and employers to ensure that all needs are communicated and met. National reports highlight the growing mismatch between employers' need for a skilled workforce and the skills of American workers. A system is needed that helps people develop the goals and skills they need to make the transition from quality education to a high-skill, high-wage job. Both educators and employers must work cooperatively to strengthen the link between education and employment. This is one of the goals of the Governor's Workforce Development Council.

Paradoxically, the nation is facing workforce shortages at the same time that companies are downsizing, which has created a number of unemployed, college-educated, middle-aged professionals. As a result, DES continues to revamp its job training and placement efforts to make a closer fit with today's and tomorrow's unemployed Minnesotans. To further address the workforce shortages, DES continues to improve and expand its training services and placement of individuals with disabilities.

Youth Concerns. Substance abuse has had a profound impact on law enforcement and on both juvenile and criminal justice systems in the past decade. Schools increasingly are the site of violence and victimization, although the school is not the point of origin. Gangs seem to fill a desperate need on the part of many at-risk youth for stability, structure, and a sense of belonging. There is a major correlation between neighborhood poverty, social disorganization, and gang activity. There is a growing mismatch between students' classroom learning experiences and the knowledge and skills needed to begin and advance in their life's work. This means that school-to-work transitions are

1998-99 Biennial Budget

AGENCY: Economic Security, Department of (DES)
(Continuation)

becoming all the more important. If youth are to become successful in tomorrow's workforce, they must be better prepared.

Welfare-To-Work. Minnesota has worked closely with congress to shape the new welfare legislation and increase state flexibility in exchange for a fixed block grant. Minnesota's approach to the reform is to reduce child poverty and welfare dependency by moving families into the workforce through the Minnesota Workforce Centers and by supplementing employment with supports such as child care and health care. DES is working closely with the Minnesota Department of Human Services to develop the workforce component of Minnesota's welfare reform.

AGENCY STRATEGIES:

The agency's budget plan is constructed to achieve the following outcomes:

- Improve services to customers by bringing programs together into Workforce Centers;
- Provide labor market information that supports business growth and provides a workforce needed to compete in the world economy;
- Effectively utilize technologies to improve program operations and service delivery systems;
- Provide employment and training services which link people to the world of work;
- Create and build coalitions to further choices and opportunities for Minnesotans with disabilities;
- Ensure that all people with severe disabilities have equitable access to opportunities for living and working in communities;
- Increase the number of blind persons and persons with disabilities who have gainful and fulfilling employment, manage their own homes or live independently, and gain access to the printed word through alternative reading materials; and
- Further link anti-poverty programs to Minnesota's Workforce Centers through partnerships with Community Action Agencies.

SUMMARY OF BUDGET REQUEST:

The budget plan shifts \$140,000 per year from program costs to State Operations to cover statutory required monitoring oversight for the Extended Employment Program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$3,000,000 in the F.Y. 1998-99 biennium be added to the agency plan for the Minnesota Workforce Center initiative to better serve employers and job seekers.

The Governor also recommends an increase of \$2,400,000 for the biennium for grants to the Centers for Independent Living.

The Governor also recommends an increase of \$490,000 for the biennium be added to the Youth Intervention Program.

The Governor also recommends the creation of the \$10,000,000 Hire Education Loan Program to finance customized training programs.

For the F.Y. 1996-97 biennium, the legislature transferred \$3,000,000 each year from the Dislocated Worker Fund to the General Fund. The Governor recommends continuing the transfer in the F.Y. 1998-99 biennium. The Governor recommends an additional \$3,500,000 be transferred from the Dislocated Worker Fund to the General Fund each year for important initiatives and programs that benefit dislocated workers.

The Governor also recommends that up to \$8,000,000 each year from the Dislocated Worker Fund be used for paying claims and administrative expenses incurred by the Minnesota Comprehensive Health Association (MCHA), which covers the health care costs of dislocated and unemployed workers with chronic health care needs which makes them otherwise uninsurable.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ANTI POVERTY PRGMS (HISTORY)	80,789	84,654						
WORKFORCE PREPARATION	71,548	77,861	71,934	71,934	75,679	71,702	71,702	65,447
WORKFORCE EXCHANGE	77,526	80,132	80,707	80,707	82,307	78,307	78,307	79,707
WORKFORCE REHABILITATION SVCS	51,510	52,732	50,747	50,747	51,947	50,759	50,759	51,959
WORKFORCE SVCS FOR THE BLIND	13,467	13,193	12,995	12,995	12,995	13,091	13,091	13,091
TOTAL EXPENDITURES BY PROGRAM	294,840	308,572	216,383	216,383	222,928	213,859	213,859	210,204
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	52,560	56,741	28,580	28,580	41,625	27,928	27,928	30,773
OPEN APPROPRIATIONS:								
GENERAL			636	636	636	636	636	636
STATUTORY APPROPRIATIONS:								
GENERAL	1,674	2,743	657	657	657	657	657	657
STATE GOVERNMENT SPECIAL REVENUE	28	12						
SPECIAL REVENUE	21,290	32,554	30,127	30,127	23,627	30,642	30,642	24,142
MDES FEDERAL	218,573	215,835	156,344	156,344	156,344	153,957	153,957	153,957
GIFT	715	687	39	39	39	39	39	39
TOTAL EXPENDITURES	294,840	308,572	216,383	216,383	222,928	213,859	213,859	210,204
FTE BY EMPLOYMENT TYPE:								
REGULAR	1,803.5	1,813.8	1,765.3	1,767.3	1,772.3	1,740.3	1,742.3	1,747.3
TEMP/SEAS/PART_TIME	37.0	36.4	36.4	36.4	36.4	36.4	36.4	36.4
OVERTIME	9.9	9.8	9.8	9.8	9.8	9.8	9.8	9.8
TOTAL FTE	1,850.4	1,860.0	1,811.5	1,813.5	1,818.5	1,786.5	1,788.5	1,793.5

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Economic Security, Department of (DES)

REVENUE SOURCES:

DES generates dedicated revenue, interagency grants, and federal funds.

The dedicated revenue is generated from several sources. Services for the Blind (SSB) sells adaptive devices to its customers and operates vending stands in public buildings generating receipts of approximately \$977,000/year. SSB also receives gifts estimated at \$39,000/year. The Workforce Exchange Program collects \$2,400,000/year in penalties and interest on delinquent reemployment insurance taxes. Approximately \$26,000,000 in dedicated special revenue is also collected via a surtax on Unemployment Insurance taxes for Dislocated Worker activities.

Grants from the federal government represent about \$155,000,000/year from various agencies.

Inter-agency grants consist of \$657,000/year from the Minnesota Department of Human Services for a Welfare-to-Work Program for Aid to Families with Dependent Children (AFDC) recipients.

FEE STRUCTURE:

DES collects no fees.

RECENT CHANGES:

The transfer of programs to the Minnesota Department of Children, Families and Learning will result in a reduction of federal revenue of approximately \$59,000,000/year.

FORECAST BASIS:

DES is expecting remaining revenues to remain at a level similar to those of 1997.

1998-99 Biennial Budget

PROGRAM: Workforce Preparation
AGENCY: Economic Security, Department of (DES)
(Continuation)

Minnesota YouthBuild

The Minnesota YouthBuild Program expanded to 9 sites in 1995. The existence of the state program permitted Minnesota to leverage over \$1 million of National YouthBuild funds from the U.S. Department of Housing and Urban Development.

Youth Programs/Violence Prevention

Juvenile Justice Program

Over the next 2 years, the Juvenile Justice Program will be required to address the following issue: minority populations are over-represented in all aspects of the juvenile justice system, from arrest, detention and court appearances through probations and incarceration. Minority populations also have higher dropout rates and higher teen pregnancy rates. The Juvenile Justice Program will enhance services available to minority youth prior to formal involvement in the juvenile justice system by developing and strengthening programs which emphasize prevention, early intervention and workforce preparation.

Youth Intervention Program

The need for prevention and early intervention services for children and families who are at risk of child abuse, family violence, chemical abuse, delinquency, teen pregnancy, prostitution, truancy and running away from home is greater than the resources available. The shorter the time period between the offense and referral to the Youth Intervention Program, the more effective the program services.

Minnesota City Grants Program

The goal of this demonstration project is to develop community-based violence prevention initiatives that take truant and at-risk youth off the streets and provide them with prevention, intervention and pre-trial diversion services. Minneapolis, St. Paul, and Duluth were the sites for programs operating with state and federal funds appropriated for 1996. The cities formed collaboratives which leveraged federal funds, foundation aid and local resources as a result of the availability of state funds. Each site provided a broad range of prevention programs which impacted over 48,000 youth during the grant period.

Bonding Initiative - Truancy and Curfew Centers

A Request for Proposal (RFP) has been released announcing the availability of \$500,000 of capital improvement funds to construct 2 Truancy and Curfew Centers from funds appropriated for 1995: one in Hennepin County and one in Ramsey County.

Dislocated Worker

The unemployment rate in Minnesota is at a historically low level. However, there continues to be a number of reported plant closings and large layoffs affecting 50 or more workers. Between 7-1-95 and 6-30-96, there were 78 reported plant closings and large layoffs affecting 11,490 workers. While difficult to track, the number of workers affected by small layoffs also increased somewhat over previous years, exceeding 10,000 workers. The workers that are dislocated need various forms of the state services because their skills often do not match the skills requirement of available jobs.

PLANNED RESULTS:

Employment Transition Services

During the next 2 years, JTPA Title II Programs will continue to serve approximately 3 to 5% of eligible Minnesotans. It is planned that approximately 5,000 individuals will be served during each of the next 2 years statewide with a minimum of 65% "hard-to-serve" individuals. "Hard-to-serve" is defined as belonging to one or more of the following groups: individuals who are basic skills-deficient; individuals who are school dropouts; individuals who are recipients of cash welfare payments; individuals who are offenders; individuals with disabilities; individuals who are homeless; and individuals who are in a category recommended by local service delivery areas and approved by the governor.

The Minnesota Displaced Homemaker Program will serve over 1,700 participants per year in the next 2 years. Of this group, over 70% will experience positive outcomes such as entering employment, training, or activity with other related resources and achieving personal and economic self-sufficiency.

The OICs anticipate job training and placement service to over 4,000 participants per year for the next 2 years. They will be providing services to a difficult-to-serve group which includes 80% minorities and a large number of at-risk youth.

The MOICC is collaborating with various partners to bring occupational information to the classrooms of over 50,000 students during this coming year through a variety of new initiatives. MOICC is involved in coordinating a project to define a comprehensive data follow-up model for Minnesota.

Youth Training

JTPA Title IIB Summer Program

DES is expecting that federal funding for the summer of 1997 will be approximately \$8.27 million which will serve 5,250 disadvantaged youth. The demand for services is greater than the resources available.

Minnesota Youth Program

The Minnesota Youth Program was re-structured by DES and the local providers to provide the Youth Service Corps which focuses on community service projects that address unmet human service, public safety, environmental, and educational needs. Base-level funding will result in services for 2,000 youth in 1997.

JTPA Title IIC Youth Training Program

DES is expecting to serve only 753 economically disadvantaged youth in 1997, due to the 79% reduction in federal JTPA IIC funding that occurred in 1995. There are approximately 40,000 disadvantaged youth who are eligible for services statewide.

Minnesota YouthBuild

Funded at a level of \$500,000 for 1996 and \$300,000 for 1997, the 9 YouthBuild sites will serve approximately 315 economically disadvantaged youth each year. Each site is required to provide a dollar-for-dollar funding match from local resources.

1998-99 Biennial Budget

PROGRAM: Workforce Preparation

AGENCY: Economic Security, Department of (DES)
(Continuation)

Youth Programs/Violence Prevention

Juvenile Justice Program

In 1995, Minnesota's federal allocation totaled \$1.1 million; over 8,600 youth and families were served. Over 70% were in communities of color. In 1996, Minnesota's allocation was \$1,114,000. Minnesota received a \$339,000 allocation of Title V Community Delinquency Prevention Funds in 1995. This new funding was continued in 1996 and in addition Minnesota secured a \$163,000 State Challenge Grant. Minnesota is in compliance with the federal juvenile justice mandates of de-institutionalization of status offenders, sight and sound separation, and the juvenile jail removal mandate. In the next 2 years, federal funds will be used for prevention programs.

Youth Intervention Program

In 1996, Youth Intervention Programs provided early intervention and prevention services to youth (ages 8 to 17) and their families. Funded at a level of \$650,000 in 1996 and \$890,000 in 1997, the program addresses issues such as: shoplifting, vandalism, theft, prostitution, arson, family problems, child abuse, and chemical abuse. The program currently operates in 27 communities: 17 in the Twin Cities metropolitan area and 10 in Greater Minnesota.

Minnesota City Grants Program

Demonstration grants totaling \$1.1 million were awarded to the cities of Minneapolis, St. Paul, and Duluth in 1994. The program impacted over 48,000 youth between 7-1-94 and 6-30-95. The City Grants funds were used as matching funds to leverage federal Title V Prevention resources from the Department of Justice. In 1996, \$340,000 of new state funding was appropriated for truancy prevention, curfew enforcement, and pre-trial diversion services.

Bonding Initiative - Truancy and Curfew Centers

Two Truancy and Curfew Centers will be constructed with the \$500,000 of capital improvement funds. A portion (25%) of the funding will be used to provide employment and training services to youth in the construction of the new facilities.

Dislocated Worker

Approximately 13,000 individuals will be served by the federal and state Dislocated Worker programs in 1996. This is a reduction from 1995 when 14,781 individuals were served. It is estimated that 78% of the individuals completing participation in the program will be placed in jobs that pay an average wage of 85% of their pre-layoff wages. These placement rates and wages will continue to exceed the national averages for Dislocated Worker programs.

BUDGET AND REVENUE SUMMARY:

Employment Transition Services

During 1997, approximately \$6.2 million of federal JTPA Title IIA funds will be available statewide to serve economically disadvantaged adults. This represents a 25% decrease in federal funding. In addition, approximately \$400,000 will be available to support programs which target economically

disadvantaged older workers (ages 55 and over). Approximately \$1 million will be available to support programs which contain coordination mechanisms between JTPA and educational institutions. These coordinated programs benefit both adults and youth.

The Displaced Homemaker Program is funded at \$1,512,000 for 1997. This amount provides for service in 12 programs covering all 87 Minnesota counties at base level, with minimal service to outlying areas.

OICs receive \$350,000 annually to fund up to 25% of the total OIC program budgets, including administrative costs.

Youth Training

Federal funding for the 1997 JTPA Title IIB Summer Youth Program is estimated at \$8.27 million which will serve 5,250 disadvantaged youth. Federal funding for the JTPA Title IIC Youth Training Program is expected to be remain at the 1996 level: \$981,492 per year serving 753 youth. The need for summer youth employment opportunities is greater than the resources available.

Base-level funding for the Minnesota Youth Program of \$3 million will serve 2,000 youth per year compared to the 6,000 per year served in 1995 and 1996 through the help of supplemental funding.

The Minnesota YouthBuild Program serves 315 economically disadvantaged youth per year with annual funding of \$300,000.

Youth Programs/Violence Prevention

Federal funding for the Juvenile Justice Program is expected to remain stable in the next biennium. State funding for the Youth Intervention Program (currently \$650,000 per year) supports 27 community-based programs: 17 in the Twin Cities metropolitan area and 10 in Greater Minnesota. State funding totaling \$340,000 supported community-based violence prevention programs (known as City Grants Program) in Minneapolis, St. Paul, and Duluth. Capital improvement funds in the amount of \$500,000 will be used to construct 2 Truancy and Curfew Centers.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an additional \$490,000 for the biennium be added to the Youth Intervention Program.

For the 1996-97 biennium, the legislature transferred \$3,000,000 each year from the Dislocated Worker Fund to the General Fund. The Governor recommends continuing this transfer in the F.Y. 1998-99 biennium. The Governor recommends an additional \$3,500,000 be transferred from the Dislocated Worker Fund to the General Fund each year for important initiatives and programs, including those that benefit dislocated workers.

The Governor also recommends that up to \$8,000 each year from the Dislocated Worker Fund be used for paying claims and administrative expenses incurred by the Minnesota Comprehensive Health Association (MCHA), which covers the health care costs of dislocated and unemployed workers with chronic health care needs which makes them otherwise uninsurable.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE PREPARATION

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EMPLOYMENT TRANSITION SERVICES	22,630	16,765	16,781	16,781	26,781	16,783	16,783	16,783
YOUTH TRAINING	18,740	15,732	12,807	12,807	12,807	12,060	12,060	12,060
YOUTH VIOLENCE PREVENTION	2,282	3,273	2,679	2,679	2,924	2,687	2,687	2,932
WELFARE TO WORK SERVICES	798	1,734	1,381	1,381	1,381	1,386	1,386	1,386
DISLOCATED WORKER	27,098	40,357	38,286	38,286	31,786	38,786	38,786	32,286
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	71,548	77,861	71,934	71,934	75,679	71,702	71,702	65,447
GOV'S INITIATIVES:		FUND						
=====		=====						
(B) YOUTH INTERVENTION PROGRAM		GEN			245			245
(B) HIRE EDUCATION LOAN PROGRAM		GEN			10,000			
(B) TRANSFER TO GENERAL FUND		SR			<6,500>			<6,500>
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					3,745			<6,255>
EXPENDITURES BY FUND:								
=====								
DIRECT APPROPRIATIONS:								
GENERAL	10,454	11,737	6,407	6,407	16,652	5,669	5,669	5,914
OPEN APPROPRIATIONS:								
GENERAL			636	636	636	636	636	636
STATUTORY APPROPRIATIONS:								
GENERAL	929	1,815	657	657	657	657	657	657
SPECIAL REVENUE	17,673	28,720	26,650	26,650	20,150	27,150	27,150	20,650
MDES FEDERAL	42,492	35,589	37,584	37,584	37,584	37,590	37,590	37,590
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	71,548	77,861	71,934	71,934	75,679	71,702	71,702	65,447
FTE BY EMPLOYMENT TYPE:								
=====								
REGULAR	53.7	52.2	50.7	50.7	50.7	50.7	50.7	50.7
TEMP/SEAS/PART_TIME	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	60.8	59.3	57.8	57.8	57.8	57.8	57.8	57.8

This page intentionally left blank.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE PREPARATION
ACTIVITY: EMPLOYMENT TRANSITION SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	710	495	548	548	548	550	550	550
OPERATING EXPENSES	205	284	284	284	284	284	284	284
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	915	779	832	832	832	834	834	834
PAYMENTS TO INDIVIDUALS	2							
LOCAL ASSISTANCE	21,713	15,986	15,949	15,949	25,949	15,949	15,949	15,949
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	22,630	16,765	16,781	16,781	26,781	16,783	16,783	16,783
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) HIRE EDUCATION LOAN PROGRAM		GEN			10,000			
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					10,000			
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,861	1,862	1,865	1,865	11,865	1,867	1,867	1,867
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	20,769	14,903	14,916	14,916	14,916	14,916	14,916	14,916
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	22,630	16,765	16,781	16,781	26,781	16,783	16,783	16,783
=====								
REVENUE COLLECTED:								

DEDICATED:								
MDES FEDERAL	20,806	14,866	14,916	14,916	14,916	14,916	14,916	14,916
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	20,806	14,866	14,916	14,916	14,916	14,916	14,916	14,916
=====								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Economic Security, Department of (DES)
PROGRAM: Workforce Preparation
ACTIVITY: Employment Transition

ITEM TITLE: Hire Education Loan Program

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
- Special Revenue	\$-0-	\$-0-	\$-0-	\$-0-
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Loans	\$10,000	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 268

GOVERNOR'S RECOMMENDATION:

The Governor recommends that a revolving loan fund called the Hire Education Loan Program (HELP) be established and an appropriation of \$10,000,000 be made for 1998.

RATIONALE:

HELP would provide interest-free financing to businesses needing to make strategic investments in their workforce. Loans would be made to finance training programs for existing and prospective employees. Higher education institutions would compete for the influx of new funding to train and retrain workers. The repayment of the loans provides a vehicle for the state to recapture a part of the return on investment the company receives from a more productive workforce. These repayments can be used for more HELP loans.

The DES, through its Workforce Center System, has the marketing capability, the labor market information and technology at the local level to identify and recruit businesses in need of customized training. Through this program, businesses will be able to competitively "shop" the public and private education market to implement the most favorable training arrangement to meet their needs.

This initiative will require additional staff and administrative resources on the part of DES. These expenditures might be paid for by the investment interest earned on the appropriation, an additional appropriation, or some combination of these resources. The department will work with the Legislature to determine the most appropriate way to finance the administration of this initiative.

PROGRAM OUTCOMES:

The initial investment should provide business the opportunity to train approximately 5,000 employees with training or retraining services which meet their needs.

LONG-TERM IMPACT:

The implementation of this program should serve to heighten the skill level of the employees of businesses involved and lessen the impact of economic dislocation of workers. A broader range of funding vehicles for training programs will be available, and companies will be able to choose the training provider. Lastly, the revolving loan fund would create a permanent source of training dollars.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Youth Training
PROGRAM: Workforce Preparation
AGENCY: Economic Security, Department of (DES)

ACTIVITY DESCRIPTION:

JTPA TITLE IIB Summer Program

The Job Training Partnership Act (JTPA) Title IIB Summer Youth Program is targeted to economically disadvantaged youth between the ages of 14 and 21. The program operates through the Service Delivery Areas/Workforce Development Councils. Summer youth participants are enrolled in community service projects that address unmet human service, public safety, environmental, and educational needs. Programs are designed to integrate work and learning. Nearly 60% of the participants are ages 14 to 15, and therefore, could not be employed in the private sector.

Minnesota Youth Program

The Minnesota Youth Program provides services year-round, which complements the JTPA Title IIB program which operates in the summer months only. Young people must be between the ages of 14 and 21. The education, skill training, and support service needs of each youth are assessed and used as the basis for designing individualized service strategies. Participants are provided with academic enrichment which, at a minimum, counteracts the erosion of basic skills and, to the extent possible, increases the young person's reading and math skills.

JTPA TITLE IIC Youth Training Program

The JTPA Title IIC Program provides year-round employment and training services to youth who are basic-skills deficient, youth whose educational attainment is below grade level, pregnant or parenting youth, youth with disabilities, homeless or runaway youth, offenders, and school dropouts. Services include vocational counseling, academic and vocational training, work experience, private sector internships, and job placement assistance.

Minnesota YouthBuild

The Minnesota YouthBuild Program provides specialized training, work experience, leadership skills, and education for youth at risk of not completing their high school education. Youth must be between the ages of 16 and 24. A unique requirement of the program design is that work projects must result in the expansion or improvement of residential units for homeless persons and very low-income families; or social service, educational, or health facilities that primarily serve these populations. Target groups include youth who are at risk of involvement with the juvenile justice system, dropouts and potential dropouts, youth with disabilities, teen parents, and public assistance recipients.

BUDGET ISSUES:

JTPA Title IIB Summer Program

DES is expecting approximately \$8.27 million will be available for the summer of 1997. An estimated 5,250 disadvantaged youth will be served in the summer of 1997 with federal resources.

Minnesota Youth Program

Due to the supplemental funding from the Legislature, this program served approximately 6,000 youth each year in the last biennium. Without a supplemental appropriation in 1997, service levels will drop back to 2,000 per year.

JTPA Title IIC Youth Training Program

Nearly 40,000 economically disadvantaged youth are eligible to participate in the Title IIC Youth Training program. Minnesota's federal resources permit DES to serve only 753 youth per year. DES sustained a 79% reduction in federal Title IIC funding in 1995-96.

Minnesota YouthBuild

The Minnesota YouthBuild Program is currently funded at a level of \$300,000 per year. All programs are required to secure dollar-for-dollar match of state funds from local resources. This funding allows the 9 sites to serve approximately 315 disadvantaged youth each year.

GRANTS:

The JTPA Summer Youth Program is funded under Title IIB of the Job Training Partnership Act (PL99-496). The JTPA Youth Training Program is funded under Title IIC. The Minnesota Youth Program is authorized under M.S. 268.31 to 268.36. The JTPA Summer Youth Program, the Minnesota Youth Program, and the Title IIC Youth Training Program operate in all 87 counties through the Service Delivery Areas/Workforce Development Councils and their subcontractors.

The Minnesota YouthBuild Program is authorized under M.S. 268.361 to 268.367. The YouthBuild Program currently operates in 9 sites: The City, Inc. (Minneapolis), Bi-County CAP (Bemidji), the Carver-Scott-Education Cooperative (Chaska), Two or More, Inc. (Minneapolis), Rural Minnesota CEP (Detroit Lakes), City Academy (St. Paul), Arrowhead Economic Opportunity Agency (Virginia), Private Industry Council 5 (Willmar), and Guadalupe Area Project (St. Paul).

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE PREPARATION
ACTIVITY: YOUTH VIOLENCE PREVENTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	169	191	195	195	195	198	198	198
OPERATING EXPENSES	53	59	49	49	49	49	49	49
=====								
SUBTOTAL STATE OPERATIONS	222	250	244	244	244	247	247	247
LOCAL ASSISTANCE	2,060	3,023	2,435	2,435	2,680	2,440	2,440	2,685
=====								
TOTAL EXPENDITURES	2,282	3,273	2,679	2,679	2,924	2,687	2,687	2,932
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) YOUTH INTERVENTION PROGRAM		GEN				245		
=====		=====				=====	=====	
TOTAL GOV'S INITIATIVES						245	245	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	728	1,308	730	730	975	732	732	977
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	1,554	1,965	1,949	1,949	1,949	1,955	1,955	1,955
=====								
TOTAL EXPENDITURES	2,282	3,273	2,679	2,679	2,924	2,687	2,687	2,932
=====								
REVENUE COLLECTED:								

DEDICATED:								
MDES FEDERAL	1,574	1,945	1,949	1,949	1,949	1,955	1,955	1,955
=====								
TOTAL REVENUES COLLECTED	1,574	1,945	1,949	1,949	1,949	1,955	1,955	1,955
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	2.6	3.1	3.1	3.1	3.1	3.1	3.1	3.1
=====								
TOTAL FTE	2.6	3.1	3.1	3.1	3.1	3.1	3.1	3.1
=====								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Economic Security, Department of (DES)
PROGRAM: Workforce Preparation
ACTIVITY: Youth Violence Prevention

ITEM TITLE: Youth Intervention Program

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$245	\$245	\$245	\$245
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends increased funding of \$490,000 for the Youth Intervention Program (YIP) bringing the total biennial appropriation to \$1,790,000.

RATIONALE:

The Youth Intervention Programs provide counseling, education, prevention and referral services to youth ages 8 to 17 and their families. The program works closely with the schools, the juvenile justice system, and other community-based facilities to identify youth in need of assistance.

The Program has demonstrated its effectiveness by reducing the number of youth involved with and re-entering the juvenile justice system, reducing the number of runaways, completion of restitution hours and, in general, holding youth who are enrolled in the program accountable for their behavior. The Legislature supplemented the base with a one-time appropriation in 1997.

PROGRAM OUTCOMES:

All programs funded must obtain a 2:1 funding match from local sources. The additional funding and this leveraging will allow more than 10,000 youth and their families to be served per year.

LONG-TERM IMPACT:

By focusing services on at-risk youth (ages 7-18) the program will reduce the number of youth entering or re-entering the juvenile justice system.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Welfare-to-Work
PROGRAM: Workforce Preparation
AGENCY: Economic Security, Department of (DES)

ACTIVITY DESCRIPTION:

Currently, DES, in coordination with the Minnesota Department of Human Services (DHS), is responsible for managing the Success Through Reaching Individual Development and Employment (STRIDE) and the Food Stamp Employment and Training (FSET) programs.

The programs are operated by Local Service Units. DES will review and approve annual plans to guarantee that programs deliver promised services and also meet state and federal requirements. Staff will provide oversight and evaluation functions to ensure program goals and objectives are met and appropriate funds are used as intended. Technical assistance will be provided to improve effectiveness and efficiency.

DES is responsible for establishing and maintaining reporting systems; drafting rules and bulletins; developing monitoring guides; overseeing special projects; establishing certification standards; certifying and decertifying service providers; and providing technical assistance, training, and public information to promote awareness of services.

With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, DES looks forward to continuing its partnership with DHS to manage future welfare-to-work programs as designed by the Legislature. These programs include, but are not limited to, Temporary Assistance to Needy Families (TANF) and FSET for cash assistance and non-cash assistance recipients.

BUDGET ISSUES:

Although DES provides employment-related services to recipients through a cooperative agreement with DHS, DHS is responsible for the programs and will present material and information on funding in its biennial budget presentation. Coordination of funding is necessary in order for the programs to continue to develop and provide the services necessary for recipients to become self-sufficient.

GRANTS:

Grant awards for the state's "Special Projects to Reduce AFDC Dependency" program were created by the 1987 Legislature, M.S. 256.7365. The intent of the special projects is to support innovative programs and to test different approaches to solving the long-term welfare problem. Funding is awarded on a competitive basis through a review process managed by DES. Grants are awarded by DES, DHS, and MnSCU.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE PREPARATION
ACTIVITY: DISLOCATED WORKER

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,304	2,469	2,521	2,521	2,521	2,573	2,573	2,573
OPERATING EXPENSES	469	488	488	488	488	488	488	488
SUBTOTAL STATE OPERATIONS	2,773	2,957	3,009	3,009	3,009	3,061	3,061	3,061
PAYMENTS TO INDIVIDUALS	916							
LOCAL ASSISTANCE	23,409	37,400	35,277	35,277	28,777	35,725	35,725	29,225
TOTAL EXPENDITURES	27,098	40,357	38,286	38,286	31,786	38,786	38,786	32,286
GOV'S INITIATIVES:								
		FUND						
(B) TRANSFER TO GENERAL FUND		SR			<6,500>			<6,500>
TOTAL GOV'S INITIATIVES					<6,500>			<6,500>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	25	635						
OPEN APPROPRIATIONS:								
GENERAL			636	636	636	636	636	636
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	17,673	28,720	26,650	26,650	20,150	27,150	27,150	20,650
MDES FEDERAL	9,400	11,002	11,000	11,000	11,000	11,000	11,000	11,000
TOTAL EXPENDITURES	27,098	40,357	38,286	38,286	31,786	38,786	38,786	32,286
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	28,596	26,050	26,650	26,650	26,650	27,150	27,150	27,150
MDES FEDERAL	9,402	11,000	11,000	11,000	11,000	11,000	11,000	11,000
TOTAL REVENUES COLLECTED	37,998	37,050	37,650	37,650	37,650	38,150	38,150	38,150

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE PREPARATION
ACTIVITY: DISLOCATED WORKER

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	18.5	21.5	21.0	21.0	21.0	21.0	21.0	21.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	18.5	21.5	21.0	21.0	21.0	21.0	21.0	21.0

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE EXCHANGE
ACTIVITY: DISABILITY DETERMINATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	6,355	6,560	6,975	6,975	6,975	6,975	6,975	6,975
OPERATING EXPENSES	2,839	3,458	3,616	3,616	3,616	3,616	3,616	3,616
=====								
SUBTOTAL STATE OPERATIONS	9,194	10,018	10,591	10,591	10,591	10,591	10,591	10,591
PAYMENTS TO INDIVIDUALS	4,109	4,150	4,960	4,960	4,960	4,960	4,960	4,960
=====								
TOTAL EXPENDITURES	13,303	14,168	15,551	15,551	15,551	15,551	15,551	15,551
=====								
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
MDES FEDERAL	13,303	14,168	15,551	15,551	15,551	15,551	15,551	15,551
=====								
TOTAL EXPENDITURES	13,303	14,168	15,551	15,551	15,551	15,551	15,551	15,551
=====								
REVENUE COLLECTED:								

DEDICATED:								
MDES FEDERAL	13,425	14,046	15,551	15,551	15,551	15,551	15,551	15,551
=====								
TOTAL REVENUES COLLECTED	13,425	14,046	15,551	15,551	15,551	15,551	15,551	15,551
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	134.3	149.1	149.1	149.1	149.1	149.1	149.1	149.1
TEMP/SEAS/PART_TIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
OVERTIME	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
=====								
TOTAL FTE	139.2	154.0	154.0	154.0	154.0	154.0	154.0	154.0
=====								

1998-99 Biennial Budget

PROGRAM: Workforce Rehabilitation Services
AGENCY: Economic Security, Department of (DES)

PROGRAM DESCRIPTION:

Workforce Rehabilitation Services (RS) assists people with disabilities to secure and maintain employment in their communities and to live independently in their homes. Priority for services is given to people with severe disabilities. The issues associated with this program's activities are:

In 1994, the national unemployment rate for people with disabilities declined from 77% to 74% as a result of the Americans with Disabilities Act (ADA)[Source: Census Bureau Survey of Income Program and Participation, 1996]. RS has played a significant role in reducing this unemployment rate by: 1) providing employers with a highly qualified pool of applicants; and 2) assisting employers to understand employment-related disability issues and their responsibilities under the ADA. However, RS' ability to further impact on this unacceptably high unemployment rate has been impeded by RS' need to restrict services to people with serious limitations in at least one functional area. The Vocational Rehabilitation (VR) activity does not have sufficient resources to serve all people with disabilities.

The Independent Living (IL) activity empowers people with disabilities to live in their homes and communities with greater independence. IL services are available to a limited number of Minnesotans through the 8 centers for Independent Living. The VR activity also provides limited independent living services. Services are not available statewide due to budget restraints.

A statewide network of 28 public and private non-profit community rehabilitation programs, funded in part from the Extended Employment (EE) activity, provides employment opportunities for over 7,500 people with severe disabilities who need ongoing supports to participate in the Minnesota workforce. These employees fill gaps in the local labor markets and thus enhance the economic development of the state. Large numbers of persons with Serious and Persistent Mental Illness (SPMI) and Traumatic Brain Injury (TBI) who want to work do not have employment assistance or ongoing support. Strategies need to be developed that will make possible the full participation of Minnesotans with severe disabilities in the state's workforce.

PROGRAM STATUS:

A recent study conducted by VR indicates that 85% of the consumers were satisfied or very satisfied with the overall quality of the services received. To maintain and enhance quality services that are responsive to the needs of people with disabilities, a mechanism must be in place to allow consumer input into the management and future directions of the program. The State Rehabilitation Advisory Council (SRAC) for VR and the State Independent Living Council (SILC) for IL have been established to provide people with disabilities the opportunity to provide input into program policy-making and service delivery. The duties of the councils are prescribed in law, and the members are appointed by the governor.

RS is a full and active partner in the development of the Workforce Centers. To improve program access, VR is moving its field offices into the Workforce Centers. The VR activity has been reorganized to commit more resources to direct consumer services and to refocus those services toward individuals with severe disabilities in accordance with the Rehabilitation Act

Amendments of 1992. It has become necessary to restrict services to people with severe disabilities who have at least one serious functional limitation and to require consumer financial participation in the cost of some services to offset the effects of inflation.

The IL activity is developing a strategic planning process to address how to provide the maximum level of consumer services within the current budget. Issues include how to continue to meet the needs as the number of consumers increase, how to implement new federal mandates in a cost-effective manner, and how to develop a more efficient and streamlined management system.

A key EE objective is completing the programmatic and administrative reforms that address past administrative issues and improve system performance. The 1995 Legislature enacted a new EE statute and established a timetable for completion of past EE audits. The 1996 legislation funded a mediation settlement agreement that closed EE audit appeals from 1991-93 and simplified audits for 1994-95. EE is implementing the 1995 and 1996 legislation, streamlining current administrative procedures, and promulgating a new, simplified funding rule for 1998. In addition, EE is seeking administrative funds to fully implement a monitoring program.

PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of related performance objectives, identified in the 1996 Annual Performance Report, as follows:

The VR activity will continue to focus on increasing the number of placements. The activity will achieve a 5% increase over the next biennium through continued focused efforts to provide quality counseling services and to work with employers. VR will also maintain its high level of consumer satisfaction (85% of active consumers are satisfied or very satisfied with services) by focusing on continual self improvement.

The IL activity will maintain the current level of productivity. Significant portions of the state will continue to remain unserved because funding is not adequate to provide a statewide network of Centers that serve all counties.

A new funding rule and administrative structure for the EE activity will be in place for 1998. Over the next biennium, this new program structure will increase opportunities available to EE workers to work in integrated community settings.

BUDGET AND REVENUE SUMMARY:

VR has maximized state match to earn federal dollars by committing all state VR funds, and those portions of the IL and EE state funds that meet federal requirements, as state match for federal VR dollars. If additional federal dollars are made available, MDES may be limited as to how much can be accessed.

Statewide services cannot be provided at current funding levels for the IL activity. Welfare reform and other federal changes threaten the level of funding being provided by the counties. Any significant decrease in county funding to a specific community rehabilitation program could adversely affect the program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an additional \$2,400,000 for the beinnium for grants to the Centers for Independent Living.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE REHABILITATION SVCS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
VOCATIONAL REHABILITATION	38,867	39,088	37,815	37,815	37,815	37,815	37,815	37,815
INDEPENDENT LIVING	2,009	2,085	2,092	2,092	3,292	2,099	2,099	3,299
EXTENDED EMPLOYMENT	10,634	11,559	10,840	10,840	10,840	10,845	10,845	10,845
TOTAL EXPENDITURES BY ACTIVITY	51,510	52,732	50,747	50,747	51,947	50,759	50,759	51,959
GOV'S INITIATIVES:		FUND						
(B) CENTERS FOR INDEPENDENT LIVING		GEN			1,200			1,200
TOTAL GOV'S INITIATIVES					1,200			1,200
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	18,232	19,157	18,438	18,438	19,638	18,443	18,443	19,643
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	33,057	33,415	32,304	32,304	32,304	32,311	32,311	32,311
GIFT	221	160	5	5	5	5	5	5
TOTAL EXPENDITURES	51,510	52,732	50,747	50,747	51,947	50,759	50,759	51,959
FTE BY EMPLOYMENT TYPE:								
REGULAR	393.0	416.0	416.0	418.0	418.0	416.0	418.0	418.0
TEMP/SEAS/PART_TIME	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
OVERTIME	.7	.7	.7	.7	.7	.7	.7	.7
TOTAL FTE	396.7	419.7	419.7	421.7	421.7	419.7	421.7	421.7

1998-99 Biennial Budget

BUDGET ACTIVITY: Vocational Rehabilitation
PROGRAM: Workforce Rehabilitation Services
AGENCY: Economic Security, Department of (DES)

ACTIVITY DESCRIPTION:

Vocational Rehabilitation (VR) provides services to people with disabilities to increase significantly their employment opportunities and to further their integration into society. Priority for services is given to people with severe disabilities who have serious limitations in at least one functional area. VR counseling is provided by 172.5 full-time equivalent rehabilitation counselors through a network of 46 field offices that are currently transitioning into the Workforce Center System. An active State Rehabilitation Advisory Council appointed by the governor provides substantial input and direction to the VR management team to ensure the provision of quality consumer-focused services.

VR counseling is a highly individualized process where the consumer and counselor work together to identify the consumer's vocational interests and aptitudes, determine an appropriate vocational goal, and then develop and implement an action plan to achieve that goal. Additional services typically include skill and/or academic training, rehabilitation technology, job development, job placement, and follow-up to ensure that the employment is appropriate.

BUDGET ISSUES:

The VR activity has implemented the following redesign and restructuring activities in order to provide the maximum level of consumer services within the budget plan:

- Job placements have increased 12% in the past biennium as a result of redirecting staff resources to direct service. This compares to a 9% biennial increase in VR placements nationally. This growth occurred while VR was redirecting its resources to meet the needs of people with severe disabilities.
- In 1994, VR implemented a federal mandate restricting services to people with severe disabilities who have at least one serious limitation in the area of mobility, self-direction, self-care, interpersonal skills, communication, work tolerance, or work skills. VR wants to be able to serve all eligible consumers; however, the need for VR assistance substantially exceeds the resources. If VR is unable to match new federal dollars to offset the effects of inflation, it may be necessary to further restrict services to people with 2 or more serious limitations.
- The potential exists for VR to have a substantial waiting list. VR has taken several steps to avoid raising people's expectations when there are not enough resources to serve all eligible people. Outreach activities are targeted to programs serving primarily people with severe disabilities. To promote cross-referrals and collaboration, VR is working with its Workforce Center partners, schools, Social Security district office, and others to facilitate timely service provision. VR is analyzing counselor workloads to ensure that equitable access to services is available statewide.
- VR conducts ongoing assessments to ensure all disability groups are appropriately represented on the caseloads. Currently, VR is involved in interagency discussions to determine how to improve services to the underserved populations of youth with emotional/behavioral disorders, youth with specific learning disabilities, and young adults with traumatic brain injuries.

- VR has been actively involved in the development of the Workforce Centers. As a result, VR anticipates an increase in referrals. VR is providing training on disability awareness and program accessibility to Workforce Center partners to ensure that people with disabilities receive integrated quality services through the local Workforce Center.
- VR has pursued public and private foundation grant funds in order to develop and implement innovative and culturally appropriate service models that meet the needs of people with multiple and severe disabilities. VR is currently unable to pursue new grant opportunities that require a state match because all state funds are needed to meet the basic program federal match requirement.
- It has become necessary to reduce VR costs by asking consumers whose gross family income exceeds the state median income to participate in the cost of some services, based on their ability to pay, because VR has not had an increase in base funding in 14 years. Rule changes to expand consumer financial participation (CFP) requirements to all people whose gross family income is above the average of the state median income and 187.5% of federal poverty guidelines are currently being developed as inflation continues to erode the purchasing power of VR's base-level funding. CFP is not required for core services such as assessment to determine eligibility and VR needs, counseling and guidance, on-the-job training, job placement, and follow-up.

* Social Security Administration (SSA) provides partial reimbursement of the expenses incurred while rehabilitating SSA beneficiaries. Federal regulation prohibits the use of these funds as state match and requires that the revenue be dedicated to VR. It is anticipated that reimbursements will decline because SSA will have fewer funds available to support government programs.

GRANTS:

VR funds several time-limited establishment grants to private non-profit partners to develop and demonstrate new and innovative strategies for serving specific underserved disability groups. The current targeted groups are people with serious and persistent mental illness (13 grants), people with traumatic brain injury (3 grants), and people who are deaf or hearing impaired (1 grant). The activity is also funding seven short-term grants to enhance coordination between VR and Independent Living services. Grants are awarded through a competitive RFP process.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT
PROGRAM: WORKFORCE REHABILITATION SVCS
ACTIVITY: INDEPENDENT LIVING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	203	220	227	227	227	234	234	234
OPERATING EXPENSES	27	30	30	30	30	30	30	30
SUBTOTAL STATE OPERATIONS	230	250	257	257	257	264	264	264
PAYMENTS TO INDIVIDUALS	78	120	120	120	120	120	120	120
LOCAL ASSISTANCE	1,701	1,715	1,715	1,715	2,915	1,715	1,715	2,915
TOTAL EXPENDITURES	2,009	2,085	2,092	2,092	3,292	2,099	2,099	3,299
GOV'S INITIATIVES:		FUND						
(B) CENTERS FOR INDEPENDENT LIVING		GEN			1,200			1,200
TOTAL GOV'S INITIATIVES					1,200			1,200
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,078	1,078	1,078	1,078	2,278	1,078	1,078	2,278
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	931	1,007	1,014	1,014	1,014	1,021	1,021	1,021
TOTAL EXPENDITURES	2,009	2,085	2,092	2,092	3,292	2,099	2,099	3,299
REVENUE COLLECTED:								
DEDICATED:								
MDES FEDERAL	931	1,007	1,014	1,014	1,014	1,021	1,021	1,021
TOTAL REVENUES COLLECTED	931	1,007	1,014	1,014	1,014	1,021	1,021	1,021

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Economic Security, Department of (DES)
PROGRAM: Workforce Rehabilitation Services
ACTIVITY: Independent Living

ITEM TITLE: Independent Living Centers

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$1,200	\$1,200	\$1,200	\$1,200
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$2,400,000 for the biennium to be added to the base appropriation to support the network of 8 community-based centers for independent living.

RATIONALE:

The Centers for Independent Living grant program supports a network of 8 community-based, cross-disability, non-residential, not-for-profit organizations which are controlled and directed by people with significant disabilities. Services provided through the Centers include counseling, service coordination, home evaluations and aides for daily living. The 8 Centers were established at different times ranging from 1981 to 1984 and are currently funded at different levels. An increase in the base of \$1.2 million per year would achieve equal funding for all Centers.

PROGRAM OUTCOMES:

Additional funding would enable the expansion of the Centers' outreach efforts and serve previously undeserved individuals per local plans.

LONG-TERM IMPACT:

This investment will be recovered by savings in institutional monies, in citizen productivity, and in additional taxpayer contributions made by people with disabilities.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Extended Employment
PROGRAM: Workforce Rehabilitation Services
AGENCY: Economic Security, Department of (DES)

ACTIVITY DESCRIPTION:

The Extended Employment (EE) activity provides ongoing employment support services to over 7,500 Minnesotans with severe disabilities who require ongoing support to keep working. This employment assistance is provided through a network of 28 public and private non-profit community rehabilitation programs, also known as rehabilitation facilities. Two distinct EE programs are funded.

The first and largest EE program is the performance-based funding system in M.S. 268A.15 that delivers employment support through contracts with community rehabilitation programs. Contracts with providers specify the number of hours of work and service EE workers receive in two subprograms, Supported Employment and Center-Based Employment. In Supported Employment, the ongoing support is provided in the larger community in a wide variety of job settings. In Center-Based Employment, the ongoing support is provided for persons who work in the manufacturing, service, and retail enterprises operated within community rehabilitation programs.

The second and smaller EE program provides employment support for persons with mental illness through a new reimbursement system under M.S. 268A.13 and M.S. 268A.14 funded by the 1995 and 1996 Legislatures. This ongoing employment support is specifically designed for persons with serious and persistent mental illness who have secured employment through DES' Coordinated Employability Projects. These grants provide funding for community rehabilitation programs to deliver ongoing employment support services to persons working in the community. This funding is part of a collaborative effort between Workforce Rehabilitation Services, the Department of Human Services' Mental Health Division, and county social service agencies.

The EE activity also provides a grant for the self-advocacy training provided by Advocating Change Together (ACT) to the staff and EE workers in Center-Based Employment.

During the past 2 bienniums, DES has focused on redesigning the program to address past administrative issues and improve program performance. A statewide stakeholder task force and customer focus groups have advised DES on program direction, performance, and administrative simplification. The 1995 Legislature enacted a new EE statute and established a timetable for completion of past program audit reconciliations for 1991-94. The 1996 legislation funded a mediation settlement agreement that closed appeals from 1991-93 audit reconciliation and provided that EE audits for 1994-95 be conducted by private audit firms using DES standards. DES is implementing the 1995 and 1996 legislation, streamlining current administrative procedures, initiating a monitoring program for 1997, and promulgating a simplified funding rule for 1998.

BUDGET ISSUES:

The following critical issues affect DES' management of EE activity:

- Limited administrative funding may not allow adequate monitoring efforts to document matching requirements for Vocational Rehabilitation dollars.

- Over the past 2 bienniums, significant fiscal and personnel resources have been devoted to EE program and administrative reforms. These efforts have included redesigning the EE information system and simplifying the performance-based payment system. It is now imperative that these program reforms are fully implemented. The administrative resources to implement these reforms may be inadequate.

The following issues affect the program's ability to provide ongoing employment support services for Minnesotans with severe disabilities:

- The EE system is at overcapacity for its funded service level, and any significant downturn in the state's economy would decrease the services that are available. Funding under M.S. 268A.15 covers about 18% of the cost of providing the EE services, and the system has relied on a private/public partnership in which provider business activities cover over half of the total cost of providing EE services. County funding may be affected by welfare reform and decreases in other federal funding. Any significant reduction in the county grants and other government sources could adversely affect the program.
- The demand for services to persons with serious persistent mental illness exceeds the available resources.
- The budget plan shifts \$140,000 per year from program costs to state operations to cover statutory required monitoring oversight for the Extended Employment Program.

GRANTS:

Funds received under M.S. 268A.15 are awarded to 28 community rehabilitation programs through contracts for hours of work and service provided in Supported Employment and Center-Based Employment. Funds received under M.S. 268A.13 and M.S. 268A.14 are awarded to community rehabilitation programs through grants; 2 grants were awarded in 1996 and 7 grants will be made in 1997.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Commerce, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$13,979	\$13,979	\$27,958
<u>BASE ADJUSTMENT</u>			
1998-99 Compensation Inflation	290	589	879
Space Rent/Lease Increase/Decrease	<u>(29)</u>	<u>4</u>	<u>(25)</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$14,240	\$14,572	\$28,812
<u>AGENCY DECISION ITEMS</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$14,240	\$14,572	\$28,812
<u>GOVERNOR'S INITIATIVES</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATIONS	\$14,240	\$14,572	\$28,812

Brief Explanation of Agency Plan:

- The Agency Plan for F.Y. 1998 and 1999 provides for continuation of service levels and performance as provided for in current law.

Revenue Summary:

- The agency plan includes \$35.8 million for F.Y. 1998 and \$36.0 million for F.Y. 1999 of departmental earnings and \$10.8 million for F.Y. 1998 and \$10.3 million F.Y. 1999 in net unclaimed property (all funds). The fees are collected from regulated industries to recover the cost of agency operation.
- The agency plan provides for the creation of new fees in the self-insurance/workers' compensation area to provide for recovery of the cost of this operation through fees charged to the regulated industry. The fees will produce \$215,900 additional revenue for F.Y. 1998 and \$247,300 additional revenue for F.Y. 1999.
- Finally, the plan provides for standardization of fees charged to various licensees across industries. The net affect will be minimal. The calculated total will produce a net decrease in fees collected of approximately \$162,657 for F.Y. 1998 and \$142,055 for F.Y. 1999.

Affected Statutes:

M.S. Chapters 45, 60A, 60K, 65B, 72B, 79, 79A, 82, 82B, 155A, 326.86.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. Further, the Governor recommends that the law be amended to change the legal status of the State Fund Mutual Insurance Company from a non-profit public entity, controlled by the state, to a fully private insurance company. This recommendation is contingent upon the full repayment of a loan from the general fund to State Fund Mutual. The current balance due on the state loan is \$5.6 million. Affected Statute: M.S. Chapter 176A.11.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Commerce, Department of

Fund: Petroleum Tank Release Clean-up Fund

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$935	\$935	\$1,870
<u>BASE ADJUSTMENT</u>			
Program/Agency Sunsets	-0-	(150)	(150)
1998-99 Compensation Inflation	17	34	51
Space Rent/Lease Increase/Decrease	<u>5</u>	<u>(39)</u>	<u>(34)</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$957	\$780	\$1,737
<u>AGENCY DECISION ITEMS</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$957	\$780	\$1,737
<u>GOVERNOR'S INITIATIVES</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATIONS	\$957	\$780	\$1,737

Brief Explanation of Agency Plan:

- The Agency Plan for F.Y. 1998 and 1999 provides for continuation of service levels and performance as provided for in current law. This includes the 1996 appropriation for the Attorney General's contract and the open appropriation for performance audits required by M.S. 115C.08, Subdivision 4 as amended in Laws of 1996, Chapter 397.
- The plan accounts for a reduction in base funding in F.Y. 1999 to recognize the program sunset. Federal law requires all tanks removed by 12-22-98. The entire program sunsets on 6-30-2000.

Revenue Summary:

- The program is funded by a \$.02 gallon fee charged on wholesale petroleum products. The fee is turned off and on depending on the fund balance. There is no change planned for the current fee.

Affected Statutes:

No statute changes are planned.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ARCHITECTURE, ENGINEERING BD
PROGRAM: AELSLA
ACTIVITY: AELSLA

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	277	415	431	431	431	441	441	441
OPERATING EXPENSES	246	349	288	253	253	295	259	259
SUBTOTAL STATE OPERATIONS	523	764	719	684	684	736	700	700
TOTAL EXPENDITURES	523	764	719	684	684	736	700	700
AGENCY PLAN ITEMS:								
ARCHITECTS EXAMINATION				<35>			<36>	
TOTAL AGENCY PLAN ITEMS				<35>			<36>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	523	764	719	684	684	736	700	700
TOTAL EXPENDITURES	523	764	719	684	684	736	700	700
REVENUE COLLECTED:								
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	1,013	600	1,013	1,013	1,013	633	633	633
TOTAL REVENUES COLLECTED	1,013	600	1,013	1,013	1,013	633	633	633
FTE BY EMPLOYMENT TYPE:								
REGULAR	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: ARCHITECTURE, ENGINEERING BD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	705	705	705	705				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	8	8	8	8				
1998-99 COMPENSATION INFLATIO	9	17	9	17				
DOC SPACE RENT/LEASE INCR/DEC	<8>	<7>	<8>	<7>				
SMALL AGENCY S & E INFLATION	5	13	5	13				
SUBTOTAL BASE ADJ.	14	31	14	31				
BASE LEVEL	719	736	719	736				

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Labor and Industry, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$3,883	\$3,883	\$7,766
<u>BASE ADJUSTMENT</u>			
1998-99 compensation inflation	66	133	199
Doc space rent/lease incr/decreases	30	38	68
<u>BASE LEVEL (for 1998 and 1999)</u>	\$3,979	\$4,054	\$8,033
<u>AGENCY DECISION ITEMS</u>			
High pressure piping inspections	62	58	120
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$4,041	\$4,112	\$8,153
<u>GOVERNOR'S INITIATIVES</u>			
Information Technology Investment	71	59	130
GOVERNOR'S RECOMMENDATIONS	\$4,112	\$4,171	\$8,283

Brief Explanation of Agency Plan:

The plan calls for additional funding of \$62,000 in F.Y. 1998 and \$58,000 in F.Y. 1999 to provide additional inspections of complex ammonia and high pressure systems as they are being installed.

Revenue Summary:

The agency plan anticipates no effect on revenues.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$130,000 and 1 FTE position from the General Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration has reviewed and recommended approval of this project.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Labor and Industry, Department of (DLI)

Fund: Workers' Compensation Special

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$19,597	\$19,597	\$39,194
<u>BASE ADJUSTMENT</u>			
One-time appropriations	(2,865)	(2,865)	(5,730)
Biennial appropriations	307	273	580
Attorney General funding changes	600	600	1,200
1997 salary supplement transfers	688	688	1,376
1998-99 compensation inflation	347	704	1,051
Doc space rent/lease incr/decreases	<u>69</u>	<u>85</u>	<u>154</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$18,743	\$19,082	\$37,825
<u>AGENCY DECISION ITEMS</u>			
W.C. Special Claims Administration	50	50	100
OSHA federal matching funds	392	596	988
W.C. Customer Assistance	151	126	277
Access to W.C. Claim Records	375	180	555
WC Vocational Rehabilitation	<u>200</u>	<u>200</u>	<u>400</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$19,911	\$20,234	\$40,145
<u>GOVERNOR'S INITIATIVES</u>			
Information Technology Investments	<u>1,062</u>	<u>738</u>	<u>1,800</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$20,973	\$20,972	\$41,945

Brief Explanation of Agency Plan:

The agency plan calls for additional funding of \$1,168,000 in F.Y. 1998 and \$1,152,000 in F.Y. 1999 as follows:

- \$50,000 in F.Y. 1998 and \$50,000 in F.Y. 1999 for purchase, installation, and support of claims processing software for the Special Compensation Fund's administration of workers' compensation claims in a timely and accurate manner.
- \$392,000 and 6.0 positions in F.Y. 1998 and \$596,000 and 8.0 positions in F.Y. 1999 to provide additional state matching funds for ongoing federal Occupational Safety and Health grants which are expected to increase in the next biennium at a rate exceeding inflation.

- \$151,000 in F.Y. 1998 and \$126,000 in F.Y. 1999 and 2.0 positions to increase the number of workers' compensation disputes which are resolved through early intervention before they require a more formal litigation process.
- \$375,000 and 10.0 position in F.Y. 1998 and \$180,000 and 6.0 positions in F.Y. 1999 for additional staffing to maintain both the new electronically imaged files as well as the old paper files while maintaining a high level of customer service.
- \$200,000 in F.Y. 1998 and \$200,000 in F.Y. 1999 to provide case service support for rehabilitation clients who require assistance such as purchase of tools and equipment or transportation services to expedite a successful return to work.

Revenue Summary:

The agency plan anticipates a small increase in revenues from an increase in fees charged for certifying managed care organizations for workers' compensation purposes.

Affected Statutes:

- Amend M.S. 79.253 to allow dedicated receipts in the assigned risk safety account in the special compensation fund to be used by the commissioner to target workplace safety consultation and inspections through the formal labor-management safety committee structure at the Bureau of Mediation Services and to target occupations which are at high risk for workplace violence.
- Amend Laws 1996, chapter 452, section 8, to continue the availability of the appropriation for the Daedalus imaging system project until 6-30-98.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$1,800,000 and 3 FTE positions from the Workers Compensation Special Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration has reviewed and recommended approval of this request.

1998-99 Biennial Budget

AGENCY: Labor and Industry, Department of (DLI)

AGENCY DESCRIPTION:

The Department of Labor and Industry (DLI) strives to foster a safe, efficient and productive working environment for Minnesota's workplaces.

To achieve this mission, DLI establishes and enforces workplace safety standards, inspects workplaces to ensure compliance with workplace safety standards, conducts labor standards investigations to ensure compliance with state labor laws, provides education and training for employers and employees; collects, analyzes and reports workers' compensation costs; monitors and enforces insurers' compliance with the workers' compensation law; assists customers of the workers' compensation system with their inquiries or requests for assistance; resolves disputes between injured workers and their employers/insurers; provides vocational rehabilitation assistance to injured workers; works to improve workers' compensation system efficiency and responsiveness; establishes and monitors effectiveness of employment training programs; and advises the Governor and the Legislature on a variety of workforce issues.

DLI is predominantly a regulatory agency with many stakeholders. The primary customers of the agency are employees and employers in Minnesota. Additional stakeholders are medical providers, attorneys, insurance companies, government agencies, and local units of government.

The department is divided into three program areas: Workers' Compensation, Workplace Services, and General Support. The department's over-reaching strategies are to: support and enhance a "customer first" tradition; regulate through consistent, well-defined policies; educate stakeholders and agency employees; continually analyze and review agency business processes; and use technology to enhance agency effectiveness.

The department continues to support Minnesota Milestone goals regarding advanced education and training, employment in fields in which training was provided; standard of living for citizens; respect for people in all cultures; and cost-efficient and responsive government services.

AGENCY ISSUES:

The following factors influence and help shape the development of policies and programs at DLI:

Workers' Compensation Law Reforms. The legislature enacted significant reforms to Minnesota's Workers' Compensation Statutes in 1992 and in 1995. DLI is implementing several measures designed to reduce workers' compensation costs, improve workers' compensation system efficiency, increase access to the department's customer assistance staff, streamline the dispute resolution process and minimize pointless litigation costs, and expedite return to employment of injured workers. The department must build on existing reforms to help create a workers' compensation system that strives for further efficiency and cost reduction. The department's ultimate goal is to create a system that provides the quality health care necessary for an expedient return to work at a cost level that does not impede job growth and development.

Technological Investments. Computer technology is essential for the department to fulfill its regulatory and service role and to achieve its mission. The legislature invested \$10.3 million over the past 2 bienniums to significantly upgrade the department's technology and work processes that service the customers of the workers' compensation system. Workers' compensation documents for

claims initiated since March 1, 1995 are now computerized images. This investment allows customer assistance personnel to provide timely answers to customers' inquiries and more expeditiously resolve potential disputes. It allows the department to conduct more timely auditing of workers' compensation claims while redeploying audit personnel to work with insurance companies and employers to improve their compliance. The challenge for the department is to keep staff and technology current and ensure pay back on its technology investments. The department must continue making effective use of technology to improve customer service.

Customer-Focused Public Service / Reinventing Government. DLI is making significant strides toward reinventing itself as a customer-focused agency. Minnesota OSHA has several initiatives designed to foster employer collaboration to achieve compliance with occupational safety and health laws. Workers' compensation refocused its regulatory, dispute resolution, and administrative functions around providing customers service that is prompt and effective. The department must continue its efforts at developing and enhancing its "customer first" tradition.

Workforce Diversity. The number of women, people of color, and persons with disabilities entering the workforce demands that our modern day workplace be responsive to the individual. DLI has and will continue to respond to this challenge by developing education and training programs that will enable the non-traditional employee to obtain skills necessary for productive employment and citizenship.

Technology and New Workplace Challenges. Technology advancements will continue to change the way DLI approaches workplace safety issues. New careers created by advancing technology require flexibility and future-oriented planning. The department's workplace safety consultation and compliance activities must provide foresight and sensitivity to these challenges in order to establish new safety standards and ensure safe working conditions for all Minnesotans.

OSHA Reengineering. The federal Occupational Safety and Health Administration is examining the methods it uses to ensure workers' safety and health on the job. One outcome of this examination is a renewed emphasis on collaborating with employers to eliminate workplace hazards. DLI has several initiatives designed to encourage and achieve safer workplaces through cooperation with employers, including Minnesota SHARP, Minnesota FIRST, and other traditional consulting and compliance activities.

AGENCY STRATEGIES:

The agency budget plan is constructed to achieve the following outcomes:

- to enable employers to create a trained and diverse workforce through apprenticeship programs by expanding apprenticeship opportunities, increasing diversity of apprentices, and maintaining the relevance and quality of apprenticeship programs;
- to assure the safe operation of boilers, hobby boilers, boats-for-hire, and pressure vessels and that high pressure piping systems are installed according to the state's code;
- to assure employer compliance with Minnesota's wage, hour, and child labor laws;
- to certify accurate, timely prevailing wage determinations for public construction projects;
- to assure that employment and entertainment agencies operate pursuant to state law;
- to provide interested people with information on Minnesota's employment laws;

1998-99 Biennial Budget

AGENCY: Labor and Industry, Department of (DLI)
(Continuation)

- to assist employers and employees in eliminating hazards that contribute to workplace injuries and illnesses.
- to efficiently manage workers' compensation records in order that accurate, timely information is available to customers;
- to provide accurate information and dispute prevention and resolution services;
- to obtain prompt and full compliance with reporting and monetary benefit provisions of Minnesota's workers' compensation law;
- to hear and resolve workers' compensation disputes efficiently, fairly, and in accordance with the law;
- to ensure unresolved workers' compensation disputes are ready for hearing upon certification to the Office of Administrative Hearings;
- to efficiently and equitably administer the statutorily guaranteed benefits to injured workers;
- to ensure workers' compensation insurance coverage of employees in Minnesota;
- to ensure the effective delivery of workers' compensation rehabilitation services at a reasonable cost; and
- to ensure that injured workers receive reasonable and necessary medical care for the cure and relief of their work injuries at a reasonable cost to employers.

SUMMARY OF BUDGET REQUEST:

The agency budget plan includes a request for:

- a fee-supported General Fund biennial increase of \$120,000 to assure inspection and certification of high pressure piping systems as required under state law;
- a biennial increase of \$555,000 from the Workers' Compensation Special Compensation Fund during the transition from managing workers' compensation records in a paper-records system to one based on computerized images to support a dual records system.
- a biennial increase of \$277,000 from the Workers' Compensation Special Compensation Fund to achieve the agency's customer assistance objectives with dispute prevention services;
- a biennial increase of \$988,000 from the Workers' Compensation Special Compensation Fund to match federal Occupational Safety and Health grants for consultation services (10% stated funded/90% federal grant) and compliance services (50% state funded/50% federal grant) to support employer and worker efforts to maintain safe workplaces in Minnesota;

- a one-time biennial increase of \$100,000 from the Workers' Compensation Special Compensation Fund to purchase and modify a claims management system that provides for better decision-making and tracking of claims handled by the Special Compensation Fund;
- approval to carry forward funds for completion of the workers' compensation computer imaging project which was approved by the legislature in previous sessions.
- authority to use \$320,000 in dedicated receipts from the Assigned Risk Safety Account in the Workers' Compensation Special Compensation Fund to develop effective strategies and approaches to reducing the incidence and severity of violence that occurs in the workplace; and to continue the successful joint effort with the Bureau of Mediation Services that helps employers fulfill their statutory obligation to establish labor-management safety committees.
- A biennial increase of \$400,000 from the Workers' Compensation Special Compensation Fund to fully support return to work plans for injured workers receiving assistance from the Vocational Rehabilitation Unit through procurement of necessary equipment or services such as tools, bus passes or placement services.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$130,000 and 1.0 position from the General Fund and \$1,800,000 and 3.0 positions from the Workers' Compensation Special Compensation Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration has reviewed and recommended approval of this request.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
WORKERS' COMPENSATION DIVISION	94,706	126,101	102,880	103,656	103,656	100,586	101,142	101,142
WORKPLACE SERVICES DIVISION	9,383	10,340	10,149	10,603	10,603	10,527	11,181	11,181
GENERAL SUPPORT DIVISION	6,543	6,902	6,798	6,798	7,931	6,948	6,948	7,745
TOTAL EXPENDITURES BY PROGRAM	110,632	143,343	119,827	121,057	122,190	118,061	119,271	120,068
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,686	4,063	3,979	4,041	4,112	4,054	4,112	4,171
WORKERS COMPENSATION SPEC PMNT	18,588	22,798	18,743	19,911	20,973	19,082	20,234	20,972
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	82,320	111,169	91,028	91,028	91,028	88,504	88,504	88,504
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	287	448	504	504	504	546	546	546
FEDERAL	3,419	3,649	4,024	4,024	4,024	4,321	4,321	4,321
WORKERS COMPENSATION SPEC PMNT	2,321	1,196	1,537	1,537	1,537	1,542	1,542	1,542
AGENCY	11	20	12	12	12	12	12	12
TOTAL EXPENDITURES	110,632	143,343	119,827	121,057	122,190	118,061	119,271	120,068
FTE BY EMPLOYMENT TYPE:								
REGULAR	414.3	410.8	403.8	422.8	426.8	403.8	420.8	424.8
TEMP/SEAS/PART_TIME	17.7	19.1	6.8	6.8	6.8	6.8	6.8	6.8
TOTAL FTE	432.0	429.9	410.6	429.6	433.6	410.6	427.6	431.6

This page intentionally left blank.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
CAMBRIDGE DEPOSIT FUND	1,914	2,095	2,094	2,094	2,094	2,093	2,093	2,093
WORKERS COMPENSATION SPEC PMNT	2,451	2,486	2,486	2,486	2,486	2,486	2,486	2,486
OTHER REVENUES:								
GENERAL	1	2	2	2	2	2	2	2
WORKERS COMPENSATION SPEC PMNT	121,295	109,084	102,905	102,905	102,905	96,353	96,353	96,353
TAXES:								
GENERAL	9							
=====								
TOTAL NON-DEDICATED RECEIPTS	125,670	113,667	107,487	107,487	107,487	100,934	100,934	100,934
=====								
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
WORKERS COMPENSATION SPEC PMNT	1,542	1,530	1,532	1,532	1,532	1,533	1,533	1,533
GRANTS:								
FEDERAL	3,329	3,657	4,024	4,024	4,024	4,321	4,321	4,321
OTHER REVENUES:								
SPECIAL REVENUE	409	448	504	504	504	546	546	546
AGENCY	12	12	12	12	12	12	12	12
=====								
TOTAL DEDICATED RECEIPTS	5,292	5,647	6,072	6,072	6,072	6,412	6,412	6,412
=====								
AGENCY TOTAL REVENUES	130,962	119,314	113,559	113,559	113,559	107,346	107,346	107,346

**1998-99 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Labor and Industry, Department of (DLI)

PROGRAM DESCRIPTION:

The Department of Labor and Industry (DLI) receives grant funds from 5 federal programs. These grant funds are essential to the activities they support. The 5 grant programs are:

- OSHA Compliance - 23(g)
- Workplace Services Consultation - 7(c)(1)
- Bureau of Labor Statistics - BLS
- OSHA Survey
- Veterans Administration-Apprenticeship - VA

The combined, federal-grant funds are also significant to the department as a whole. They make up approximately 14.3% of the department's total operating budget.

The OSHA Compliance grant program has operated on the basis of 50% federal/50% state funds since 1973. The Workplace Services Consultation grant program, an on-site, consultation, training, and education effort, has operated since 1981 on 90% federal/10% state funds. These grant programs are essential to Minnesota in continuing the downward trend in occupational fatalities, injuries and illnesses, and thereby reducing workers' compensation costs and suffering for workers and families.

Funding for the Bureau of Labor Statistics grant program is 50% federal/50% state. The OSHA Survey and Veterans Administration-Apprenticeship grant programs are 100% federally funded.

Recent changes in federal funding have been significant. Contrary to cuts occurring in other areas of federal spending, Congress gave significant increases to the OSHA Compliance and Workplace Services Consultation grant programs in the appropriations bill signed 9-30-96. OSHA Compliance received a 24% increase (\$596,300) to restore past cuts, cover costs of living increases, generally expand the program, and make Minnesota's funding more consistent with other state programs. Workplace Services Consultation is also assured a 6.4% increase for federal F.Y. 1997, and this percentage is expected to increase further for cost of living adjustments and a funding formula which acknowledges underfunding for Minnesota.

The Bureau of Labor Statistics, OSHA Survey, and Veterans Administration-Apprenticeship grant programs have had no significant recent changes in funding. The fact that no revenues are shown on the accompanying Federal Funds Summary table for the Veteran Administration grant for state F.Y. 1996 does not reflect inactivity or inavailability of federal funds during that period, but simply the delay of expense reimbursement until state F.Y. 1997.

Future changes in federal funding are difficult to predict. Recent levels of federal funding for OSHA programs have reflected compromise between the executive legislative branches of the federal government. Since the balance between these branches will remain the same for the next 2 to 4 years, it is assumed that the funding for future years will represent current-year levels plus cost of living adjustments and supplemental monies made available. Supplemental monies are often available near the end of each federal fiscal year due to the return of unspent monies by over-funded states. These are the factors used to estimate our federal revenues for the OSHA Compliance and Workplace Services Consultation grant programs in future years.

Future revenues for the Bureau of Labor Statistics, OSHA Survey and Veterans Administration-VA grant programs are expected to remain at current levels or increase slightly to reflect cost of living changes.

**1998-99 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Labor and Industry, Department of (DLI)

Federal Program		Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
50F60053 - OSHA Compliance	23(g)	Yes	SO	2,700,000	2,882,000	3,234,000	3,474,000
W9F60953 - Workplace Services Consultation	7(c)(1)	Yes	SO	476,000	568,000	596,000	650,000
W9J68R4271 - Bureau of Labor Statistics	BLS	Yes	SO	118,000	106,000	110,000	110,000
W9F5375300 - OSHA Survey	Survey	No	SO	35,000	61,000	53,000	55,000
V-101(223B)P3692 - VA Apprenticeship		No	SO	-0-	39,000	31,000	32,000
Agency Total				3,329,000	3,656,000	4,024,000	4,321,000

Key:

SO - Operations

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

PROGRAM DESCRIPTION:

The Workers' Compensation Division exists to provide a fast, responsive and easy-to-use workers' compensation system that minimizes waste and which reduces and resolves disputes with fair and predictable results. Activities of this program are: administration, information processing center, customer assistance, compliance services, judicial services, vocational rehabilitation, special compensation fund, and Duluth operations.

PROGRAM STATUS:

Over the last 3 years, the Workers' Compensation Division has undergone a business process re-engineering and the installation of a new imaging technology project to handle the injured workers' claims. Three new work units have been organized in the last 2 years as part of the large imaging project. These units are:

- **The Information Processing Center** which creates and maintains the old paper file records; provides timely and accurate information to internal and external customers; and through the new imaging technology, converts the million pages of mail received by the division each year into the images for the remaining work to be done on the file.
- **Customer Assistance** which is responsible for providing fair, accurate, and neutral assistance about workers' compensation law and rules to employees, employers, and other external customers. Information is dispensed through a workers' compensation hotline as well as walk-in assistance. In addition, this unit provides early intervention and alternative dispute resolution services in the form of mediations, administrative conferences, and non-conference decisions. As mandated by a 1995 legislative change, customer assistance attempts to resolve workers' compensation disputes early in the process, and if the matter is not resolvable, the unit "certifies" that despite the intervention effort, a dispute exists. This formal "dispute certification" is necessary for legal fees to be eligible for payment.
- **Compliance Services** which is responsible to ensure that required reports are received in the time periods established by statute and that benefits are paid to injured workers accurately and in a timely manner. As part of the imaging project reorganization, education of employers and insurers is being emphasized as a compliance strategy. Division resources are being dedicated to monitor and target non-conforming companies, and education as well as warnings/penalties are tools being used to bring them into compliance.

The 3 remaining units within the program are:

- **Judicial Services** which provides another level of alternative dispute resolution services with compensation judges to bring efficient and final resolution to disputes. Strategies used are a negotiated mutually agreeable solution between the parties or an order of the judge following an informal administrative conference. Disputes which cannot be resolved at this final stage of the department's efforts are forwarded to the Office of Administrative Hearings for formal hearing. Through the imaging project, many efficiencies are expected through computer scheduling and immediate access to accurate and complete case file information through the imaging technology.

- **Vocational Rehabilitation** which provides services to injured workers whose employer or insurer, in most cases, has denied the liability for workers' compensation benefits. Qualified rehabilitation consultants (QRCs) assist the injured individuals to return to appropriate employment as soon as possible. To assist workers throughout the state, QRC offices are located in the Twin Cities area as well as 7 outstate communities.
- **Special Compensation Fund** which is the funding mechanism for the state's workers' compensation system. In addition, the unit is responsible for verification of workers' compensation insurance coverage; enforcement of statutory mandatory coverage; reimbursement of second injury and supplementary benefits to insurers and self-insurers; administration of workers' compensation claims for injured workers of uninsured employers, some bankrupt self-insurers, and asbestosis claims; provision of the Loggers Safety Educational Program; and medical and rehabilitation affairs.

Funding for all workers' compensation activities is provided through the Special Compensation Fund which is revenue collected from workers' compensation insurers and companies that self insure for this coverage.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1996 Agency Performance Report to be accomplished as follows:

- By F.Y. 1998, 90% of the workers' compensation case file documents received by the division will be available for customer use on the imaging system within 48 hours with an accuracy rate of 98%. The timeliness and accuracy of providing information to participants in the system (injured workers, employers, insurers, attorneys, medical and rehabilitation providers) is important for resolving disputes, insurer/employer compliance, and good customer service.
- By F.Y. 1999, the Special Compensation Fund claims administration will pay 90% of the reimbursement claims within 60 days of receipt from insurers and self-insurers. The Second Injury and Supplementary Benefit programs have both been repealed, but claims will need to be processed until 2025.
- Through education, monitoring, penalties, and other compliance strategies, the agency will strive to have 96% of total indemnity benefits paid to an injured worker on time by F.Y. 1999. State law requires the first payment of workers' compensation indemnity benefits to be made within 14 days from the first day of lost time at work or the notice to the employer, whichever occurs later. This statutory time limit ensures that claims are accepted and paid promptly to the injured worker.
- By F.Y. 1999, the Customer Assistance unit will respond to all telephone and walk-in inquiries within 2 days of the original contact. The department receives over 6,000 inquiries every month, and a timely and accurate response to the customer is paramount to the organization's goal of enhanced customer service.
- To annually reduce by 10% the number of requests for assistance that are filed with the department. The department emphasizes dispute prevention, early intervention, and resolution as strategies to lower the cost and the contentiousness of the workers' compensation system. A decrease in formal requests for assistance is an indicator of the agency's efforts to prevent disputes.

1998-99 Biennial Budget

PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)
(Continuation)

- By F.Y. 1999, annually provide a rehabilitation consultation to 10% of injured workers whose workers' compensation claims were denied by their employer or insurer. Workers, whose claim for workers' compensation benefits has been denied by an employer or insurer as not being work-related, may still need vocational assistance while awaiting a court decision about liability. The department provides early intervention and services to this group of people to return them to appropriate work as soon as possible.

BUDGET AND REVENUE SUMMARY:

Summary of the Agency Plan as it relates to the Workers' Compensation Division program is as follows:

- \$375,000 in F.Y. 1998 and \$180,000 in F.Y. 1999 from the Special Compensation Fund for permanent and temporary staff to manage the transition of the workers' compensation paper-based records system to a computerized image-based system. As more of the records are scanned into the computer system and older, inactive paper files surpass the records retention schedule, the temporary staff to maintain the paper system will no longer be needed.
- \$151,000 in F.Y. 1998 and \$126,000 in F.Y. 1999 from the Special Compensation Fund to assist the agency's customer assistance objectives in the prompt and accurate response to customers' questions and in the resolution of disputes through alternative resolution services.
- \$50,000 in F.Y. 1998 and \$50,000 in F.Y. 1999 to acquire, install and support a computer claims management system for the Special Compensation Fund claims administration function. This claims processing software, currently being used by the Department of Employee Relations, will increase the efficiency of payment of injured workers' claims.
- \$200,000 in F.Y. 1998 and \$200,000 in F.Y. 1999 to acquire equipment and provide testing and job placement services for rehabilitation clients to assure a rapid return to work.
- The completion of the Division's imaging project with the remaining unspent funds previously appropriated to the agency for this special undertaking. The agency is requesting that the unexpended funds be carried forward to assist in the final phase of the project.
- An anticipated small increase in the fees charged by the Rehabilitation and Medical Affairs in the Special Compensation Fund unit for the certification of managed care organizations. The proposed fee structure will recover approximately 30% of the costs of providing the certification and monitoring services.
- A gradual downward trend of the assessment revenue which is the major source of revenue for the Special Compensation Fund. The commissioner semi-annually designates a percentage assessment rate which is applied to the total indemnity benefits paid by workers' compensation insurers and self-insured employers in the previous 6 months. The total amount of paid indemnity benefits has been decreasing for the past 5 years. If the percentage assessment rate is not increased, this, in turn, leads to less revenue being collected to fund the workers' compensation system. The projected size of indemnity base, reimbursement benefits, general expenses, fund balance, and changes in the assessment rate are all being examined by a new advisory committee

for the purpose of recommending to the commissioner a 5 year plan for the Special Compensation Fund.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKERS' COMPENSATION DIVISION

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
WC ADMINISTRATION	2,837	3,490	261	261	261	263	263	263
WC INFORMATION PROCESSING CTR	1,526	1,958	1,887	2,262	2,262	1,923	2,103	2,103
WC CUSTOMER ASSISTANCE	1,788	1,921	1,854	2,005	2,005	1,896	2,022	2,022
WC COMPLIANCE SERVICES	809	1,017	885	885	885	907	907	907
WC JUDICIAL SERVICES	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
WC VOCATIONAL REHABILITATION	1,636	1,805	1,748	1,948	1,948	1,781	1,981	1,981
WC SPECIAL COMPENSATION FUND	83,888	113,310	93,773	93,823	93,823	91,288	91,338	91,338
WC DULUTH OPERATIONS	384	431	440	440	440	448	448	448
TOTAL EXPENDITURES BY ACTIVITY	94,706	126,101	102,880	103,656	103,656	100,586	101,142	101,142
AGENCY PLAN ITEMS:		FUND						
WORKERS COMP SPECIAL CLAIMS ADMIN		WCS		50			50	
WORKERS COMP CUSTOMER ASSISTANCE		WCS		151			126	
ACCESS TO WORKERS COMP CLAIMS RECORDS		WCS		375			180	
WORKERS COMP CASE SERVICES		WCS		200			200	
TOTAL AGENCY PLAN ITEMS				776			556	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	100	100	100	100	100	100	100	100
WORKERS COMPENSATION SPEC PMNT	12,288	14,553	11,251	12,027	12,027	11,479	12,035	12,035
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	81,448	110,556	90,615	90,615	90,615	88,091	88,091	88,091
STATUTORY APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	870	892	914	914	914	916	916	916
TOTAL EXPENDITURES	94,706	126,101	102,880	103,656	103,656	100,586	101,142	101,142
FTE BY EMPLOYMENT TYPE:								
REGULAR	197.3	197.3	191.2	203.2	203.2	191.2	199.2	199.2
TEMP/SEAS/PART_TIME	15.9	15.9	3.6	3.6	3.6	3.6	3.6	3.6
TOTAL FTE	213.2	213.2	194.8	206.8	206.8	194.8	202.8	202.8

1998-99 Biennial Budget

BUDGET ACTIVITY: W. C. Administration
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY DESCRIPTION:

Workers' Compensation Administration provides administrative support to the Workers' Compensation Division and its 6 units, as well as providing liaison services to the various customer groups including the injured worker, employers, organized labor, insurance industry, self-insured employers, health care and rehabilitation providers, and attorneys. Administration supports the activities of the Workers' Compensation Advisory Council, a statutory body composed of employee and employer representatives which must review and approve all proposed changes to the current workers' compensation statutes. In addition, administration, in cooperation with information technology services, is responsible for implementing a business process redesign and new imaging technology project, to manage the division's workers' compensation claim files.

BUDGET ISSUES:

As a final implementation phase of the imaging project, all 6 units of the Workers' Compensation Division, Office of Administrative Hearings, and the Workers' Compensation Court of Appeals will be imaged-enabled through the new technology. The changes in the business work flow processes, forms, data bases, collected information, and performance measurements are a result of the imaging project. The department's intent was to improve the efficiency and effectiveness of the workers' compensation system. The activities associated with the final phase of funding will be completed in F.Y. 1998. The department's workers' compensation units will be using the new technology and new business processes. No additional funds are being requested. However, the agency is requesting authority to carry forward the unexpended portion of the funds previously appropriated for the imaging project.

REVENUE:

No revenue is generated by this activity.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKERS' COMPENSATION DIVISION
ACTIVITY: WC JUDICIAL SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,576	1,780	1,788	1,788	1,788	1,832	1,832	1,832
OPERATING EXPENSES	262	389	244	244	244	248	248	248
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	36.0	36.0	35.0	35.0	35.0	35.0	35.0	35.0
TEMP/SEAS/PART_TIME	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	37.3	37.3	36.2	36.2	36.2	36.2	36.2	36.2
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

BUDGET ACTIVITY: W.C. Vocational Rehabilitation
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY DESCRIPTION:

Vocational Rehabilitation provides services to injured workers that assist in their return to work while minimizing the economic impact to all parties involved. State law stipulates that all injured workers have the right to select the qualified rehabilitation consultant (QRC) of their choice to obtain appropriate rehabilitation services. The program is designed to facilitate the return to work of employees when the employer/insurer denies responsibility for the injury. This activity serves 4 distinct groups of injured workers, including:

- primary liability denials, who are injured workers whose liability has been denied by an insurer and are referred to rehabilitation in accordance to statute;
- qualified employees, who are injured workers qualified to receive rehabilitation services paid by insurers;
- injured workers who have been suspended from rehabilitation services or are awaiting a determination concerning their eligibility for rehabilitation services.
- individuals who have had some aspect of their workers compensation claim denied and may require early intervention to assist with return to work issue resolution which results in return to work and minimization of cost to the individual, employer, and insurer.

The vocational rehabilitation unit QRCs provide a rehabilitation consultation per statutory requirement. Eligible persons participate in rehabilitation plan development with input from all parties. Plan services may include the following: job and worksite analysis, labor market analysis, employability analysis, vocational counseling, vocational testing, job development, job placement, on-the-job training, job-seeking skills training, analysis of transferable skills, referral to other agencies for related assistance and monitoring/coordination of medical and training services. Services are available statewide through permanent offices in Roseville, St. Cloud, Rochester, Duluth, Mankato, Fergus Falls, Bemidji, and Hibbing, and itinerate satellite locations.

In addition, the unit provides early intervention contact to persons denied benefits. All receive a letter and many a telephone contact, to resolve return to work issues before they expand to problem situations.

BUDGET ISSUES:

The agency plan will result in the following redesign and restructuring of the workers' compensation vocational rehabilitation activity. The activity will have its work processes evaluated and redesigned in order to effectively use the agency's computerized imaging technology. The imaging project will perform this work and facilitate the implementation of the redesigned work processes. Carrying forward the unspent F.Y. 1997 imaging project funds requested by the agency will make these improvements possible.

Another budget item involves provision of basic support to clients of the vocational rehabilitation unit. Frequently injured workers find it difficult to return to work, because they lack the basics necessary

to learn and accept the new job. The agency plan would provide these workers with the support services they require. Examples of uses for these funds include placement activities, bus passes for the injured worker or steel toed shoes for a new job. These services will facilitate the employee's employability which reduces the costs associated with workers' compensation.

REVENUE:

This activity generates non-dedicated revenue. Historically, the amount of fees collected for QRC services has been a small percentage of the total cost of the service. This is due to the fact that the agency's QRCs provide return-to-work assistance for injured people whose employer or insurer has denied liability for workers' compensation benefits. After much time and litigation, the claim is closed with a negotiated settlement for expenses associated with the file including the services provided by the QRC. Through increased marketing for qualified employees (those that are covered by a workers' compensation insurer or employer) and more aggressive negotiation strategies, the amount of revenue is expected to slightly increase in the next biennium.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKERS' COMPENSATION DIVISION
ACTIVITY: WC VOCATIONAL REHABILITATION

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,208	1,299	1,331	1,331	1,331	1,364	1,364	1,364
OPERATING EXPENSES	234	306	217	217	217	217	217	217
=====								
SUBTOTAL STATE OPERATIONS	1,442	1,605	1,548	1,548	1,548	1,581	1,581	1,581
PAYMENTS TO INDIVIDUALS	94	100	100	300	300	100	300	300
LOCAL ASSISTANCE	100	100	100	100	100	100	100	100
=====								
TOTAL EXPENDITURES	1,636	1,805	1,748	1,948	1,948	1,781	1,981	1,981
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
WORKERS COMP CASE SERVICES		WCS		200			200	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				200			200	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	100	100	100	100	100	100	100	100
WORKERS COMPENSATION SPEC PMNT	1,536	1,705	1,648	1,848	1,848	1,681	1,881	1,881
=====								
TOTAL EXPENDITURES	1,636	1,805	1,748	1,948	1,948	1,781	1,981	1,981
=====								
REVENUE COLLECTED:								

NONDEDICATED:								
WORKERS COMPENSATION SPEC PMNT	227	300	300	300	300	300	300	300
=====								
TOTAL REVENUES COLLECTED	227	300	300	300	300	300	300	300
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
=====								
TOTAL FTE	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
=====								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Labor and Industry, Department of (DLI)
PROGRAM: Workers' Compensation Division
ACTIVITY: WC Vocational Rehabilitation

ITEM TITLE: Workers' Compensation Case Services

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
W.C. Special	\$200	\$200	\$200	\$200
Revenues: (\$000s)				
W.C. Special	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$400,000 for the biennium from the Workers' Compensation Special Fund for return-to-work case services.

RATIONALE:

Qualified Rehabilitation Counselors (QRCs) provide rehabilitation consultations and rehabilitation plans for injured individuals who cannot return to their pre-injury job. The plan identifies the job goal and the path to employment including medical management, job skills analyses, job seeking skills training, vocational counseling, testing, and retraining. Many barriers to return-to-work are best overcome through the purchase of services or equipment. Examples of case service expenses are transportation costs (bus fare to and from work), required work equipment or devices (steel toed shoes, safety glasses or welding gloves), and vendor services such as job placement and medical reports. Currently, QRCs have \$100,000 available for case service expenses. This translates into approximately \$165 per injured worker. Additional funds will increase the success of QRC efforts to return injured workers to suitable and gainful employment.

PROGRAM OUTCOMES:

With additional available funds to assist in QRC efforts to remove or limit barriers, more injured and unemployed workers will return to gainful employment and will return to work faster.

LONG-TERM IMPACT:

The recommendation will result in additional assistance to injured workers who are re-entering the job market following an injury. Studies show that for every dollar spent on an accommodation and adopting a "return-to-work culture", employers can save \$35 in the long term. The overall cost of

the workers' compensation system will be reduced by returning injured workers to employment as soon as possible.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: W. C. Special Compensation Fund
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY DESCRIPTION:

The Special Compensation Fund activity administers several agency workers' compensation responsibilities. The focus of this activity's work is:

- verification that employers have workers' compensation liability insurance and enforcement of compliance with the mandatory coverage requirements specified in statute;
- administration of workers' compensation claims for uninsured employers, bankrupt self-insured employers, asbestosis claims and recoveries of monies from uninsured employers and other sources;
- timely and accurate reimbursement of Supplementary and Second Injury Fund benefits to insurers; and
- provision of the Loggers Safety Educational Program (M.S. 176.130) through an intra-agency contract with Workplace Services Division's OSHA Consultation, ensures that all Minnesota loggers have the opportunity to obtain safety training. Through an assessment collected from the wood mills, funds are redistributed to logger employers upon their employees' completion of safety training.

Rehabilitation and Medical Affairs is a part of the Special Compensation Fund. This area:

- administers and certifies managed care organizations and rehabilitation providers;
- educates the public, providers, and users of these services on current issues within the field;
- performs professional conduct and accountability investigations for registered health care and rehabilitation providers; and
- provides the administration of the 2 statutory boards of the Rehabilitation Review Panel and the Medical Services Review Board. Both of these advisory groups provide expert policy advice, education, and an avenue to bring opinions about policy, rules or statute changes to the commissioner, vendors, the public, and groups with a special interest.

In addition, this activity assesses insurers and self-insured employers based on indemnity claim costs to support the administration of the workers' compensation program, to pay claims associated with uninsured employers, and to reimburse insurers for Supplementary and Second Injury claims.

BUDGET ISSUES:

The agency plan will result in the following improvements to the workers' compensation Special Compensation Fund activity:

- The acquisition, installation, and support of the computer claims management system currently used by the Department of Employee Relations (DOER). The DOER system will allow the

claims activity to operate more efficiently and provide better claims management decision making. This system was recommended in an independent external claims review report and is expected to cost \$100,000 for the biennium.

- Working with the new technology and improved business processes as a result of the final phase of the large imaging and reengineering project within the workers' compensation division. The Special Compensation Fund is one of the last units to be touched by the project, and improvements in the work flow, data, and information collection will be a positive results. The agency has requested that the unspent F.Y. 1997 imaging project funds be carried forward for completion of the work in the coming biennium.

REVENUE:

This activity generates non-dedicated revenue through assessments on insurers and self-insured employers, recoveries from uninsured employers and the assets of bankrupt self-insured employers, and payments from employers in lieu of dependency benefits in cases of work-related deaths of workers with no dependents, fees for the certification of Qualified Rehabilitation Consultants, and fees for the certification and monitoring of managed care organizations. The agency plans to slightly increase the fees associated with the certification of managed care organization to reflect a greater recovery of the costs of providing the service. The total amount of non-dedicated revenue is projected to decline in the next biennium due to the gradual drop in the amount of paid workers' compensation indemnity benefits. The agency collects a percentage of the indemnity base, and as the indemnity base decreases in size, the amount of revenue declines without an increase in the assessment rate. The non-dedicated revenue is projected with no change in the assessment rate.

This activity generates dedicated revenue which supports the Loggers Safety Educational Program.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKERS' COMPENSATION DIVISION
ACTIVITY: WC SPECIAL COMPENSATION FUND

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,354	1,496	1,535	1,535	1,535	1,574	1,574	1,574
OPERATING EXPENSES	82,534	111,814	92,238	92,288	92,288	89,714	89,764	89,764
SUBTOTAL STATE OPERATIONS	83,888	113,310	93,773	93,823	93,823	91,288	91,338	91,338
TOTAL EXPENDITURES	83,888	113,310	93,773	93,823	93,823	91,288	91,338	91,338
AGENCY PLAN ITEMS:		FUND						
WORKERS COMP SPECIAL CLAIMS ADMIN		WCS		50			50	
TOTAL AGENCY PLAN ITEMS				50			50	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	1,570	1,862	2,244	2,294	2,294	2,281	2,331	2,331
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	81,448	110,556	90,615	90,615	90,615	88,091	88,091	88,091
STATUTORY APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	870	892	914	914	914	916	916	916
TOTAL EXPENDITURES	83,888	113,310	93,773	93,823	93,823	91,288	91,338	91,338
REVENUE COLLECTED:								
DEDICATED:								
WORKERS COMPENSATION SPEC PMNT	1,538	1,520	912	912	912	913	913	913
NONDEDICATED:								
WORKERS COMPENSATION SPEC PMNT	121,376	109,168	102,989	102,989	102,989	96,437	96,437	96,437
TOTAL REVENUES COLLECTED	122,914	110,688	103,901	103,901	103,901	97,350	97,350	97,350

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKERS' COMPENSATION DIVISION
ACTIVITY: WC SPECIAL COMPENSATION FUND

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3
TEMP/SEAS/PART_TIME	.5	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKERS' COMPENSATION DIVISION
ACTIVITY: WC DULUTH OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	303	341	350	350	350	358	358	358
OPERATING EXPENSES	81	90	90	90	90	90	90	90
SUBTOTAL STATE OPERATIONS	384	431	440	440	440	448	448	448
TOTAL EXPENDITURES	384	431	440	440	440	448	448	448
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	384	431	440	440	440	448	448	448
TOTAL EXPENDITURES	384	431	440	440	440	448	448	448
FTE BY EMPLOYMENT TYPE:								
REGULAR	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
TOTAL FTE	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

1998-99 Biennial Budget

PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

PROGRAM DESCRIPTION:

The Workplace Services Division works to prevent workplace injuries and illnesses, promote fair wages and working conditions, and assure a highly skilled and educated workforce. Activities of this program include: Apprenticeship; Labor Standards; Code Services; and Occupational Safety and Health Act (OSHA) Compliance/Consultation.

- Workplace Services works to prevent workplace injuries and illnesses through
 - OSHA enforcement and outreach
 - OSHA Consultation
 - Code enforcement of high pressure piping, boilers and pressure vessels, and inland boats for hire
- Workplace Services works to promote fair wages and working conditions through the office of Labor Standards enforcement of Minnesota Fair Labor Standards Act, Child labor laws, minimum and prevailing wages, lie detector law, fee employment and entertainment agencies laws.
- Workplace Services works to provide a highly skilled and educated workforce by establishing and registering apprenticeship training programs with Minnesota employers.

Issues: The agency enforces the laws and standards established to prevent workplace injuries and illnesses. The goal is to work toward voluntary compliance by providing more education and outreach which reduces the need for enforcement citations. This shifting emphasis will, over time, result in improved compliance.

PROGRAM STATUS:

The Workplace Services Division is focused on creating safe and productive workplaces. Two new programs introduced in F.Y. 1997 are designed to improve safety and health in the workplace through partnership with employers. They focus on employers who have a high rate of workplace injuries and illnesses. "Minnesota First" (MN First) targets larger employers through compliance inspections, while the Minnesota Safety and Health Achievement Recognition Program (MN SHARP) targets small employers through on-site consultation visits. Also, an emphasis is being placed on continuing to expand apprenticeship opportunities in non-traditional occupations, opening additional opportunities for women and minorities.

PLANNED RESULTS:

The agency budget plan will allow our performance measures to be achieved as follows:

- By putting greater emphasis on outreach and education, OSHA will effect a reduction in the lost workday incidence rate.
- Improved management of resources will result in 100% of boilers being inspected and 100% of high pressure piping and ammonia systems approved on final inspections.

- Women and people of color participating in apprenticeship programs will steadily increase.
- The division has made a variety of adjustments in its management structures including the use of new technology. This will continue to better serve current needs, and improve customer service and satisfaction.
- Minnesota OSHA will implement an effective outreach program on prevention of violence in the workplace.
- Labor Standards will implement new outreach initiatives while maintaining excellent customer phone service.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- Increased funding for OSHA compliance and consultation from the W.C. Special Fund as follows:
 - a) An additional \$392,000 in F.Y. 1998 and \$596,000 in F.Y. 1999 in state matching funds will maximize the federal dollars available to Minnesota which require a state match and will provide for expansion of outreach, training and education programs and consultation to the public.
- Increased funding of \$62,000 in F.Y. 1998 and \$58,000 in F.Y. 1999 will allow the fee-supported code services unit to continue efforts to inspect more high-pressure piping systems each year.
- Funding from dedicated receipts from the Assigned Risk Safety Account will:
 - a) Continue funding for the labor-management program with the Bureau of Mediation Services at a reduced level of \$77,000 in F.Y. 1998 and \$73,000 in F.Y. 1999.
 - b) Provide funding to MN OSHA of \$95,000 in F.Y. 1998 and \$75,000 in F.Y. 1999 for an expanded outreach initiative in the area of workplace violence prevention.
- No change has occurred in the allocation of General Fund dollars to support the apprenticeship and labor standards units. This activity will continue efforts to improve the quality of services within the available funding level.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKPLACE SERVICES DIVISION

ACTIVITY RESOURCE ALLOCATION:			FY 1998			FY 1999		
	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
WORKPLACE SERVICES ADMIN	92	142	144	144	144	145	145	145
APPRENTICESHIP PROGRAMS	671	826	794	794	794	811	811	811
CODE ADMIN & INSPECTION SVS	1,388	1,507	1,496	1,558	1,558	1,526	1,584	1,584
LABOR STANDARDS	530	599	562	562	562	576	576	576
OCCUPATIONAL SAFETY & HEALTH	6,702	7,266	7,153	7,545	7,545	7,469	8,065	8,065
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	9,383	10,340	10,149	10,603	10,603	10,527	11,181	11,181
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
=====	=====	=====						
HIGH PRESSURE PIPING INSPECTION		GEN		62			58	
OSHA FEDERAL MATCHING FUNDS		WCS		392			596	
=====	=====	=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				454			654	
=====	=====	=====						
EXPENDITURES BY FUND:								
=====	=====	=====						
DIRECT APPROPRIATIONS:								
GENERAL	2,563	2,888	2,813	2,875	2,875	2,873	2,931	2,931
WORKERS COMPENSATION SPEC PMNT	2,388	3,678	3,126	3,518	3,518	3,186	3,782	3,782
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT		200						
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	92	142	144	144	144	145	145	145
FEDERAL	2,878	3,108	3,431	3,431	3,431	3,685	3,685	3,685
WORKERS COMPENSATION SPEC PMNT	1,451	304	623	623	623	626	626	626
AGENCY	11	20	12	12	12	12	12	12
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	9,383	10,340	10,149	10,603	10,603	10,527	11,181	11,181
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====						
REGULAR	139.4	138.0	140.1	147.1	147.1	140.1	149.1	149.1
TEMP/SEAS/PART_TIME	1.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	140.5	140.5	142.6	149.6	149.6	142.6	151.6	151.6

1998-99 Biennial Budget

BUDGET ACTIVITY: Workplace Services Administration
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY DESCRIPTION:

Workplace Services administration guides and supports the programs offered by the 5 units within the division. This assures that the following programs meet the needs of employers and workers: occupational safety and health compliance and consultation; apprenticeship; inspection of boilers and high pressure piping systems and licensing those who inspect them; and labor standards rights and obligations for both parties in the employment setting. Administration leads this division in achieving new and innovative ways to regulate through penalties and education; in seeking higher levels of customer satisfaction; and in applying technology to more efficiently operate within the resources available. Three advisory councils provide formal links between the agency and the public, particularly labor and the industries the agency regulates.

BUDGET ISSUES:

The agency budget plan will result in minimal changes to this activity. The occupational safety and health programs rely on matching grants between the state and federal governments. Some division work processes will be reengineered to optimize use of the agency's technology investments. Anticipated results include better services to customers and improved data collection to manage and to report on program effectiveness. No additional funds are being requested for the biennium.

REVENUE:

No revenue is generated by this activity.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKPLACE SERVICES DIVISION
ACTIVITY: CODE ADMIN & INSPECTION SVS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,061	1,156	1,185	1,232	1,232	1,215	1,262	1,262
OPERATING EXPENSES	327	351	311	326	326	311	322	322
SUBTOTAL STATE OPERATIONS	1,388	1,507	1,496	1,558	1,558	1,526	1,584	1,584
TOTAL EXPENDITURES	1,388	1,507	1,496	1,558	1,558	1,526	1,584	1,584
AGENCY PLAN ITEMS:		FUND						
HIGH PRESSURE PIPING INSPECTION		GEN		62			58	
TOTAL AGENCY PLAN ITEMS				62			58	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,388	1,507	1,496	1,558	1,558	1,526	1,584	1,584
TOTAL EXPENDITURES	1,388	1,507	1,496	1,558	1,558	1,526	1,584	1,584
REVENUE COLLECTED:								
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	1,853	2,033	2,033	2,033	2,033	2,033	2,033	2,033
TOTAL REVENUES COLLECTED	1,853	2,033	2,033	2,033	2,033	2,033	2,033	2,033
FTE BY EMPLOYMENT TYPE:								
REGULAR	24.0	23.5	23.5	24.5	24.5	23.5	24.5	24.5
TEMP/SEAS/PART_TIME		.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	24.0	24.0	24.0	25.0	25.0	24.0	25.0	25.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Labor and Industry, Department of (DLI)
PROGRAM: Workplace Services Division
ACTIVITY: Code Administration and Inspection Services

ITEM TITLE: High Pressure Piping Inspection and Certification

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$62	\$58	\$58	\$58
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$120,000 and 1.0 position from the General Fund for inspection and certification of high pressure piping systems.

RATIONALE:

This budget activity is responsible for inspecting and approving the installation of ammonia and high pressure piping systems. Inspections for piping systems occur throughout their installation. They start with a consultation inspection with the contractor prior to the start of a project. Inspections for compliance with the state high pressure piping code continue throughout the installation process. The final inspection occurs at the end of the project to certify piping system for operation. The more complex piping systems are inspected more frequently during their installation. Less complex piping systems will typically have fewer inspections.

The demand for inspections increased over the past few years. One factor, causing this increase, was the legislative expansion in inspection responsibilities to include ammonia piping systems - which are increasingly being installed as part of refrigeration systems. Another factor was the effectiveness of the activity's education and outreach efforts at encouraging contractor compliance with the law - which assures piping systems are installed according to the state's Piping Code. A final factor was, and is, the building of several ethanol / alcohol production plants, 2 major co-generation power plants, and a major expansion at the Potlatch plant in Cloquet.

Contractors of expensive, complex high pressure piping systems expect frequent inspections during the installation phase of their projects. Their objective is to assure the state will certify the piping system for operation when they complete the project. They believe this expectation is reasonable considering the amount of the permit fee, which may range from \$5,000 to \$15,000, filed with the department.

This initiative seeks the addition of one high pressure piping inspector. Current inspectors each conduct an average of 400 inspections annually. One additional inspector would allow the department to conduct that many more inspections during the installation phase of the more complex ammonia and high pressure piping systems.

PROGRAM OUTCOMES:

The primary outcome of this initiative is more inspections of complex ammonia and high pressure piping systems as they are being installed. This initiative directly helps the department achieve its goal of assuring that high pressure piping and ammonia piping systems are installed according to the state's installation code. It will increase the average number of inspections conducted per ammonia and high pressure piping permits issued by the department.

LONG-TERM IMPACT:

The department will be able to more effectively assure that ammonia and high pressure piping systems are being installed and modified in accordance with the state's high pressure piping system code. The net result will be safe places for workers and the public to be and visit.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKPLACE SERVICES DIVISION
ACTIVITY: LABOR STANDARDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	459	448	460	460	460	470	470	470
OPERATING EXPENSES	71	151	102	102	102	106	106	106
SUBTOTAL STATE OPERATIONS	530	599	562	562	562	576	576	576
TOTAL EXPENDITURES	530	599	562	562	562	576	576	576
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	519	579	550	550	550	564	564	564
STATUTORY APPROPRIATIONS:								
AGENCY	11	20	12	12	12	12	12	12
TOTAL EXPENDITURES	530	599	562	562	562	576	576	576
REVENUE COLLECTED:								
DEDICATED:								
AGENCY	12	12	12	12	12	12	12	12
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	61	62	61	61	61	60	60	60
TOTAL REVENUES COLLECTED	73	74	73	73	73	72	72	72
FTE BY EMPLOYMENT TYPE:								
REGULAR	9.4	9.4	10.4	10.4	10.4	10.4	10.4	10.4
TEMP/SEAS/PART_TIME	.8	.8	.8	.8	.8	.8	.8	.8
TOTAL FTE	10.2	10.2	11.2	11.2	11.2	11.2	11.2	11.2

BUDGET ACTIVITY: Occupational Safety and Health Administration
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY DESCRIPTION:

Minnesota's Occupational Safety and Health (OSHA) activity is made up of 2 distinct program efforts: OSHA Compliance and OSHA Consultation.

OSHA Compliance promotes and ensures safe and healthful working conditions for all Minnesota workers. It performs this activity by conducting inspections which identify hazard conditions, setting abatement dates to eliminate or control hazards, issuing citations and penalties to promote voluntary compliance, and investigating workplace fatalities and serious accidents to prevent their recurrence. Inspections are based on federal and state standards. Voluntary compliance with Minnesota Occupational Safety and Health standards is encouraged through staff outreach initiatives, providing information and technical assistance, and conducting seminars.

OSHA Consultation provides safety and health services at no cost to small employers who request assistance in understanding and voluntarily complying with the Minnesota Occupational Safety and Health Act. This activity assists employers and employees in implementing effective safety and health programs to prevent the occurrence of injuries and illnesses which may result from exposure to hazardous workplace conditions and hazardous work practices. The scope of services includes: 1) identifying safety and health hazards in workplaces; 2) successfully controlling or eliminating these hazards; 3) establishing or improving a workplace safety and health program; and 4) understanding all requirements of applicable federal (or state) law and implementing regulations. Technical assistance is also provided in standards interpretation. Other significant services include the following: Loggers Safety Education, Labor-Management Safety Committee, Safety Hazard Abatement Grants, and Workplace Violence Prevention.

■ **Loggers Safety Education**

OSHA Consultation administers the educational program for the loggers statute (M.S. 176.130) to ensure that all Minnesota loggers have the opportunity to obtain safety training. Through assessments collected from the wood mills, funds are redistributed to logger employers upon completion by their employees of safety training.

■ **Labor Management Safety Committee**

This program targets workplace safety consultation and inspections through the formal labor-management safety committee structure at the Bureau of Mediation Services (BMS). The BMS administers Minnesota's labor-management safety committee grant program. Continuation of this program will reinforce the importance of labor-management cooperation in workplace safety issues and will serve to help prevent workplace injuries for a number of high risk employers.

■ **Safety Hazard Abatement Grant Program**

The Assigned Risk Safety Fund was established to allow businesses to receive grant and loan monies to cover the cost of: 1) purchasing and installing recommended safety equipment; 2) operating/maintaining equipment; or 3) purchasing/renting real property, if necessary, to meet criteria established by on-site safety inspections.

■ **Workplace Violence Prevention**

Violence in the workplace is an emerging workplace safety issue. This special emphasis program is intended to help employers and employees deal with the increasing incidence of violence in the workplace. Minnesota must address this problem by developing common sense preventive measures and informing employers and employees on how to prevent violence and what to do when confronted with a potentially violent situation.

BUDGET ISSUES:

- OSHA Compliance receives up to 50% of its funding from the federal government. OSHA Consultation receives up to 90% of its funding from the federal government. Federal funds must be matched by state funds. The agency plan includes additional funding of \$392,000 for F.Y. 1998 and \$596,000 for F.Y. 1999 to match additional federal funding and will allow Minnesota to maximize use of available federal funds.
- The agency plan seeks authority to use dedicated receipts in the Assigned Risk Safety Account in the Special Compensation Fund to:
 - a. Continue funding for the labor-management program with the Bureau of Mediation Services at a reduced level of \$77,000 in F.Y. 1998 and \$73,000 in F.Y. 1999.
 - b. Provide funding to MN OSHA of \$95,000 in F.Y. 1988 and \$75,000 in F.Y. 1999 for an expanded outreach initiative in the area of workplace violence prevention.

REVENUE:

This activity generates non-dedicated revenue through penalties assessed on employers who are found to be out of compliance with OSHA standards. The dedicated receipts are deposited in the Assigned Risk Safety Account and are from penalties on employers and insurers for failure to initiate timely payments of benefits to claimants and to submit timely "First Reports of Injury" to the agency.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKPLACE SERVICES DIVISION
ACTIVITY: OCCUPATIONAL SAFETY & HEALTH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,976	4,807	5,136	5,463	5,463	5,451	5,979	5,979
OPERATING EXPENSES	1,418	2,343	1,585	1,650	1,650	1,586	1,654	1,654
SUBTOTAL STATE OPERATIONS	5,394	7,150	6,721	7,113	7,113	7,037	7,633	7,633
LOCAL ASSISTANCE	1,308	116	432	432	432	432	432	432
TOTAL EXPENDITURES	6,702	7,266	7,153	7,545	7,545	7,469	8,065	8,065
AGENCY PLAN ITEMS:			FUND					
OSHA FEDERAL MATCHING FUNDS			WCS			596		
TOTAL AGENCY PLAN ITEMS			392			596		
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	2,388	3,678	3,126	3,518	3,518	3,186	3,782	3,782
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT		200						
STATUTORY APPROPRIATIONS:								
FEDERAL	2,863	3,084	3,404	3,404	3,404	3,657	3,657	3,657
WORKERS COMPENSATION SPEC PMNT	1,451	304	623	623	623	626	626	626
TOTAL EXPENDITURES	6,702	7,266	7,153	7,545	7,545	7,469	8,065	8,065
REVENUE COLLECTED:								
DEDICATED:								
WORKERS COMPENSATION SPEC PMNT	4	10	620	620	620	620	620	620
NONDEDICATED:								
WORKERS COMPENSATION SPEC PMNT	2,142	2,100	2,100	2,100	2,100	2,100	2,100	2,100
TOTAL REVENUES COLLECTED	2,146	2,110	2,720	2,720	2,720	2,720	2,720	2,720

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: WORKPLACE SERVICES DIVISION
ACTIVITY: OCCUPATIONAL SAFETY & HEALTH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								
REGULAR	94.4	94.0	95.0	101.0	101.0	95.0	103.0	103.0
TEMP/SEAS/PART_TIME	.1	.5	.5	.5	.5	.5	.5	.5
=====								
TOTAL FTE	94.5	94.5	95.5	101.5	101.5	95.5	103.5	103.5

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Labor and Industry, Department of (DLI)
PROGRAM: Workplace Services Division
ACTIVITY: Occupational Safety and Health Administration

ITEM TITLE: Occupational Safety and Health Federal Matching Funds

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
W.C. Special	\$392	\$596	\$596	\$596
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☐ No ☒

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$988,000 and 6.0 positions in F.Y. 1998 and 8.0 positions in F.Y. 1999 from the Workers' Compensation Special Fund to match federal OSHA grants.

RATIONALE:

The 1997 federal budget for OSHA consultation and compliance program has been approved. It acknowledges that Minnesota has been under funded in comparison to other states. The matching grant programs blend state and federal monies. Consultation is 10% state funds matched by 90% federal funds. The compliance activity is matched with 50% from each source.

These matching fund grants, which support the agency's long-term move towards compliance through education, exceed original estimates for funding support from the federal level. This initiative will provide employers who request it, assistance in understanding and voluntarily complying with Minnesota Occupational Safety and Health standards. Consultation activities help small, high-hazard employers to prevent or reduce the occurrence of injuries and illnesses which may result from workplace conditions or practices. Technical assistance is also provided in standard compliance inspections.

Compliance programs exist to assure safe and healthful working conditions for all Minnesota workers. Program staff conduct inspections, issue citations and penalties, and investigate workplace fatalities and accidents based on federal and state standards. Technical assistance and education are provided to assist employers in achieving the economies of a safe workplace.

PROGRAM OUTCOMES:

While OSHA compliance and consultation have the same goal, each activity uses different means to reach the desired outcomes. High-hazard industry employers are a priority for inspection in compliance. Inspections are scheduled for employers which have had four or more lost work time injury claims for workers' compensation with the past 12 months or for employers who are in a high hazard standard industrial classification based on Bureau of Labor Statistics injury and illness statistics. Citing violations and penalizing employers are tools used to meet the goal of sustained safety in the working environment. Consultation services provide non-enforcement safety and health consultation services at no cost to requesting employers and provide training and education for employers. Small employers in high-hazard industries, who might not otherwise have assistance in their efforts to reduce human and financial costs of job-related injuries and illnesses, are specifically given the highest priority.

Overall, the goal is to increase the number of inspections and consultation visits with voluntary compliance as the measure of success. Outreach efforts and effective education — in both compliance and consultation — are geared to reduce the number of workplace injuries, illnesses and deaths.

LONG-TERM IMPACT:

A successful effort will result in a steady decline of workplace injury, illness and death. Employers and workers who are better educated and knowledgeable about the elements of safety will contribute to making this happen. The agency must deliver training that responds to changes in Federal OSHA standards as the state must equal or exceed the effectiveness of the federal program. Technological advancements in the workplace require future-oriented planning. Advancements in machines and equipment can also create new hazards — mechanical parts that need to be guarded or covered to prevent accidental employee contact; switches that must be accessible to employees but guarded from unintentional activation; and computer workstations that place the employee in the same position for long periods of time. These and others must be addressed as issues of health and safety in Minnesota workplaces. If employers and workers are fully aware of the hazards and know how to mitigate them, we will see the human and financial costs of operations decrease.

1998-99 Biennial Budget

PROGRAM: General Support Division

AGENCY: Labor and Industry, Department of (DLI)

PROGRAM DESCRIPTION:

The General Support Division provides agency-wide human resources and accounting support; research on workers' compensation, workplace safety, and other employment issues; legal services to internal agency customers; information technology services and support; communication services; investigation of workers' compensation fraud; and agency administration. The functions of this activity allow other agency programs and activities to achieve their stated goals and objectives in a timely, efficient manner.

PROGRAM STATUS:

As a result of the imaging project for workers' compensation, the department's direction for information technology is set for the future. The Chief Information Officer is leading an activity focused on developing, managing, and supporting the agency's information resources and technology. The information technology services activity is developing expertise around the imaging system and client server technology.

As a result of the consolidation of investigative functions into the department's investigative services activity, the quantity and quality of investigations into alleged employers uninsured for workers' compensation rose significantly. Penalty income from uninsured employers also rose considerably from previous years because of a more formal, efficient investigative process. The agency publicly announces referrals of alleged workers' compensation fraud for prosecution in an effort to discourage fraud and to encourage people to report suspected workers' compensation fraud. Some investigations of initial uninsured workers' compensation claims are being conducted by investigative personnel as part of a pilot experiment with the Special Compensation Fund.

The agency consolidated research and analysis functions into a single unit and transferred primary workers' compensation education to the workers' compensation division. The analytical functions of the research and education activity were combined with the Bureau of Labor Statistics function into the new research and statistics activity. As a result of funding provided in the 1995 workers' compensation reform law, analysis of Minnesota's workers' compensation system improved. The agency's annual safety report was expanded to cover more safety and workers' compensation information. A request from the University of Minnesota for a research database on carpal tunnel syndrome and on employer safety programs was fulfilled. The agency now produces an annual report on Minnesota's workers' compensation system. Analyses of several aspects of Minnesota's workers' compensation system were started, including a study of workers' compensation settlement agreements and defense attorney fees.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1996 Agency Performance Report to be accomplished or accelerated as follows:

- By F.Y. 2000, the investigative services activity will increase the referral rate of workers' compensation fraud cases to 25%. Fraud cases developed by the unit are referred to county attorneys for prosecution. In F.Y. 1996, the department referred approximately 11% of workers' compensation fraud cases to the county attorneys throughout the state.

- Actual outcome measures for many agency activities will be presented in the 1998 Agency Performance Report because the information technology and reporting necessary to make this reporting possible will be installed and operational.

BUDGET AND REVENUE SUMMARY:

This program has a base level of funding budget. The base includes a 2.5% inflationary adjustment each year for salary compensation.

The agency needs to build on the success of its imaging project which has transformed Labor and Industry's information technology. The agency must end its dependence on a 15-year old mainframe computer system, make its systems year 2000 compliant, and assure it will be able to respond to technological changes into the future. An investment in technology would significantly improve the computing environment for the agency's apprenticeship, code administration and inspection services, labor standards, and occupational safety and health administration activities. These units would be provided with the tools to fulfill their goals and objectives more effectively because they would have the necessary information to make better decisions.

The dedicated revenue generated by this activity comes from indirect cost earned on federal grants.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$130,000 and 1.0 position from the General Fund and \$1,800,000 and 3.0 positions from the Workers' Compensation Special Compensation Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration reviewed and recommended approval of this project.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: GENERAL SUPPORT DIVISION
ACTIVITY: AGENCY ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,344	3,640	3,692	3,692	3,923	3,789	3,789	4,020
OPERATING EXPENSES	3,199	3,262	3,106	3,106	4,008	3,159	3,159	3,725
=====								
SUBTOTAL STATE OPERATIONS	6,543	6,902	6,798	6,798	7,931	6,948	6,948	7,745
=====								
TOTAL EXPENDITURES	6,543	6,902	6,798	6,798	7,931	6,948	6,948	7,745
=====								
GOV'S INITIATIVES:		FUND						

(B) TECHNOLOGY INITIATIVE		GEN			71			59
(B) TECHNOLOGY INITIATIVE		WCS			1,062			738
					=====	=====		
TOTAL GOV'S INITIATIVES					1,133			797
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,023	1,075	1,066	1,066	1,137	1,081	1,081	1,140
WORKERS COMPENSATION SPEC PMNT	3,912	4,567	4,366	4,366	5,428	4,417	4,417	5,155
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	872	413	413	413	413	413	413	413
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	195	306	360	360	360	401	401	401
FEDERAL	541	541	593	593	593	636	636	636
=====								
TOTAL EXPENDITURES	6,543	6,902	6,798	6,798	7,931	6,948	6,948	7,745
=====								
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	409	448	504	504	504	546	546	546
FEDERAL	3,329	3,657	4,024	4,024	4,024	4,321	4,321	4,321
NONDEDICATED:								

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT
PROGRAM: GENERAL SUPPORT DIVISION
ACTIVITY: AGENCY ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
GENERAL	10	2	2	2	2	2	2	2
WORKERS COMPENSATION SPEC PMNT	1	2	2	2	2	2	2	2
TOTAL REVENUES COLLECTED	3,749	4,109	4,532	4,532	4,532	4,871	4,871	4,871
FTE BY EMPLOYMENT TYPE:								
REGULAR	77.6	75.5	72.5	72.5	76.5	72.5	72.5	76.5
TEMP/SEAS/PART_TIME	.7	.7	.7	.7	.7	.7	.7	.7
TOTAL FTE	78.3	76.2	73.2	73.2	77.2	73.2	73.2	77.2

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB
PROGRAM: AGENCY ADMINISTRATION
ACTIVITY: AGENCY ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,321	1,407	1,445	1,445	1,445	1,482	1,482	1,482
OPERATING EXPENSES	916	1,159	1,078	1,078	1,078	1,078	1,078	1,078
=====								
SUBTOTAL STATE OPERATIONS	2,237	2,566	2,523	2,523	2,523	2,560	2,560	2,560
LOCAL ASSISTANCE		150	150	150	150	150	150	150
OTHER EXPENSES	2							
=====								
TOTAL EXPENDITURES	2,239	2,716	2,673	2,673	2,673	2,710	2,710	2,710
=====								
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
IRON RANGE RESOURCES & REHAB	1,987	2,526	2,483	2,483	2,483	2,520	2,520	2,520
NE MN ECONOMIC PROTECTION	252	190	190	190	190	190	190	190
=====								
TOTAL EXPENDITURES	2,239	2,716	2,673	2,673	2,673	2,710	2,710	2,710
=====								
REVENUE COLLECTED:								

DEDICATED:								
IRON RANGE RESOURCES & REHAB	19,273	23,033	17,878	17,878	17,878	18,498	18,498	18,498
=====								
TOTAL REVENUES COLLECTED	19,273	23,033	17,878	17,878	17,878	18,498	18,498	18,498
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	31.0	31.8	31.8	31.8	31.8	31.8	31.8	31.8
OVERTIME	.3	.3	.3	.3	.3	.3	.3	.3
=====								
TOTAL FTE	31.3	32.1	32.1	32.1	32.1	32.1	32.1	32.1
=====								

PROGRAM: Tourism Development
AGENCY: Iron Range Resources and Rehabilitation, Board of (IRRRB)

PROGRAM DESCRIPTION:

The primary activities of this program are the development and promotion of tourism opportunities that will enhance the economic diversification of the Taconite Tax Relief Area.

The issues associated with this program are:

- increased public attendance and more efficient and cost-effective management at the agency's 2 major tourism facilities (Ironworld Discovery Center and Giants Ridge Recreational Facility).
- operation and promotion of the 18 hole golf course to be located at Giants Ridge Recreational Facility so that the course most effectively contributes to the area's economy while achieving a net operational profit.
- identification of grant funding needs which are most directly related to the attraction and retention of out-of-the-area visitors, which will leverage IRRRB dollars; and which will contribute to the long range economic growth of the Taconite Tax Relief Area.

PROGRAM STATUS:

- **Tourism Facility Operations:** The IRRRB operates the Ironworld Discovery Center in Chisholm, an entertainment and history complex which includes the Iron Range Research Center and the education program, "Beyond School Walls." The Giants Ridge Recreational Area in Biwabik includes a winter ski area and an 18 hole golf course. Operational challenges include maintaining quality services and profitability during periods of adverse weather conditions.
- **Tourism Development Grant and Program Funding:** Coordination of grant funding involves the Northern Lights Tourism Alliance (NLTA), which was formed by the IRRRB to identify and implement tourism development plans. The NLTA is a volunteer committee of tourism advisors whose efforts are divided into 3 major activities: marketing, natural resource enhancement and infrastructure.

PLANNED RESULTS:

- The tourism development staff will continue efforts to identify opportunities that will increase visitor attendance at area attractions, lodging facilities, and visitation to the area's recreational opportunities. Grant funding and programmatic assistance will be provided according to the anticipated impact of the proposed projects.
- Cost-effective management will receive a high priority for the Ironworld Discovery Center and the Giants Ridge Recreational Facility.
- The 18 hole golf course will open in the spring of 1997.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- Except for golf course operation, the plan provides same-level funding for operation of all tourism projects and programs.
- The F.Y. 1998-99 budget includes projected costs and revenues for the golf course (operational revenues for the biennium of \$2 million and operational expenses of \$1.3 million). Expenses for the golf course are projected to increase 3.7% annually, and revenues are projected to increase 5.8% annually.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Minnesota Housing Finance Agency

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$17,882	\$17,882	\$35,764
<u>BASE ADJUSTMENT</u>			
Biennial Appropriations	<u>6,125</u>	<u>6,125</u>	<u>12,250</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$24,007	\$24,007	\$48,014
<u>AGENCY DECISION ITEMS</u>			
Home Equity Conversion Counseling	(25)	(25)	(50)
Foreclosure Prevention & Rental Assistance	25	25	50
Foreclosure Prevention & Rental Assistance	50	50	100
Transitional Housing	(550)	(550)	(1,100)
Contract for Deed Guarantee	(50)	(50)	(100)
Housing Trust Fund	550	550	1,100
Community Rehab Fund	(250)	(250)	(500)
Affordable Rental Investment Fund	<u>250</u>	<u>250</u>	<u>500</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$24,007	\$24,007	\$48,014
<u>GOVERNOR'S INITIATIVES</u>			
Homeownership Assistance Fund	\$1,250	\$1,250	\$2,500
Rental Assistance for Family Stabilization	1,250	1,250	2,500
GOVERNOR'S RECOMMENDATIONS	\$26,507	\$26,507	\$53,014

Brief Explanation of Agency Plan:

The budget plan seeks to streamline the delivery of services by consolidating programs with overlapping objectives, by eliminating duplicative programs, and by reallocating funds to more appropriately reflect activities within a program.

The 1995 legislature appropriated \$47,614,000 to MHFA for the 1996-97 biennium. The Governor vetoed \$700,000 from that bill. The 1996 legislature appropriated an additional \$550,000 annually for 2 new programs. An additional \$550,000 was added to provide funding for both years of the 1998-99 biennium, making the allowable base for the 1998-99 biennium \$48,014,000. The MHFA has chosen to budget 50% of the allowable appropriation in each year of the new biennium.

The budget plan includes consolidation of the \$1,100,000 Transitional Housing program into the Housing Trust Fund. The Transitional Housing program helps meet basic housing needs by providing loans or grants for the construction, acquisition, or rehabilitation of housing for low income individuals and families having an immediate need for temporary or transitional housing. Transitional housing is one of several activities funded by the Housing Trust Fund to help meet the basic housing needs of Minnesota's residents. The Housing Trust Fund is frequently the source of the 50% match required under the Transitional Housing program. The proposed consolidation will simplify the application process for funding for transitional housing.

The budget plan includes the elimination of the \$100,000 demonstration Contract for Deed Guarantee program and a reallocation of the funds to the Foreclosure Prevention and Rental Assistance Program (FPRAP). The Contract for Deed Guarantee program is a demonstration program to strengthen communities by assisting home ownership opportunities through the provision of funds to enable low and moderate income home buyers to refinance existing contracts for deed with long term, traditional mortgage loans. The Foreclosure Prevention and Rental Assistance program (FPRAP) assists households facing foreclosure or eviction due to a temporary financial crisis by providing case management services, and if appropriate, mortgage payment, rental or other financial assistance on an emergency basis. The amount appropriated for FPRAP for F.Y. 1996-97 was \$566,000.

The budget plan includes the elimination of the Home Equity Conversion Counseling Program and a reallocation of the \$50,000 appropriation to the Foreclosure Prevention and Rental Assistance program (FPRAP). The Home Equity Conversion Counseling Program provides a grant to an organization, the current grantee is the Senior Federation, to provide counseling to senior citizens interested in obtaining a home equity loan. Home equity conversion counseling can be funded by private resources. FPRAP has had an 85% success rate; foreclosure prevention has proven to be very cost effective. More than 25 additional homeowners could be helped to prevent foreclosure if this appropriation were redirected.

The budget plan redirects \$500,000 from the Community Rehabilitation Fund to the Affordable Rental Investment Fund for grants to reconfigure, acquire, demolish, remove or rehabilitate multifamily rental property to reduce concentrations of substandard multifamily rental housing. The Community Rehabilitation Fund strengthens communities by rehabilitating the housing stock with grants to cities for the construction, acquisition, rehabilitation, demolition of single family homes pursuant to a community plan. The Affordable Rental Investment Fund assists low income renters to meet basic needs by providing 0% interest deferred loans to help cover the costs of providing permanent affordable rental housing. The plan would continue to use the money for the same activity for which the funds were appropriated originally, but applicants would access the funds from a different program. The proposed reallocation of these funds will simplify the application process for developers and communities.

The agency plan changes the eligible activities under the Foreclosure Prevention and Rental Assistance Program to concentrate on foreclosure prevention assistance and eliminate rental assistance.

The agency plan changes the subsidy amount for security deposits for families in the metropolitan area under the Rental Assistance for Family Stabilization (RAFS) program to be consistent with statutory changes made in 1995. RAFS was a 1991 Governor's initiative to provide rental assistance payments to families on public assistance who are enrolled in self-sufficiency programs to become economically self-supportive. \$3 million was appropriated for F.Y. 1996-97.

Revenues Summary:

There is no impact on revenue generation as a result of the agency plan.

Affected Statutes:

M.S. 462A.05, Subd.20; M.S. 462A.205, Subd. 4a; M.S. 462A.207.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$2,500,000 for the biennium be added to the agency plan for the Homeownership Assistance Fund to provide downpayment assistance for low income families moving into homeownership.

The Governor also recommends that \$2,500,000 for the biennium be added to the agency plan for the Rental Assistance for Family Stabilization program to provide rental assistance for families making a rapid transition from welfare to employment.

1998-99 Biennial Budget

AGENCY: Minnesota Housing Finance Agency (MHFA)

AGENCY DESCRIPTION:

The mission of the Minnesota Housing Finance Agency is to address housing needs in Minnesota by providing financial and related customer assistance opportunities so that Minnesotans have decent, safe, affordable housing and stronger communities.

The agency has 2 broad policy objectives for all of its programs: 1) meeting Minnesotan's basic housing needs; and 2) strengthening communities. To achieve these policy objectives, the agency directly and through lenders, community action programs, and local housing and redevelopment authorities provides financial assistance in the form of loans, deferred loans, and grants; provides technical and financial assistance to build housing capacity and to preserve affordable housing financed by the agency; and administers substantial federal monies in the form of Section 8 and Section 236 housing assistance payments.

AGENCY ISSUES:

The following factors are shaping development of policies and programs at the MHFA.

Low Wages and High Housing Costs. The costs of developing new rental housing continues to far outstrip wage levels in lower paying and medium paying jobs. The gap between what it costs to develop a modest rental development and the rent a worker in a low paying industry can afford to pay is \$30,000 per unit.

Home ownership opportunities are limited for wage earners in the majority of the newly created jobs because their earnings are insufficient to save money for a down payment and other entry costs.

Value Gap. A value gap exists in many parts of Greater Minnesota and the older neighborhoods in the metro area between what it cost to build a single family and its market value upon completion.

Property Tax Rates. High rental property tax rates negatively impact the maintenance and efficient use of existing affordable rental housing and the development of new housing.

Welfare Redesign. Changes in the welfare system both at the national and state level have the potential for adversely impacting existing subsidized housing programs and for increasing the number of homeless families and the length of time families are homeless.

Increased Homelessness. Between 1984 and 1994, the number of children experiencing homelessness increased by 518% in the Twin Cities and 318% in Greater Minnesota. 45% of all people using temporary shelter, according to the May 1996 DES quarterly shelter survey, were children. The 1995 Wilder Research Center report on persons without permanent shelter found that 25% of persons in shelter had income from wages. There was a 111% increase in the turn away rate from shelters between May, 1995 and May, 1996.

Discrimination and Not In My Backyard (NIMBY). Discrimination has been identified in the Analysis of Impediments to Fair Housing Choice as a major barrier in obtaining or developing affordable housing. Groups most commonly discriminated against includes people of color, persons with mental illness, poor family; and Section 8 program certificate holders. NIMBY community or neighborhood resistance to affordable housing projects of various kinds is growing in intensity throughout the state.

Changing federal commitment to housing. Rental assistance subsidies through the federal government have historically been the major means of providing affordable housing to the very lowest income households. In the last 2 years, the number of Section 8 certificates and vouchers has been frozen. Operating subsidies for public housing have decreased, thereby impairing the public housing authorities' abilities to properly maintain existing affordable housing. Funding for homelessness programs, including programs designed to prevent homelessness, has decreased. As the budget for the U.S. Department of Housing and Urban Development (HUD) declines and the devolution of responsibility continues, increased responsibility for housing shifts to the states.

Local capacity to deliver housing programs. Local units of government, financial institutions, and non-profit and for-profits developers have all experienced an erosion in their traditional level of support which affects their ability to deliver housing programs. Housing development has grown in complexity and is increasingly dependent on an ability to marshal funding from a variety of sources.

Coordination with other funders. MHFA is committed to coordinating its resources with other players in the affordable housing arena, including other state agencies, local units of government, and the private sector in an effort to increase the total investment in housing. MHFA is working with regional advisory groups throughout the state to develop regional investment guidelines, to assist MHFA in allocating funds. The agency is also coordinating its resources with the Greater Minnesota Housing Fund. The Greater Minnesota Housing Fund was recently capitalized by the McKnight and Blandin Foundations to fund housing developments in Greater Minnesota that support economic development. In the metropolitan area, the agency is working with the Metropolitan Council, the local HUD office, private foundations and nonprofit technical assistance providers to implement the Livable Communities Act and to coordinate resources and develop and apply joint selection criteria for funding housing projects in the metropolitan area.

AGENCY STRATEGIES:

The agency's budget plan is constructed to achieve the following outcomes:

- to serve extremely low income and low income renters;
- to assist in the rehabilitation of owner-occupied housing of low and moderate income owners;
- to serve homeless persons;
- to serve those with special needs;
- to strengthen a community's housing stock;
- to assist in affordable home ownership opportunities for low and moderate first-time home buyers;
- to assist in increasing local organizations' capacity to provide technical assistance, project support, and capacity building to meet community housing needs; and
- to maintain and preserve the existing stock of affordable rental housing.

REVENUE SUMMARY:

MHFA's largest source of financing is the sale of tax-exempt and taxable revenue bonds, approximately 59% of the agency's budget. Proceeds from these bonds provide mortgage loans to first-time home buyers and home improvement loans to homeowners. Repayments made to programs funded by mortgage revenue bonds are made available for the same activities. Repayments made to loan programs are recycled into new loans for the same activities.

Federal funds constitute the second major source of MHFA financing. Federally appropriated funds provided \$66.2 million under the section 8 Housing Assistance Payments program for F.F.Y. 1997. Under the federal Home Investment Partnership Program (HOME) for F.F.Y. 1996, the agency was allotted \$7.6 million to be made available in communities not receiving a direct allocation of HOME funds.

AGENCY: Minnesota Housing Finance Agency (MHFA)
(Continuation)

Repayments made to the revolving loan program for home improvements, multi-family housing development, and home ownership down payments assistance are made available for the same activities.

The Housing Trust Fund receives interest earnings on real estate escrow accounts and interest accruing on revenue bond application fees; forfeited fees; and fees which are not returned.

SUMMARY OF BUDGET REQUEST:

The budget plan includes a request for:

- a consolidation of the Transitional Housing program into the Housing Trust Fund program;
- a reallocation of the funds for the Contract for Deed Guarantee Account demonstration program to the Foreclosure Prevention and Rental Assistance Program;
- elimination of the Home Equity Conversion Counseling program and reallocation of the funds to the Foreclosure Prevention and Rental Assistance Program;
- a redirection of funding to demolish substandard rental housing from the Community Rehabilitation Fund to the Affordable Rental Investment Fund;
- elimination of rental assistance under the Foreclosure Prevention and Rental Assistance Program;
- an increase in the amount of subsidy available for security deposits in the metropolitan area under the Rental Assistance for Family Stabilization Fund (RAFS).

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$2,500,000 for the biennium be added to the agency plan for the Homeownership Assistance Fund to provide downpayment assistance for low income families moving into homeownership.

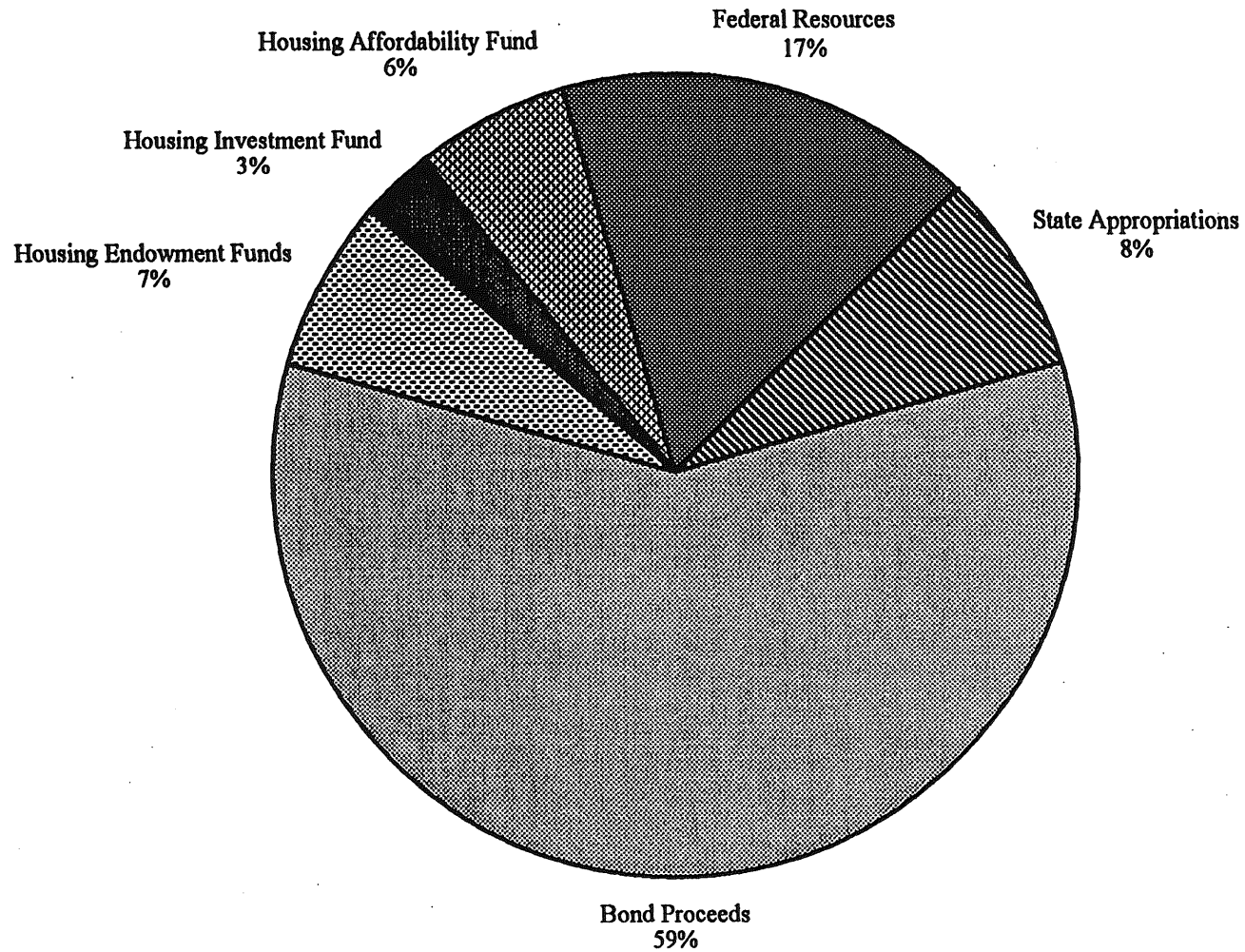
The Governor also recommends that \$2,500,000 for the biennium be added to the agency plan for the Rental Assistance for Family Stabilization program to provide rental assistance for families making a rapid transition from welfare to employment.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
APPROPRIATED PROGRAMS	24,599	40,247	37,634	37,634	40,134	36,815	36,815	39,315
NON-APPROPRIATED PROGRAMS	78,040	83,207	87,519	87,519	87,519	87,379	87,379	87,379
ADMINISTRATION	9,697	9,911	9,911	11,017	11,017	9,911	11,678	11,678
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	112,336	133,365	135,064	136,170	138,670	134,105	135,872	138,372
EXPENDITURES BY FUND:								
=====								
DIRECT APPROPRIATIONS:								
GENERAL			24,007	24,007	26,507	24,007	24,007	26,507
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	112,336	133,365	111,057	112,163	112,163	110,098	111,865	111,865
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	112,336	133,365	135,064	136,170	138,670	134,105	135,872	138,372
FTE BY EMPLOYMENT TYPE:								
=====								
REGULAR	151.9	170.5	170.5	184.5	184.5	170.5	184.5	184.5
TEMP/SEAS/PART_TIME	2.5							
OVERTIME	.2							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	154.6	170.5	170.5	184.5	184.5	170.5	184.5	184.5

**PERCENTAGE DISTRIBUTION OF FUNDING SOURCES
AFFORDABLE HOUSING PLAN
10/1/95 THROUGH 9/30/97**



**1998-99 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Housing Finance Agency

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
Lead Abatement	-0-	Housing	1,395	435	20	-0-
HUD Rental Rehab	-0-	Housing	168	-0-	-0-	-0-
Section 8 Housing Assistance Payments	-0-	Housing	67,177	66,224	67,000	67,000
Permanent Housing for the Handicapped Homeless	-0-	Housing	14	1	-0-	-0-
Shelter Plus Care	-0-	Housing	138	464	464	464
HOME	-0-	Housing	7,853	13,093	13,041	12,921
Housing Opportunities for Persons with AIDS	-0-	Housing	161	710	540	540
HUD Foreclosure Prevention	-0-	Housing	-0-	-0-	5,000	5,000
Agency Total	-0-		76,906	80,927	86,065	85,925

1998-99 Biennial Budget

PROGRAM: Appropriated Programs
AGENCY: Minnesota Housing Finance Agency (MHFA)

PROGRAM DESCRIPTION:

The appropriated programs are all designed to meet one of 2 broad policy objectives: meeting basic housing needs or strengthening communities. Appropriated programs include: the Affordable Rental Investment Fund, the Housing Trust Fund, the Rental Assistance for Family Stabilization program (RAFS), Rehabilitation Loan program, the Family Homeless Prevention and Assistance Program, the Transitional Housing Program, Bridges, the Home Equity Conversion Counseling program, the Community Rehabilitation Fund program, Full Cycle Home Ownership Opportunities Services, Contract for Deed Guarantee Account Program, Foreclosure Prevention and Rental Assistance Program, Minnesota Urban and Rural Homesteading Program, the Urban and Tribal Indian Programs, and the Nonprofit Capacity Building Grant program.

PROGRAM STATUS:

- The large number of programs administered by the agency has contributed to the complexity of developing affordable housing, acted as a barrier to effectively accessing programs, and has increased the costs of agency administration.
- Increasing attention is being given to the need for and the cost effectiveness of foreclosure prevention services and funds. Foreclosure prevention activities preserve the investment and homeowner's equity in the property, avert losses to public and private mortgage insurance and avoid blight to the surrounding neighborhood from vacant and deteriorating properties.
- The federal requirement that home equity loans to seniors must include counseling has increased the private sector's experience with counseling on home equity loans and decreased the need for state funding for a Home Equity Conversion Counseling Program.
- Increased lender activity in purchase/rehabilitation products and revisions to HUD's 203K program have enhanced the ability of low and moderate income homeowners to convert existing contracts for deed into mortgages.
- The focus of the Community Rehabilitation Program has changed to single-family homeownership exclusively.
- The rental assistance portion of the Foreclosure Prevention and Rental Assistance Program has been seriously underutilized.
- The Housing Trust Fund is frequently the source of matching funds for grantees under the Transitional Housing Fund.
- Due to the relatively high costs of rental housing in the metropolitan area compared to greater Minnesota, the subsidy for security deposits allowable under the Rental Assistance for Family Stabilization has limited the usefulness of the program for families living in the metropolitan area.

PLANNED RESULTS:

The agency budget plan will improve the accomplishment of performance objectives identified in the annual performance report, as follows:

- Approximately 60 additional homeowners will be provided homeownership opportunities through foreclosure prevention services by the proposed redirection of resources from other programs.
- The proposed changes to the Rental Assistance for Family Stabilization Program will assist extremely low- and low-income renters by increasing the amount of the subsidy for security deposits for families living in the metropolitan area to help relieve the high rent burden.
- Consolidation and streamlining of agency programs will increase the efficiency of the administration of agency programs and ease access to programs which will improve the agency's ability to meet all of its performance objectives.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- Consolidation of the \$1,100,000 Transitional Housing program into the Housing Trust Fund.
- Elimination of the \$100,000 demonstration Contract for Deed Guarantee program and a reallocation of the funds to the Foreclosure Prevention and Rental Assistance Program (FPRAP).
- Elimination of the Home Equity Conversion Counseling Program and a reallocation of the \$50,000 appropriation to the Foreclosure Prevention and Rental Assistance program (FPRAP).
- Redirection of \$500,000 from the Community Rehabilitation Fund to the Affordable Rental Investment Fund for grants to reconfigure, acquire, demolish, remove or rehabilitate multifamily rental property to reduce concentrations of substandard multifamily rental housing.
- Change the eligible activities under the Foreclosure Prevention and Rental Assistance Program to concentrate on foreclosure prevention assistance and eliminate rental assistance.
- Change the subsidy amount for security deposits for families in the metropolitan area under the Rental Assistance for Family Stabilization (RAFS) program to be consistent with statutory changes made in 1995 regarding monthly assistance.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an additional \$2,500,000 for the biennium be added to the Rental Assistance for Family Stabilization program.

The Governor also recommends an additional \$2,500,000 for the biennium be added to the Homeownership Assistance Fund.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY
PROGRAM: APPROPRIATED PROGRAMS

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MEETING BASIC HOUSING NEEDS	16,590	28,719	27,889	28,114	29,364	27,889	28,114	29,364
STRENGTHENING COMMUNITIES	8,009	11,528	9,745	9,520	10,770	8,926	8,701	9,951
TOTAL EXPENDITURES BY ACTIVITY	24,599	40,247	37,634	37,634	40,134	36,815	36,815	39,315
AGENCY PLAN ITEMS:		FUND						
TRANSITIONAL HOUSING		GEN		<550>			<550>	
HOUSING TRUST FUND		GEN		550			550	
CONTRACT FOR DEED GUARANTEES		GEN		<50>			<50>	
FORECLOSURE PREVENTION & RENT ASSISTANCE		GEN		50			50	
HOME EQUITY CONVERSION COUNSELING		GEN		<25>			<25>	
FORECLOSURE PREVENTION & RENT ASSISTANCE		GEN		25			25	
COMMUNITY REHABILITATION FUND		GEN		<250>			<250>	
AFFORDABLE RENTAL INVESTMENT FUND		GEN		250			250	
TOTAL AGENCY PLAN ITEMS								
GOV'S INITIATIVES:		FUND						
(B) RENT ASSISTANCE FOR FAMILY STABILIZATION		GEN			1,250			1,250
(B) HOMEOWNERSHIP ASSISTANCE FUND		GEN			1,250			1,250
TOTAL GOV'S INITIATIVES					2,500			2,500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL			24,007	24,007	26,507	24,007	24,007	26,507
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	24,599	40,247	13,627	13,627	13,627	12,808	12,808	12,808
TOTAL EXPENDITURES	24,599	40,247	37,634	37,634	40,134	36,815	36,815	39,315
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Meeting Basic Housing Needs
PROGRAM: Appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)

ACTIVITY DESCRIPTION:

Activities related to meeting basic housing needs are directed primarily at households who are unable to obtain or maintain decent, safe affordable housing that meets the needs of those living in it. Efforts to meet the goal of meeting basic housing needs center around 4 broad service areas: 1) serving low and extremely low income renters; 2) rehabilitation of owner occupied housing for low and extremely low income households; 3) serving homeless persons; 4) serving persons with special needs.

- A. Extremely low and low income renters - those with annual household incomes of under \$21,750- are served by subsidizing the costs of new construction of rental units and the costs of rehabilitation of existing affordable rental units. A family of 3 with one wage earner earning \$7.65 per hour can afford \$382 per month for shelter costs. It is virtually impossible to develop new rental housing that is affordable at this income level, even when the housing carries no debt service because the typical maintenance, operating costs, and property taxes equal almost this amount.

Three appropriated programs assist in meeting basic housing needs by serving low and extremely low income renters: the Affordable Rental Investment Fund, the Housing Trust Fund, and the Rental Assistance for Family Stabilization program (RAFS).

1. Affordable Rental Investment Fund

The Affordable Rental Investment Fund provides 0% interest-deferred loans for the production or rehabilitation of the type of low and moderate income rental housing. Priority is given to projects which leverage other resources. The income limits are 80% of statewide median income; rents must be affordable to households at 50% of statewide median income. The amount appropriated for F.Y. 1996-1997 was \$12,986,000.

2. Housing Trust Fund

The Housing Trust Fund provides 0% interest deferred loans for the financing of affordable rental housing, limited equity cooperative housing, and home ownership opportunities for very low income households. Funds for rental housing benefit households with incomes of up to 30% of the metropolitan area median income. The amount appropriated for F.Y. 1996-1997 was \$3,596,000.

3. Rental Assistance for Family Stabilization program (RAFS)

The RAFS program provides up to \$250 per month in the metropolitan area and \$200 per month in Greater Minnesota for rental assistance to families receiving public assistance who are participating in a self-sufficiency program. Rental assistance is available for up to 36 months. To be eligible, a family must be paying more than 30% of its income for rent and must live in a county with housing costs in the top one-third of the state. The amount appropriated for F.Y. 1996-1997 was \$3,000,000.

- B. The preservation of owner occupied housing for extremely low income and low income households is the second major component of efforts to meet basic housing needs. Because it is so difficult to develop new housing which is affordable to extremely low income and low income

households, existing affordable housing must be preserved. Extremely low income and low income homeowners often cannot afford to make needed repairs to maintain their home after paying the monthly mortgage payments. Maintenance, if deferred too long, poses health and safety problems. The Rehabilitation Loan program supports this activity.

1. Rehabilitation Loan Program

The Rehabilitation Loan Program provides deferred loans of up to \$10,000 to very low income homeowners for the purpose of correcting health and safety hazards within their homes and improving their habitability, accessibility, and energy efficiency. Loans are forgiven if the homeowner continues to own and occupy the property for at least 10 years. Repayments are recycled into new loans. Historically, repayments under this program have averaged about \$1,000,000 per year. The amount appropriated for this programs in F.Y. 1996-1997 was \$8,574,000.

- C. Housing assistance to homeless persons takes the form of both temporary and permanent housing and is frequently combined with social services. While affordable permanent housing is the ultimate solution for homeless persons, temporary shelter, both emergency and transitional housing, must be available to provide an immediate harbor for youth and women escaping abuse. Transitional housing gives homeless persons the time and support to develop job skills, overcome addictions, or stabilize their lives in preparation for moving to permanent housing. Between 1985 and 1994, there was a 240% increase in the Twin Cities Metro area in the number of persons requesting emergency shelter. Greater Minnesota experienced a 313% increase in the number of persons using temporary housing programs during that same time period. Between May, 1995 and May, 1996, there was an 111% increase in the number of people turned away from emergency shelter. The number of turnaways from transitional housing increased by 146% during that same period. The Family Homeless Prevention and Assistance Program and the Transitional Housing Program provide assistance to homeless persons.

1. Family Homeless Prevention and Assistance Program

The Family Homeless Prevention and Assistance Program (FHPAP) provides flexible grants to counties or community-based non-profit organizations to use to assist families or youth who are homeless or at imminent risk of homelessness. Grant recipients are required to design or redesign an emergency response system to shift the focus to prevention of homelessness and a more rapid move to transitional or permanent housing. 40 counties are now served by a FHPAP. \$4,450,000 was appropriated for FHPAP in F.Y. 1996-1997.

2. Transitional Housing Program

The Transitional Housing Program provides loans or grants for the construction, acquisition, or rehabilitation of housing for low income individuals and families having an immediate need for temporary or transitional housing. Public agencies, limited-dividend entities, and non-profit organization with housing development experience are eligible program applicants. Financing is available in the form of deferred loans, forgiven at the rate of 20% per year. Matching funds of at least 50% must be secured at the time of application. The amount appropriated for F.Y. 1996-1997 was \$1,100,000.

- D. Housing assistance to persons with special needs often overlaps with housing assistance for extremely low and low income renters. Housing for many persons with special needs requires adaptation or reconfiguration of the housing to accommodate the special needs. Medical or social services must be tied to the housing assistance in order to maintain persons with special needs in the community.

1998-99 Biennial Budget

BUDGET ACTIVITY: Meeting Basic Housing Needs
PROGRAM: Appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)
(Continuation)

Three appropriated programs assist in meeting basic housing needs by serving persons with special needs: the accessibility loan component of the Rehabilitation Loan program, Bridges, and the Home Equity Conversion Counseling program.

1. Accessibility Loan Fund

The accessibility loan fund is a component of the Rehabilitation Loan program. Deferred loans of up to \$10,000 are provided to make modifications to the residences of households with disabled members. The loans are forgiven after 5 years, provided the borrower continues to own and occupy the home. Repayments are recycled into new loans.

2. Bridges

The Bridges program (statutorily known as the Rent Assistance for Persons with Mental Illness program) provides rent assistance for households in which at least 1 adult member has a serious and persistent mental illness. Eligibility for the program is limited to households with incomes below 50% of area median income. This activity links housing with social services through a partnership between a housing agency and a social service agency. The rental assistance is intended to stabilize the household in the community until a section 8 certificate or voucher becomes available. \$2,400,000 was appropriated for this program for F.Y. 1996-1997.

3. Home Equity Conversion Counseling

The Home Equity Conversion Counseling program provides a grant to the Senior Federation to provide counseling to senior homeowners who are considering a home equity conversion loan. \$50,000 was appropriated for F.Y. 1996-1997 for this activity.

BUDGET ISSUES:

1. Transitional Housing

The consolidation of the Transitional Housing program into the Housing Trust Fund will continue the streamlining of agency programs to ease customer/partner relationships with the agency. Both programs are targeted to extremely low income persons. Transitional housing is one of the activities funded under the Housing Trust Fund. Frequently projects receiving funding from the Transitional Housing Program also receive funding from the Housing Trust Fund.

2. Home Equity Conversion Counseling

Elimination of the Home Equity Conversion Counseling program and reallocation of the \$50,000 appropriation to the Foreclosure Prevention and Retail Assistance Program will target scarce state resources to activities that aren't provided in the private sector. Federal law requires that home equity loans to seniors include a counseling. This federal requirement has increased the private sector's experience and interest in providing home equity counseling.

3. Rental Assistance for Family Stabilization

The 1995 Legislature changed the program requirements to further relieve high rent burdens of families in the metropolitan area. The plan proposes to similarly change program requirements to permit a higher subsidy for security deposits for families living in the metropolitan area. The change will improve the effectiveness of the rental assistance to the targeted extremely low income families.

REVENUE:

This activity generates dedicated revenue.

1. Rehabilitation Loan Program

Loans have a repayment requirement in the event the owner sells or ceases to reside in the improved property within a specified period, depending on the type of loan. Revenues are used to make new loans.

GRANTS:

The following programs provide assistance in the form of grants:

Rental Assistance for Family Stabilization program (RAFS), M.S. 462A.205;

Family Homeless Prevention and Assistance Program, M.S. 462A.204;

Bridges, M.S. 462A.2097; and

Home Equity Conversion Counseling, M.S. 462A.28.

These programs are described above.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an additional \$2,500,000 for the biennium be added to the Rental Assistance for Family Stabilization program to provide rental assistance for families making a rapid transition from welfare to employment.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY
PROGRAM: APPROPRIATED PROGRAMS
ACTIVITY: MEETING BASIC HOUSING NEEDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	948	804	804	804	804	804	804	804
SUBTOTAL STATE OPERATIONS	948	804	804	804	804	804	804	804
PAYMENTS TO INDIVIDUALS	4,181	7,574	7,062	7,037	8,287	7,062	7,037	8,287
OTHER EXPENSES	11,461	20,341	20,023	20,273	20,273	20,023	20,273	20,273
TOTAL EXPENDITURES	16,590	28,719	27,889	28,114	29,364	27,889	28,114	29,364
AGENCY PLAN ITEMS:		FUND						
TRANSITIONAL HOUSING		GEN		<550>			<550>	
HOUSING TRUST FUND		GEN		550			550	
HOME EQUITY CONVERSION COUNSELING		GEN		<25>			<25>	
AFFORDABLE RENTAL INVESTMENT FUND		GEN		250			250	
TOTAL AGENCY PLAN ITEMS				225			225	
GOV'S INITIATIVES:		FUND						
(B) RENT ASSISTANCE FOR FAMILY STABILIZATION		GEN			1,250			1,250
TOTAL GOV'S INITIATIVES					1,250			1,250
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL			18,228	18,453	19,703	18,228	18,453	19,703
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	16,590	28,719	9,661	9,661	9,661	9,661	9,661	9,661
TOTAL EXPENDITURES	16,590	28,719	27,889	28,114	29,364	27,889	28,114	29,364

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Housing Finance Agency (MHFA)
PROGRAM: Appropriated Programs
ACTIVITY: Meeting Basic Housing Needs

ITEM TITLE: Rental Assistance for Family Stabilization

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$1,250	\$1,250	\$1,250	\$1,250
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. 462A

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the biennial budget by \$2,500,000 to the Rental Assistance for Family Stabilization (RAFS) program bringing the biennial appropriation to \$5,500,000.

RATIONALE:

This initiative helps ensure the long-term success of welfare reform efforts by building reliable supports for families outside of the welfare system. RAFS provides rental assistance payments to families on public assistance who are enrolled in self-sufficiency programs to become economically self-supportive. The proposed expansion of RAFS would provide rental assistance to families who are making a rapid exit from welfare for employment without first seeking training. The proposed expansion is consistent with the strategy of MFIP - the state's welfare reform initiative.

PROGRAM OUTCOMES:

An additional 250 families would be assisted for a 3 year period with the recommended \$2,500,000 increase.

LONG-TERM IMPACT:

Welfare dependency and child poverty will be reduced by providing one of the essential supports for work to those families leaving welfare and moving into work.

1998-99 Biennial Budget

BUDGET ACTIVITY: Strengthening Communities
PROGRAM: Appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)

ACTIVITY DESCRIPTION:

Housing is an important component of a community's vitality. The availability, cost, and condition of the housing influences the community's ability to attract and sustain economic development. A decline in a community's housing stock can adversely impact property values and revenues from property taxes. Declining neighborhoods are disproportionately the site of criminal activities. Once a community is perceived as having declined, its ability to attract new investment, in terms of new homeowners, rehabilitation, and new commerce, is seriously impaired. Activities designed to strengthen communities fall into 4 categories: 1) strengthening a community's housing stock; 2) assisting in providing home ownership opportunities; 3) assisting in building capacity; and 4) preserving affordable MHFA-financed housing.

- A. A community's housing stock is strengthened through the provision of funding for revitalization of specific neighborhoods. Communities with a predominantly older housing stock can encourage continued home ownership in an area by offering funds to improve the housing in need of update and code compliance. Targeting resources at a particular area of a community can produce discernible results not just for the homes being rehabilitated but also for the neighborhood as a whole.

The Community Rehabilitation Fund program is an appropriated program which strengthens communities by strengthening the housing stock.

1. Community Rehabilitation Fund

The Community Rehabilitation Fund program provides grants to cities for the preservation or improvement of designated neighborhoods or areas. The program provides a flexible grant which may be used for single family construction, acquisition, rehabilitation, demolition, permanent financing, and refinancing. Gap financing (the difference between the costs of producing or rehabilitating a building and the appraised value upon completion) is also an eligible use of the funds. \$5.3 million was appropriated for F.Y. 1996-1997 for this program.

- B. Assistance with home ownership opportunities is a second major component of the agency's efforts to strengthen communities. High home ownership rates are perceived as a critical element of a community's stability. Many Minnesotans have sufficient income to make monthly mortgage payments but do not believe that home ownership is within their reach, lack the knowledge necessary to access financing, or have encountered other institutional barriers to obtaining home ownership financing. Others have purchased a home but have suffered a temporary financial setback that puts them at risk of losing their home.

There are 6 programs funded through state appropriations that assist in home ownership opportunities: 1) Full Cycle Home Ownership Opportunities Services; 2) Contract for Deed Guarantee Account Program; 3) Foreclosure Prevention and Rental Assistance Program; 4) Minnesota Urban and Rural Homesteading Program; 5) the Urban and Tribal Indian Programs; and 6) the Home Ownership Assistance Fund.

1. Full Cycle Home Ownership Opportunities Services

The Full Cycle Home Ownership Opportunities Services program provides grants to experienced nonprofit organizations to provide comprehensive home buyer training and support on either a pre- or post - purchase basis for low and moderate-income first-time home buyers. Funds may be used for either administrative support or program support. \$500,000 was appropriated for this program for F.Y. 1996-1997.

2. Contract for Deed Guarantee Program

The Contract for Deed Guarantee Program is a program designed to enable individuals who have purchased a home on a contract for deed to refinance it with traditional mortgage financing. These program funds are combined with agency first mortgage funds. Funds are available for exclusive use in a designated neighborhood and may be used in a variety of manners including gap and equity investment. For F.Y. 1996-1997, \$100,000 was appropriated for this program.

3. Foreclosure Prevention and Rental Assistance Program

The Foreclosure Prevention and Rental Assistance Program provides interest-free loans for renters and homeowners who are faced with eviction or foreclosure due to a temporary financial hardship; it also provides non-financial assistance in the form of financial counseling services, screening and assessment, referrals, case management and advocacy. Priority is given to households with incomes at or below 60% of area median income limits. For 1996, in the metro area this was \$32,760 for a family of 4. Non-profit, community-based organizations administer the program. \$566,000 was appropriated for this program for the F.Y. 1996-97 biennium.

4. Minnesota Urban and Rural Homesteading Program

The Minnesota Urban and Rural Homesteading Program provides grants to nonprofit housing providers or cities to acquire single family residences which are vacant, condemned, or abandoned, rehabilitate those properties and then sell them on a contract for deed to first time low and moderate income home buyers who are defined as "at risk". \$372,000 was appropriated for this program for the F.Y. 1996-97 biennium.

5. Indian Housing Programs

The Tribal Indian Housing Program provides mortgage loans, home improvement financing, and rental opportunities to American Indian families and persons throughout the state. Individual programs have been developed by each of the 3 Indian tribes that administer the program through their respective tribal housing authorities: Minnesota Chippewa Tribe Housing Corporation, the Minnesota Dakota Indian Housing Authority, and the Red Lake Housing Finance Corporation. All of the tribes must recycle any repayments and prepayments into new housing loans. The state appropriations are used exclusively for housing loans; administrative costs are paid for from the earnings on loans made. \$3,366,000 was appropriated for this program for F.Y. 1996-1997.

The Urban Indian Housing Program provides both home ownership and rental housing opportunities for low- and moderate-income American Indians residing in the urban areas of the state. The program provides below market interest rate financing for first time home buyers. Funding is also available for the development of special assistance program components of projects that address specifically identified needs of American Indians that are

1998-99 Biennial Budget

BUDGET ACTIVITY: Strengthening Communities
PROGRAM: Appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)
(Continuation)

sponsored by nonprofit organizations. \$374,000 was appropriated for this program for F.Y. 1996-1997.

6. Home Ownership Assistance Fund (HAF)

HAF provides down payment assistance to more modest income home buyers who are purchasing their first home through one of the agency's mortgage revenue bond programs. Assistance is in the form of a 0% interest second mortgage loan. Home Ownership Assistance Fund (HAF) loans are repaid on a graduated basis. Eligible home buyers must have income that does not exceed 115% of state or area median. This program has not received an appropriation since 1991. Repayments and prepayments of loans are required into new loans.

C. The development of affordable housing is increasing in complexity. In order to achieve affordability, developers must obtain funding from multiple sources which often have separate funding conditions. Many communities in the state are hindered in their efforts to develop affordable housing by the lack of local expertise in housing development. The agency is committed to alleviating some of the complexities of developing affordable housing by consolidating programs whenever possible, simplifying the application process, and adhering to an established schedule for availability of funds. The agency provides financial assistance in building housing capacity through the Nonprofit Capacity Building Grant program.

1. Nonprofit Capacity Building Grants

The Nonprofit Capacity Building Grants program provides grants to nonprofit organizations and local units of government for the purpose of expanding their capacity to provide housing and housing-related services to low-income persons within the organization's service area. Grants may be used for staff training, needs assessment, strategic planning, and other activities which will enable the organization to better address local housing needs. \$80,000 for the biennium is set aside for the Minnesota Housing Partnership to be used for the regional housing network organizations that provide housing and homeless prevention information and assistance in Greater Minnesota. An organization in the each of the 6 Minnesota Initiative Fund regions receives a \$25,000 capacity building grant for the biennium to address the affordable housing needs created by economic development in the region, and a \$50,000 grant for the biennium is made for similar activities in the metro area. The balance is not targeted for a specific organization or geographic area. \$480,000 was appropriated for F.Y. 1996-1997 for this program.

BUDGET ISSUES:

1. Contract for Deed Guarantee

Elimination of the Contract for Deed Guarantee program and redirection of the \$100,000 appropriation to the Foreclosure Prevention and Rental Assistance Program will be a more

effective way to assist in home ownership opportunities. The Contract for Deed Guarantee program is a demonstration program. Due to the limited appropriations, the options for the use of the funds were somewhat limited. The private sector is increasing its activities related to converting contracts for deed into traditional mortgages.

2. Foreclosure Prevention and Rental Assistance Program (FPRAP)

Preventing foreclosure has proven to be extremely cost-effective. FPRAP has had an 85% success rate, with success defined as the recipient of a FPRAP loan is current on repayments to the agency and has not gone into default on the mortgage or faced eviction since receipt of the FPRAP loan. Redirection of funds from the Contract for Deed Guarantee program to FPRAP will assist at least 40 additional families in avoiding foreclosure and the loss of their home.

3. Community Rehabilitation Fund

Reallocation of the \$500,000 appropriation for acquisition, demolition, reconfiguration of substandard multi-family housing from the Community Rehabilitation Fund to the Affordable Rental Investment Fund for the same use will aid in simplifying the application process.

REVENUE:

The following activities generate dedicated revenues:

1. Indian Housing Programs

By contractual arrangement with tribal administrators, funds repaid under the Tribal Indian Housing Program are placed in a revolving fund with the program administrators and made available for administrative expenses and new loans.

Under the Urban Indian Housing Program, funds are typically repaid on an interest-free basis and are made available for new activities under the program.

GRANTS:

The following programs provide assistance in the form of grants:

Full Cycle Home Ownership Opportunities Services, M.S.462A.2091;

The Contract for Deed Guarantee Program, M.S. 462A.209;

The Minnesota Urban and Rural Homesteading Program, M.S. 462A.057; and

Nonprofit Capacity Building Grants, M.S. 462A.21, Subd. 36.

See above for a description of these programs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an additional \$2,500,000 for the biennium be added to the Homeownership Assistance Fund to provide down payment assistance for low income families moving into homeownership.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY
PROGRAM: APPROPRIATED PROGRAMS
ACTIVITY: STRENGTHENING COMMUNITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	292	349	165	115	115	165	115	115
SUBTOTAL STATE OPERATIONS	292	349	165	115	115	165	115	115
PAYMENTS TO INDIVIDUALS	1,864	3,740	3,987	3,737	3,737	3,987	3,737	3,737
LOCAL ASSISTANCE	203	389	294	294	294	294	294	294
OTHER EXPENSES	5,650	7,050	5,299	5,374	6,624	4,480	4,555	5,805
TOTAL EXPENDITURES	8,009	11,528	9,745	9,520	10,770	8,926	8,701	9,951
AGENCY PLAN ITEMS:		FUND						
CONTRACT FOR DEED GUARANTEES		GEN		<50>			<50>	
FORECLOSURE PREVENTION & RENT ASSISTANCE		GEN		50			50	
FORECLOSURE PREVENTION & RENT ASSISTANCE		GEN		25			25	
COMMUNITY REHABILITATION FUND		GEN		<250>			<250>	
TOTAL AGENCY PLAN ITEMS				<225>			<225>	
GOV'S INITIATIVES:		FUND						
(B) HOMEOWNERSHIP ASSISTANCE FUND		GEN			1,250			1,250
TOTAL GOV'S INITIATIVES					1,250			1,250
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL			5,779	5,554	6,804	5,779	5,554	6,804
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	8,009	11,528	3,966	3,966	3,966	3,147	3,147	3,147
TOTAL EXPENDITURES	8,009	11,528	9,745	9,520	10,770	8,926	8,701	9,951

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Housing Finance Agency (MHFA)
PROGRAM: Appropriated Programs
ACTIVITY: Strengthening Communities

ITEM TITLE: Homeownership Assistance Fund (HAF)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$1,250	\$1,250	\$1,250	\$1,250
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the biennial budget by \$2,500,000 to the Homeownership Assistance Fund (HAF) program. This program currently has no state appropriation.

RATIONALE:

This initiative provides the 4th component - equity contribution loans - of a comprehensive homeownership plan for very low income households, including a targeted assistance plan to move families from subsidized housing into homeownership. The 4 components are: 1) downpayment assistance and possibly additional entry cost assistance, through the Homeownership Assistance Fund; 2) a below market interest rate mortgage through the tax exempt bond mortgage program; 3) homebuyer counseling through the Home Stretch program; and 4) an equity contribution loan through the Homeownership Assistance Fund. Equity contribution loans have been a crucial component of local efforts to move families into homeownership.

A substantial percentage of families living in subsidized housing are employed and may have sufficient income to be able to move from subsidized housing to homeownership with some targeted assistance. Homeownership reinforces the principle that families who work are better off financially than families receiving public assistance.

PROGRAM OUTCOMES:

Approximately 290 families would be assisted with equity participation loans with the recommended \$2,500,000.

LONG-TERM IMPACT:

The families assisted would gain obvious benefits from entry into homeownership. A second important benefit from this initiative is that by freeing up some of the supply of very affordable rental housing, a scarce federal resource is stretched to serve a greater number of low income families.

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: Non-appropriated Programs

AGENCY: Minnesota Housing Finance Agency (MHFA)

PROGRAM DESCRIPTION:

The non-appropriated programs consist of the following activities: Section 8 Housing Assistance Payments; Home Investment Partnership Programs (HOME); Housing Tax Credit; Shelter Plus Care; Nonprofit Capacity Building Loan Program; Publicly Owned Transitional Housing Program; the Low and Moderate Income Rental program; the Innovative Housing Loan program; Housing Opportunities for Persons with Aids (HOPWA); Partnership in Affordable Housing; the Deferred Maintenance Program; Multi-family Troubled Properties Operation Subsidies; Youth Employment Incentives Program; and the mortgage revenue bond programs for home ownership, home improvements, and rental projects.

PROGRAM STATUS:

The agency works directly with the following goals:

- to provide leadership in addressing housing needs in Minnesota;
- to encourage and participate in partnerships with the public and private sector organizations, in order to increase affordable housing opportunities in Minnesota;
- to take full advantage of existing resources for funding and financing housing;
- to conduct activities with the highest degree of fiscal responsibility and integrity;
- to provide technical assistance opportunities as well as financing to ensure that resources are used as efficiently and effectively as possible in all areas of the state;
- to help build stronger communities and neighborhoods by increasing the availability of quality, affordable housing and a variety of housing options.

PLANNED RESULTS:

The agency budget plan will not directly affect the non-appropriated programs.

BUDGET AND REVENUE SUMMARY:

The agency budget plan will not directly affect the non-appropriated programs.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Governor's Office

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$3,504	\$3,504	\$7,008
<u>BASE ADJUSTMENT</u>			
1998-99 Compensation Inflation	62	126	188
Documented Rent/Lease Inc	<u>35</u>	<u>36</u>	<u>71</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$3,601	\$3,666	\$7,267
<u>AGENCY DECISION ITEMS</u>			
Cncl of Great Lakes Governors Membership	10	10	20
Governor's Portrait	15	-0-	15
Consolidation of Executive Operations	<u>160</u>	<u>163</u>	<u>323</u>
<u>AGENCY REQUESTS (for 1998 and 1999)</u>	\$3,786	\$3,839	\$7,625
<u>GOVERNOR'S INITIATIVES</u>			
Sustainable Growth Initiative	185	173	358
Non-Discretionary Cost Increases (Governor's Residence)	<u>45</u>	<u>45</u>	<u>90</u>
GOVERNOR'S RECOMMENDATIONS	\$3,831	\$3,884	\$7,715

Brief Explanation of Agency Requests:

The Governor's requests include:

- \$10,000 for an annual membership increase in the Council of Great Lakes Governors.
- \$15,000 in F.Y. 1998 to produce a framed, painted portrait of the Governor to be displayed in the State Capitol building.
- Consolidation of executive operations by funding 2 positions in the Governor's Office which are currently located in Minnesota Planning. This initiative requires \$160,000 in F.Y. 1998 and \$163,000 in F.Y. 1999.

Revenue Summary:

- No dedicated receipts are anticipated.

GOVERNOR'S RECOMMENDATION:

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the Courts, Public Defender, Constitutional officers, Legislature and Governor's office grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Governor's office, this amounts to a biennial increase of \$546,000 which includes the base adjustment provided for salaries.

In his February Supplemental Budget, the Governor recommends an additional \$90,000 in the biennium to fund non-discretionary cost increases at the Governor's residence. This increase is necessary to fund an on-going workers compensation claim of \$39,000 per year and increased taxes and utilities of \$6,000 per year.

1998-99 Biennial Budget

Governor's Office

AGENCY DESCRIPTION:

As chief executive, the governor is responsible for the general direction and supervision of the affairs of the state. The governor appoints the majority of state department heads and the members of most boards and commissions. The governor fills vacancies which occur in judgeships, commissions, public notaries, issues extradition papers and restores civil rights to felons, fills the position of commander-in-chief of the military forces of Minnesota, prepares comprehensive long range plans for the orderly coordinated growth of the state, and establishes advisory committees to aid in developing his legislative proposals and plans for executive action. The governor has the responsibility of informing the legislature of the general condition of the state; of reviewing all laws passed by the legislature and calling of special sessions of the legislature when needed. The governor is responsible for the biennial budget and its presentation to the legislature.

Executive Operations - Governor

The executive operations of the Governor's Office encompass various levels of support that allow the governor to fulfill his responsibilities as required under the authority of the constitution and statutory laws of the state.

The Governor's Office is organized to provide the necessary assistance to enable the governor to effectively administer his duties as chief executive. Major duties of the governor are to:

- oversee and provide leadership for the day to day operation of state government, with emphasis on quality service delivery and state agency responsiveness to Minnesota citizens;
- take the lead in shaping public policy;
- develop programs directed toward efficient, effective operation of state government;
- represent the citizens of the state at various official and non-official functions at local, state and national levels;
- promote business development and help create new jobs with assistance and advice from legislators and business leaders;
- utilize the Governor's Residence for visiting guests and dignitaries and to provide a comfortable living quarters for the governor and his family;
- participate with other governors in the National Governor's Association, sharing information and developing new ideas for government reform and implementation of policy initiatives;
- appoint citizens to state boards and commissions and to appoint judges for all court systems when vacancies occur; and
- perform all other duties as specified by the laws of the state.

Executive Operations - Lieutenant Governor

The lieutenant governor's chief duty is to assist the governor in carrying out the functions of the executive branch (and to be prepared to act in the governor's absence when required). This program encompasses all levels of support that make it possible for the lieutenant governor to fulfill these responsibilities. Major duties of the lieutenant governor as authorized by statute or delegated by the governor are to:

- coordinate the state's tourism program;
- initiate and coordinate programs designed to lessen violence and protect the victims of violence;
- develop and promote policies supporting Minnesota's children and families;
- assist the governor in implementing and publicizing policies aimed at enhancing job growth;
- assist in the development of policies and programs relating to the status of women and minorities;

- chair the Capitol Area Architectural Planning Board;
- serve as a member of the Executive Council; and
- carry out all gubernatorial assignments.

AGENCY CHALLENGES:

Factors shaping the development of policies and priorities for the Governor's Office:

- the need to refocus secondary and post-secondary education to develop for Minnesota's young people the technical skills that will ensure employability in the 21st Century;
- the need to develop a state budget that constrains the price of government and contains no general tax increases;
- the need to improve the delivery of services to children by restructuring and reforming current system.
- the need to restructure the current welfare system to encourage individual self-reliance and strengthen programs that support families;
- the need to communicate the governor's initiatives to the general public, to respond to questions and comments from Minnesota citizens, and to work with legislators and state agency heads to achieve the above goals.

AGENCY STRATEGIES:

The Governor's Office budget plan is constructed so that the governor may:

- work with educators, legislators and state agency heads to develop programs that better prepare Minnesota's young people for the technical jobs of the future by establishing apprenticeship programs and improving the state's technical and community college systems;
- assure the careful review of all spending systems, eliminate wasteful, overlapping and duplicate programs, limit the growth of government spending and protect the Minnesota taxpayer from a general rate increase;
- improve delivery of education and other services to children;
- develop plans and programs that will reform the welfare system, decrease individual reliance on government aid, increase marketable skills and target social investment that strengthens the family unit;

SUMMARY OF BUDGET REQUEST:

- The plan provides for a \$10,000 annual membership increase in the Council of Great Lakes Governors.
- \$15,000 is requested in F.Y. 1998 to produce a framed, painted portrait of the Governor to be displayed in the State Capitol building.
- Consolidation of executive operations requires the transfer of 2 positions from Minnesota Planning to the Governor's Office. This initiative requires \$160,000 in F.Y. 1998 and \$163,000 in F.Y. 1999.

GOVERNOR'S RECOMMENDATION:

The Governor recommends General Fund spending of \$7,625,000 for the biennium, which incorporates a sustainable growth initiative of \$358,000. General Fund revenues for F.Y. 1998-99 are projected to grow by 7.7% over the current biennium and the Governor recommends funding increases equal to that growth for the Courts, Public Defender, Constitutional Officers, Legislature, and the Governor's office.

In his February Supplemental Budget, the Governor recommends an additional \$90,000 in the biennium to fund non-discretionary cost increases at the Governor's residence. This increase is necessary to fund an on-going workers compensation claim of \$39,000 per year and increased taxes and utilities of \$6,000 per year.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: GOVERNORS OFFICE
PROGRAM: GOVERNOR'S OFFICE
ACTIVITY: GOVERNOR'S OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,420	2,599	2,566	2,726	2,765	2,630	2,793	2,832
OPERATING EXPENSES	946	1,061	1,035	1,060	1,066	1,036	1,046	1,052
SUBTOTAL STATE OPERATIONS	3,366	3,660	3,601	3,786	3,831	3,666	3,839	3,884
TOTAL EXPENDITURES	3,366	3,660	3,601	3,786	3,831	3,666	3,839	3,884
AGENCY REQUEST ITEMS:		FUND						
CNCL OF GRT LKS GOVERNORS - INCREASE		GEN		10			10	
GOVERNOR'S PORTRAIT		GEN		15				
CONSOLIDATION OF EXECUTIVE OPERATIONS		GEN		160			163	
TOTAL AGENCY REQUEST ITEMS				185			173	
GOV'S INITIATIVES:		FUND						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			185			173
(B) INCREASED RESIDENCE COSTS		GEN			45			45
TOTAL GOV'S INITIATIVES					230			218
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,366	3,657	3,601	3,786	3,831	3,666	3,839	3,884
STATUTORY APPROPRIATIONS:								
GIFT		3						
TOTAL EXPENDITURES	3,366	3,660	3,601	3,786	3,831	3,666	3,839	3,884

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: GOVERNORS OFFICE
PROGRAM: GOVERNOR'S OFFICE
ACTIVITY: GOVERNOR'S OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
GIFT	1							
NONDEDICATED:								
GENERAL	4	3	3	3	3	3	3	3
TOTAL REVENUES COLLECTED	5	3	3	3	3	3	3	3
FTE BY EMPLOYMENT TYPE:								
REGULAR	53.3	53.3	53.3	55.3	55.3	53.3	55.3	55.3
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	53.4	53.4	53.4	55.4	55.4	53.4	55.4	55.4

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PLANNING, STRATEGIC & L R
PROGRAM: STRATEGIC & L R PLANNING
ACTIVITY: STRATEGIC & L R PLANNING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,797	4,452	4,146	4,839	4,877	4,207	4,209	4,247
OPERATING EXPENSES	1,632	2,379	1,091	1,260	1,297	1,079	1,079	1,116
SUBTOTAL STATE OPERATIONS	5,429	6,831	5,237	6,099	6,174	5,286	5,288	5,363
LOCAL ASSISTANCE	1,033	674		309	1,734		47	1,472
TOTAL EXPENDITURES	6,462	7,505	5,237	6,408	7,908	5,286	5,335	6,835
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		MNR		1,125				
WIND POWER		GEN		36			49	
ENVIRONMENTAL REVIEW		GEN		10				
TOTAL AGENCY PLAN ITEMS				1,171			49	
GOV'S INITIATIVES:		FUND						
(B) TEEN COURTS		GEN			1,500			1,500
TOTAL GOV'S INITIATIVES					1,500			1,500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	62	938						
GENERAL	4,606	4,311	4,097	4,143	5,643	4,178	4,227	5,727
MINNESOTA RESOURCES	134	246		1,125	1,125			
OPEN APPROPRIATIONS:								
GIFT	21							
STATUTORY APPROPRIATIONS:								
GENERAL	225	682	295	295	295	295	295	295
SPECIAL REVENUE	900	925	763	763	763	763	763	763
FEDERAL	159	403	82	82	82	50	50	50

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PLANNING, STRATEGIC & L R
PROGRAM: STRATEGIC & L R PLANNING
ACTIVITY: STRATEGIC & L R PLANNING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
GIFT	355							
=====								
TOTAL EXPENDITURES	6,462	7,505	5,237	6,408	7,908	5,286	5,335	6,835
=====								
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	210	317	295	295	295	295	295	295
SPECIAL REVENUE	829	838	763	763	763	763	763	763
FEDERAL	179	405	50	50	50	50	50	50
GIFT	403							
NONDEDICATED:								
GENERAL	15	25	42	42	42	42	42	42
CAMBRIDGE DEPOSIT FUND	223	300	300	300	300	300	300	300
=====								
TOTAL REVENUES COLLECTED	1,859	1,885	1,450	1,450	1,450	1,450	1,450	1,450
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	77.7	74.6	70.3	76.3	76.3	70.3	70.3	70.3
TEMP/SEAS/PART_TIME	1.0	1.0	.9	4.9	4.9	.9	.9	.9
=====								
TOTAL FTE	78.7	75.6	71.2	81.2	81.2	71.2	71.2	71.2
=====								

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: ACCOUNTING SERVICES
ACTIVITY: ACCOUNTING SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,169	3,493	3,629	3,629	3,629	3,703	3,703	3,703
OPERATING EXPENSES	725	1,202	1,067	1,067	1,067	1,092	1,092	1,092
SUBTOTAL STATE OPERATIONS	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
TOTAL EXPENDITURES	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
TOTAL EXPENDITURES	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
FTE BY EMPLOYMENT TYPE:								
REGULAR	63.6	71.5	74.0	74.0	74.0	73.0	73.0	73.0
TEMP/SEAS/PART_TIME	.7	1.2	1.0	1.0	1.0	1.0	1.0	1.0
OVERTIME	1.1	.6	.2	.2	.2	.2	.2	.2
TOTAL FTE	65.4	73.3	75.2	75.2	75.2	74.2	74.2	74.2

1998-99 Biennial Budget

PROGRAM: Accounts Receivable Project
AGENCY: Finance, Department of (DOF)

PROGRAM DESCRIPTION:

The Accounts Receivable project increases the effectiveness and efficiency of the state's collection efforts. Strong management of account receivables leads to collection of more state funds at a lower cost. The project has 3 key components:

1. Improve the state's current management and collection practices to reduce accounts receivable balances, improve collections, and increase cost effectiveness of receivable management.
2. Maintain legal resources within the Office of the Attorney General specifically dedicated to support state agencies and the state collection service on collection matters, and to represent the state in collection litigation proceedings.
3. Operate a central, state-operated collection service which serves as collection resource for state agencies with limited collection expertise.

The project is a cooperative effort between the Departments of Finance, Human Services, Revenue, and the Office of the Attorney General.

PROGRAM STATUS:

The project has implemented each of its component parts successfully. Additional tax collectors have produced additional revenues. Improved statewide and agency-specific management structures are in place. The combined efforts of the state operated collection service, private collection agencies and the Attorney General's Office have strengthened collections, litigation, education and legislation. In F.Y. 1996-97 the project is estimated to return nearly 6.5 times the General Fund amount invested. Legislation passed in the 1996 session permanently placed the central, state-operated collection organization, Minnesota Collections Enterprise (MCE), under the Department of Revenue.

PLANNED RESULTS:

The project increases collection of receivables in the following agencies: (estimated)

		Dollars in Thousands			
		F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Agencies Collecting Revenues					
Revenue					
General Fund		\$13,280	\$13,280	\$13,280	\$13,280
Human Services					
General Fund		1,499	1,499	1,499	1,499
Other Funds		1,690	1,690	1,690	1,690
Human Services *					
Child Support					
General Fund		1,160	1,160	1,160	1,160
Other Funds		2,367	2,367	2,367	2,367
Economic Security **					
Other Funds		1,176	1,176	1,176	1,176
All Other Agencies					
General Fund		280	280	280	280
Other Funds		1,388	1,388	1,388	1,388
Totals					
General Fund		\$16,219	\$16,219	\$16,219	\$16,219
Other Funds		\$6,621	\$6,621	\$6,621	\$6,621

* These increased collections are treated as an offset against AFDC expenses.

** Efforts at the Department of Economic Security are not funded through General Fund appropriations, but through federal funds.

BUDGET SUMMARY:

In past biennia, the Department of Finance requested funding for the various parts of the Accounts Receivable Project. Most of the program's funds have been, and will continue to be, transferred to the departments of Human Services and Revenue and to the Attorney General's office.

The budget plan for the program relate to the first two project components:

1. The first project component includes activities within the Department of Finance and specific activities in the departments of Revenue and Human Services. The Department of Finance sets receivable management standards, supports state agencies, monitors progress, and maintains relationships with private collection agencies. These activities are organized within the Accounting Services Division. In addition, part of the budget plan will transfer funds to the Department of Revenue for additional collectors. These collectors are separate from the MCE. Finally, funds will be transferred to the Department of Human Services for improved management practices and consolidation of efforts.
2. The second component relates to a pool of legal expertise within the Office of the Attorney General. Funds transferred to the AG's office will focus specifically on debt avoidance, litigation and collection issues. The attorneys and legal staff funded through this part of the budget may be used by all state agencies and the state operated collection service for representation in legal proceedings.

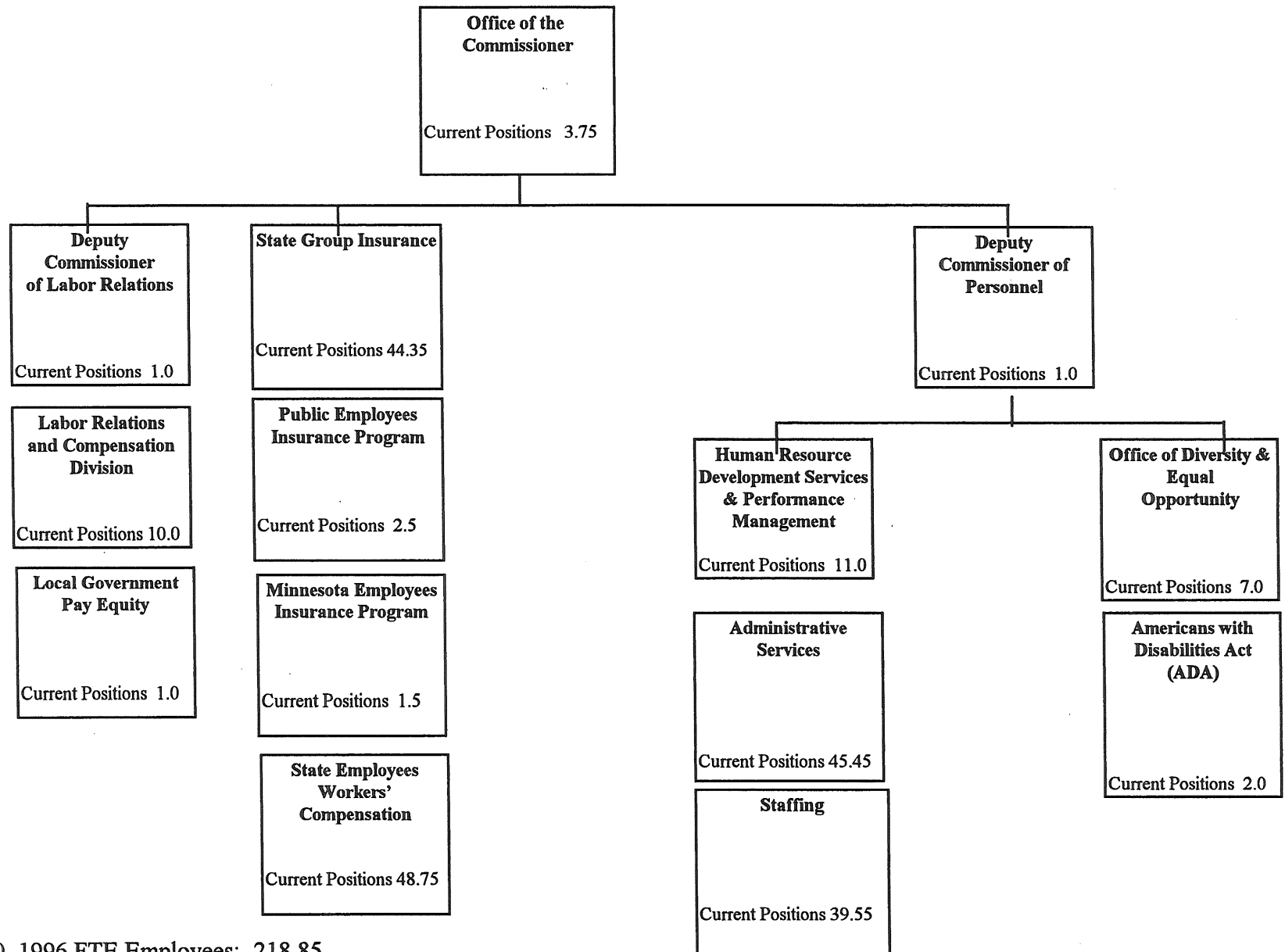
Dollars in Thousands		
	F.Y. 1998	F.Y. 1999
Finance	\$ 53	\$ 54
Funds to be transferred to:		
Revenue	595	610
Human Services	266	273
Attorney General	562	576
TOTAL PROGRAM BUDGET	\$1,476	\$1,513

3. The third component, the MCE, has been transferred to the Department of Revenue. Funding for this activity is now presented within Department of Revenue's F.Y. 1998-99 budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

Department of Employee Relations Organization Chart as of 9/30/96



September 30, 1996 FTE Employees: 218.85

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Employee Relations, Department of (DOER)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$7,731	\$7,731	\$15,462
<u>BASE ADJUSTMENT</u>			
Biennial Appropriation	(325)	(325)	(650)
1998-99 Salary Inflation	140	283	423
Lease Reduction	<u>(10)</u>	<u>(5)</u>	<u>(15)</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$7,536	\$7,684	\$15,220
<u>GOVERNOR'S INITIATIVES</u>			
Human Resources Management Reform	560	315	875
Misconduct Investigations	62	62	124
Combined Charities	22	22	44
Workers' Comp Contingency Reserve	1,000	-0-	1,000
WCRA Premium Holiday	(728)	(728)	(1,456)
Long-term Care Insurance Study	<u>350</u>	<u>-0-</u>	<u>350</u>
GOVERNOR'S RECOMMENDATIONS	\$8,802	\$7,355	\$16,157

Brief Explanation of Agency Plan:

- Increase the state's capacity to strategically prepare for the workforce of the future.
- Dramatically change the department's role from a controlling, transaction driven processing organization to a consulting service organization dealing with statewide human resource issues.
- Maintain a competitive position in all areas of the human resource management marketplace including health care purchasing and workforce recruiting.
- Be proactive in finding more efficient ways to redeploy the state's workforce which will benefit employees through layoff avoidance and benefit agencies by having appropriately skilled employees available as needs and programs change.
- Continue efforts to recruit and retain a diverse workforce.
- Invest in new human resource management technologies where these tools can produce cost-effective results and efficiencies.

GOVERNOR'S RECOMMENDATION:

- \$875,000 for the biennium to reform the state's human resource systems by improving our applicant services, classification system and services provided to our customers in the areas of technical assistance, redeployment, assessment and selection
- \$124,000 for the biennium to provide investigative services on misconduct cases in agencies.
- \$44,000 for the biennium for an individual to oversee the state's annual charities campaign.
- \$1,000,000 for F.Y. 1998 for initial start-up funds for a workers' compensation, settlement contingency fund.
- A reduction of \$1,456,000 for the biennium to reflect savings through a premium holiday declared by the WCRA.
- \$350,000 for a one-time study on feasibility of a public employee paid long-term care insurance program.

AGENCY: Employee Relations, Department of (DOER)

AGENCY DESCRIPTION:

The Department of Employee Relations (DOER) provides services which support the human resource management function of state agencies so the executive branch can recruit and retain a high quality work force to carry out the business of government. Authorization for the department's functions can be found in M.S. 43A. DOER's primary customers are state agencies, state employees, union representatives and job applicants.

The department has 2 programs, Human Resource Management and Employee Insurance. The Human Resource Management Program includes the following activities:

- Staffing
- Office of Diversity and Equal Opportunity
- Office of the State ADA (Americans with Disabilities Act)/Disability Coordinator
- Human Resource Development Services
- Labor Relations and Compensation
- Pay Equity
- Administrative Services

The Employee Insurance Program includes the following activities:

- State Group Insurance
- State Workers' Compensation
- Public Employees Insurance (PEIP)
- Private Employees Insurance (MEIP)

AGENCY ISSUES:

The next 10-15 years will present challenges that, left unaddressed, will place the state of Minnesota in a non-competitive position for recruiting the skills it needs to serve the citizens of the state. DOER is trying to implement the reforms necessary to ensure that the state has a well-educated and well-trained workforce. Some of those challenges include:

- By the year 2015, participation by minorities in the labor force will grow by 243%, so most of the labor force growth will occur in those groups.
- Minnesota's labor force will only grow by 2% during the 10-year period from 2010 to 2020.
- Minnesota's minority population has historically been undereducated and undertrained. The continuance of that trend when coupled with a shrinking labor force may lead to a dearth of qualified, competent applicants for state employment.
- State agency budgets will likely stay flat, putting state government at an increasing disadvantage in competing with the private sector for the shrinking pool of trained workers.
- Persons with disabilities represent a large resource underrepresented in the state's labor force.

- As the role of government continues to be re-examined and recast, well-educated and well-trained state workers will be dislocated while the demand for others will increase with the establishment of new programs and services. The existing state human resource system lacks the tools and flexibility to retrain and redeploy the state work force as these changes occur.
- National and state health care reforms, changes in medical care technology, and an aging workforce affect the cost of health care premiums, benefit levels and health care delivery system.

The department's budget was developed to address the challenges above. Critical parts of the state's human resource management system are 50 years old - employees are wasting time on tasks that can be automated and are unable to address the strategic issues that will make the state a competitive employer - training, retraining, redeployment, workforce planning, internships for high school students, mentorships for new employees. Many parts of the system are too rigid to respond to the rapid changes being seen in the types of work the state must perform. We must rebuild the system.

AGENCY STRATEGIES:

The department's budget was developed to achieve the following outcomes:

- Improvements in speed, value-added, responsiveness and quality in the services we deliver to our customers.
- Reengineered processes which will reduce bureaucracy for our state agency customers and job applicants.
- A pilot program integrating the state's employee insurance program and the state's workers' compensation program resulting in a single 24-hour coverage program which will streamline insurance administration, control costs, reduce sick and disability leave, and improve the quality of service and medical care received by state employees.
- A flexible workforce with broad competencies supported by a pro-active career development system.
- Improved ability to promptly investigate employee misconduct resulting in the reduction of expensive monetary settlements, an increased number of sustained grievances, and reduced workplace disruption.
- A statewide recruiting strategy casting the State of Minnesota as an employer of choice, with particular emphasis on recruitment and retention of minorities and persons with disabilities.
- An emphasis on prudent and value-conscious health care purchasing that interacts responsibly with the health care marketplace.
- An emphasis on effective, quality services to promote the health and well-being of state employees and other covered persons through coordinated benefits management.

REVENUE SUMMARY:

The agency generates about \$300 million each year in revenues, primarily through insurance premiums for the health, dental and life programs. Other sources include the Workers' Compensation Program and Training.

1998-99 Biennial Budget

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

The agency plan includes increased revenues from administrative fees assessed to agencies participating in the Insurance and Workers' Compensation programs. These fees, held constant for the last 2 biennia, would increase approximately \$700,000 and \$400,000 per year respectively.

GOVERNOR'S RECOMMENDATION:

- \$62,000 each year of the biennium to fund a position which will manage the growing investigative function in Labor Relations.
- \$560,000 the first year of the biennium and \$315,000 the second year of the biennium for reform of the state's human resource management function.
- A one-time \$1,000,000 appropriation to set up a worker's compensation settlements reserve fund.
- \$22,000 each year of the biennium for a position to oversee the state's annual charities campaign.
- A reduction of \$728,000 each year to reflect a premium holiday initiated by the Workers' Compensation Reinsurance Association.
- A one-time appropriation of \$350,000 to support a comprehensive study on the feasibility of a long-term care insurance program for public employees.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
HUMAN RESOURCE MGMT	7,410	8,618	7,480	7,480	8,124	7,633	7,633	8,032
EMPLOYEE INSURANCE	277,268	293,362	303,819	303,819	304,941	313,287	313,287	313,059
TOTAL EXPENDITURES BY PROGRAM	284,678	301,980	311,299	311,299	313,065	320,920	320,920	321,091
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	7,060	7,949	7,536	7,536	8,802	7,684	7,684	7,355
STATUTORY APPROPRIATIONS:								
GENERAL	66	110	100	100	100	100	100	100
SPECIAL REVENUE	20,048	24,960	25,383	25,383	25,883	25,400	25,400	25,900
PRIVATE EMPLOYERS INSURANCE	7,046	9,781	11,528	11,528	11,528	14,290	14,290	14,290
STATE EMPLOYEES INSURANCE	241,865	239,348	245,666	245,666	245,666	250,792	250,792	250,792
PUBLIC EMPLOYEES INSURANCE		11,170	12,278	12,278	12,278	13,846	13,846	13,846
AGENCY	8,593	8,662	8,808	8,808	8,808	8,808	8,808	8,808
TOTAL EXPENDITURES	284,678	301,980	311,299	311,299	313,065	320,920	320,920	321,091
FTE BY EMPLOYMENT TYPE:								
REGULAR	186.2	231.1	214.9	214.9	215.9	214.9	214.9	215.9
TEMP/SEAS/PART_TIME	3.0	3.0	2.9	2.9	3.4	2.9	2.9	3.4
OVERTIME	2.5	1.0	.8	.8	.8	.8	.8	.8
TOTAL FTE	191.7	235.1	218.6	218.6	220.1	218.6	218.6	220.1

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT

	FY 1998			FY 1999				
		Est.						
SUMMARY OF AGENCY REVENUES	FY 1996	FY 1997	Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
PUBLIC EMPLOYEES INSURANCE			320	320	320	320	320	320
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS			320	320	320	320	320	320
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
PRIVATE EMPLOYERS INSURANCE		550	577	577	577	606	606	606
PUBLIC EMPLOYEES INSURANCE		350	367	367	367	385	385	385
DEPARTMENTAL EARNINGS (INTER-AGENC								
SPECIAL REVENUE	876	878	878	878	878	878	878	878
STATE EMPLOYEES INSURANCE	2,329	2,335	3,036	3,036	3,036	3,036	3,036	3,036
OTHER REVENUES:								
GENERAL	94							
SPECIAL REVENUE	18,777	25,660	25,640	25,640	25,640	25,644	25,644	25,644
PRIVATE EMPLOYERS INSURANCE	67	66	68	68	68	68	68	68
STATE EMPLOYEES INSURANCE	6,566	4,314	4,326	4,326	4,326	4,328	4,328	4,328
PUBLIC EMPLOYEES INSURANCE		310	310	310	310	310	310	310
OTHER SOURCES:								
SPECIAL REVENUE	500	500	500	500	1,000	500	500	1,000
PRIVATE EMPLOYERS INSURANCE	7,181	9,410	11,750	11,750	11,750	14,644	14,644	14,644
STATE EMPLOYEES INSURANCE	235,446	238,345	244,350	244,350	244,350	246,400	246,400	246,400
PUBLIC EMPLOYEES INSURANCE		10,940	12,041	12,041	12,041	13,131	13,131	13,131
AGENCY	8,680	8,878	8,953	8,953	8,953	8,953	8,953	8,953
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	280,516	302,536	312,796	312,796	313,296	318,883	318,883	319,383
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	280,516	302,536	313,116	313,116	313,616	319,203	319,203	319,703

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

PROGRAM DESCRIPTION:

The Employee Insurance Program exists to meet the insurance needs of state employees and other private and public employees whose employers have chosen to participate in the health insurance program and to administer the state's self-insured workers' compensation program. The program includes development, administration and management of the following activities:

- State Group Insurance Administration,
- Public Employees Insurance Administration,
- Private Employers Insurance Administration, and
- Self-insured State Workers' Compensation Administration

The program negotiates insurance benefits and related contracts to provide appropriate coverage levels, efficient claims administration, and initiatives to prevent and control costs. The program also acts as the third party administrator for the state's self-insured workers' compensation activities covering employees of the executive, legislative, and judicial branches of state government and other public customers.

The primary goal of the program with respect to employee insurance benefits is to provide high-quality, cost-effective insurance coverage and employee education which meets the needs of customers. The primary goals of the program with respect to workers' compensation are to ensure the timely and accurate processing of claims, to ensure that injured employees have access to quality health care and promptly receive the benefits to which they are entitled, and to ensure that injured workers are returned to meaningful jobs as expeditiously as possible. The program also assists agencies in providing safe and healthy work environments for state employees, promoting healthy lifestyles among state employees and their families, and providing rehabilitative and retraining opportunities to injured workers.

PROGRAM STATUS:

In order to place more emphasis on collaboration and partnership in purchasing health care/insurance for various state programs, the Employee Insurance Division (EID) within the Department of Employee Relations (DOER) was reorganized in July 1996. Projects of primary focus include:

- Collaboration of state health care/insurance purchasing activities which are currently carried out separately by DOER and the Minnesota Department of Human Services (DHS).
- Working with unions to explore care system competition.
- Integration of functions, staff, resources and purchasing power of the State Employees Group Insurance Program (which provides health, dental and other insurance benefits to the state and University of Minnesota employees) and the State Workers' Compensation Program (which pays workers' compensation benefits, oversees managed health care and provides disability management, etc., for state employees who are injured on the job) into a single "24-hour coverage" program.

PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 Performance Report as follows:

- Purchase health coverage for F.Y. 1998-99 so that the trend in premiums is at or below the trend in the Consumer Price Index (CPI) for medical services and the trend in the Milliman & Robertson Health Cost Index.
- Work with individual health plans to improve their service and quality so that employee opinion of overall health care on the 1995 biennial employee satisfaction survey exceeds 80%.
- Work with individual health plans to improve their service and quality so that employee opinion of their health plan as measured on the 1995 biennial employee satisfaction survey exceeds 80%.
- Maintain an incidence rate that is at or below the incidence rate for other employers in Minnesota each fiscal year.
- Maintain the percentage of state agency worksites (with greater than 100 employees) with active health promotion programs at 75% or greater as reported on the State Employee Health Promotion Program Annual Report Form.
- Establish a baseline of employee opinion of overall workers' compensation benefit delivery on the 1996 workers' compensation employee satisfaction survey for future measurement.
- Increase the number of participating public employer groups and the number of participants for F.Y. 1995-96 by 10% and maintain a retention rate at or above 85%.
- Increase the number of participating Minnesota private employer groups for F.Y. 1995-96 by 100 and maintain a retention rate at or above 85%.

GOVERNOR'S RECOMMENDATION:

- A one-time, \$1,000,000 appropriation in F.Y. 1998 to establish a workers' compensation claim settlement reserve.
- A \$1,456,000 biennial reduction to the WCRA premium appropriation, converting the obligation to an open appropriation in future years.
- A one-time appropriation of \$350,000 to support a comprehensive study on the feasibility of a long-term care insurance program for public employees.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
STATE GROUP INSURANCE	3,793	4,092	4,789	4,789	4,789	4,801	4,801	4,801
PEIP	231	11,170	12,278	12,278	12,278	13,846	13,846	13,846
MEIP	286	459	578	578	578	606	606	606
STATE WORKERS' COMP	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
CLAIMS & PREMIUM ACTIVITY	269,493	273,844	281,967	281,967	283,089	289,827	289,827	289,599
TOTAL EXPENDITURES BY ACTIVITY	277,268	293,362	303,819	303,819	304,941	313,287	313,287	313,059
GOV'S INITIATIVES:		FUND						
(B) WCRA PREMIUM HOLIDAY - MOVE TO OPEN APPR		GEN			<728>			<728>
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		GEN			1,000			
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		SR			500			500
(B) LONG-TERM CARE INSURANCE STUDY		GEN			350			
TOTAL GOV'S INITIATIVES					1,122			<228>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	659	104	832	832	1,454	832	832	104
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	19,204	24,409	24,815	24,815	25,315	24,827	24,827	25,327
PRIVATE EMPLOYERS INSURANCE	7,046	9,781	11,528	11,528	11,528	14,290	14,290	14,290
STATE EMPLOYEES INSURANCE	241,865	239,348	245,666	245,666	245,666	250,792	250,792	250,792
PUBLIC EMPLOYEES INSURANCE		11,170	12,278	12,278	12,278	13,846	13,846	13,846
AGENCY	8,494	8,550	8,700	8,700	8,700	8,700	8,700	8,700
TOTAL EXPENDITURES	277,268	293,362	303,819	303,819	304,941	313,287	313,287	313,059
FTE BY EMPLOYMENT TYPE:								
REGULAR	96.7	97.1	97.1	97.1	97.1	97.1	97.1	97.1
TEMP/SEAS/PART_TIME	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
OVERTIME	.6	.7	.6	.6	.6	.6	.6	.6
TOTAL FTE	99.1	99.6	99.5	99.5	99.5	99.5	99.5	99.5

1998-99 Biennial Budget

BUDGET ACTIVITY: State Group Insurance Administration
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of

ACTIVITY DESCRIPTION:

The State Employee Group Insurance Program (SEGIP) purchases and administers the following employee insurance benefits: health, dental, life and disability insurance, health promotion services, and pre-tax spending accounts for dependent care and medical/dental expenses. It provides insurance benefits to executive branch employees and other organizations authorized by law to participate in the program, including the University of Minnesota and the legislative and judicial branches of state government. Employee insurance benefits are a critical component of total employee compensation and are necessary to continue to attract and retain a high-quality workforce. SEGIP is the largest employment-based insurance benefits program in Minnesota, covering over 140,000 employees, retirees and dependents.

BUDGET ISSUES:

The major budget issue is the increase in operational costs necessary to maintain the activity's goal of holding health insurance costs at or below the regionally adjusted medical services Consumer Price Index (CPI). SEGIP exceeded this goal in each of the last 2 fiscal years with actual reductions in the annual cost per employee, resulting in a cost avoidance of an additional \$50 million for operating agencies. The program accomplished this while being funded solely by an administrative fee that has not been increased since F.Y. 1990. The last 2 years required the use of carry-forward funds dedicated for critically needed system improvements.

In addition to the inflationary impact of no fee increase in 7 years, SEGIP has experienced significant increased administrative costs in complying with federal legislation (COBRA, the Family Medical Leave Act, the Americans with Disability Act) and the required integration of over 30 different technical college benefit systems representing 4,000 employees.

The increase in administrative fees will be used to:

1. bring the base fee to the current operating level,
2. continue to maintain health care expenses at or below the CPI,
3. cover compensation costs expected to increase 2.5% annually,
4. cover other operating costs expected to increase 3% annually, and
5. continue following the redesign plans implemented this year (health care purchasing integration and open enrollment).

SEGIP expects to increase fees \$1.30 per employee per month. This reflects the amount necessary to recover program costs for administration in F.Y. 1998-99.

REVENUE:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>
Actual benefit costs (\$ in 000s)	\$210,988	\$210,332	\$229,935
Actual # of employees	59,271	60,853	67,220
Actual cost per employee	\$3,560	\$3,456	\$3,421
Actual % increase (base F.Y. 1994)	0	(2.90)%	(1.03)%
CPI	0	5.80%	2.90%
Projected benefit costs (F.Y. 1994 base increased by the CPI)(\$ in 000)	0	\$229,183	\$260,504
Savings (\$ in 000s)	0	\$18,851	\$30,569
Total Savings F.Y. 1994-95	0	0	\$49,420
Admin Fee since F.Y. 1990 (employee/month)	\$4.33	\$4.33	\$4.33

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: STATE WORKERS' COMP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,144	2,101	2,251	2,251	2,251	2,271	2,271	2,271
OPERATING EXPENSES	1,321	1,696	1,956	1,956	1,956	1,936	1,936	1,936
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	104	104	104	104	104	104	104	104
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	3,361	3,693	4,103	4,103	4,103	4,103	4,103	4,103
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	26	7,027	7,027	7,027	7,027	7,027	7,027	7,027
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	26	7,027	7,027	7,027	7,027	7,027	7,027	7,027
FTE BY EMPLOYMENT TYPE:								

REGULAR	48.1	48.7	48.7	48.7	48.7	48.7	48.7	48.7
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	48.2	48.8	48.8	48.8	48.8	48.8	48.8	48.8

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: CLAIMS & PREMIUM ACTIVITY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES					1,263			
OPERATING EXPENSES	108,602	273,844	281,967	281,967	281,826	289,827	289,827	289,599
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	108,602	273,844	281,967	281,967	283,089	289,827	289,827	289,599
PAYMENTS TO INDIVIDUALS	160,891							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	269,493	273,844	281,967	281,967	283,089	289,827	289,827	289,599
=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) WCRA PREMIUM HOLIDAY - MOVE TO OPEN APPR		GEN			<728>			<728>
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		GEN			1,000			
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		SR			500			500
(B) LONG-TERM CARE INSURANCE STUDY		GEN			350			
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					1,122			<228>
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	555		728	728	1,350	728	728	
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	15,455	20,000	20,000	20,000	20,500	20,000	20,000	20,500
PRIVATE EMPLOYERS INSURANCE	6,760	9,322	10,950	10,950	10,950	13,684	13,684	13,684
STATE EMPLOYEES INSURANCE	238,229	235,972	241,589	241,589	241,589	246,715	246,715	246,715
AGENCY	8,494	8,550	8,700	8,700	8,700	8,700	8,700	8,700
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	269,493	273,844	281,967	281,967	283,089	289,827	289,827	289,599
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	18,545	18,563	18,558	18,558	19,058	18,559	18,559	19,059

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: CLAIMS & PREMIUM ACTIVITY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
PRIVATE EMPLOYERS INSURANCE	7,135	9,910	12,277	12,277	12,277	15,200	15,200	15,200
STATE EMPLOYEES INSURANCE	241,956	242,599	248,616	248,616	248,616	250,668	250,668	250,668
PUBLIC EMPLOYEES INSURANCE		10,940	12,041	12,041	12,041	13,131	13,131	13,131
AGENCY	8,588	8,625	8,700	8,700	8,700	8,700	8,700	8,700
TOTAL REVENUES COLLECTED	276,224	290,637	300,192	300,192	300,692	306,258	306,258	306,758
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Claims and Premium Activity

ITEM TITLE: WCRA Premium Holiday Reduction / Convert to Open Appropriation

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ (728)	\$ (728)	\$ (459)	\$ (459)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u>X</u> No _____				
If yes, statutes(s) affected: M.S. 79.34				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund reduction of \$1,456,000 for the biennium to reflect reduced costs resulting from a premium holiday declared by the Workers' Compensation Reinsurance Association. In addition, the Governor recommends that this obligation be covered by open appropriation authority in statute, rather than the current direct appropriation means.

RATIONALE:

M.S. 79.34 requires all insurers and self-insured employers in Minnesota to participate as members in the WCRA, a non-profit organization created in statute. Re-insurance under the WCRA provides a capitation (level selected by the insured) on total lifetime *per claim* liabilities. The state, as a self-insured employer, has a per occurrence retention level of \$1,015,000. Hence, if over the lifetime of a claim the cumulative payouts exceed this amount, any future liability shifts to the re-insurer.

Currently the WCRA premium is paid from a direct annual General Fund appropriation in quarterly installments. The non-General Fund share of the overall exposure determining premia is approximately 60%. The Department of Finance assesses agencies for this non-General Fund share, and these non-dedicated receipts are collected back as a way of distributing risk-weighted payroll costs attributable to each fund.

Better loss ratios and investment returns have resulted in a reduction to the actuarial funding requirements of the WCRA. The state will experience a premium holiday during the upcoming biennium, for which period no net premium need be paid for reinsurance coverage. Therefore, the Governor recommends reducing the appropriation from the current base level of \$1,456,000 to zero in the 1998-99 biennium.

The premium paid by the state to the WCRA has come down dramatically over the last few years. This

is certainly a positive development. However, the actuarial status of the WCRA, payroll changes, and covered population dynamics all conspire to make predicting the year-to-year costs nearly impossible. Since the state is mandated to participate in the Reinsurance Association, the Department has no choice but to pay premia when due.

History of WCRA Expenditures

<u>Fiscal Year</u>	<u>Premium</u>
1984	795,130
1985	1,044,673
1986	1,337,326
1987	1,477,743
1988	1,675,376
1989	1,849,597
1990	1,675,480
1991	1,962,311
1992	1,713,000
1993	790,960
1994	844,161
1995	979,774
1996	555,000
1997	-0-
1998	-0- (est)
1999	-0- (est)
2000	269,000 (est)
2001	269,000 (est)

PROGRAM OUTCOMES:

The nature of this non-discretionary, variable obligation argues for establishing open appropriation authority. The Commissioner of Employee Relations would forecast expenditures for this item as part of future biennial budgets, rather than request a direct appropriation for each year. The Department of Finance would review DOER's estimates each forecast, report expenditures and forecasted outlays to the legislature, and continue to bill back the non-General Fund accounts for their risk-weighted share of the overall premium paid by DOER from the General Fund on their behalf.

This initiative results in savings of \$1,456,000 in the 1998-99 biennium, and is expected to reduce expenditures in F.Y. 2000-01 by approximately \$918,000. Moving to an open appropriation in the future will result in more rational, efficient management of this ongoing business expense of the state.

F.Y. 1998-99 BUDGET INITIATIVE

More rational management of claims for the state taking long-term total liabilities into perspective.
More predictable year-to-year costs for agencies.

AGENCY: Employee Relations, Department of
PROGRAM: Employee Insurance
ACTIVITY: Claims and Premium Activity

ITEM TITLE: Establish Contingency Reserve Account

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,000	\$-0-	\$-0-	\$-0-
- Special Revenue	500	500	500	500
Revenues: (\$000s)				
Special Revenue	\$500	\$500	\$500	\$500

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 43A

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$1,000,000 to establish a Workers' Compensation contingency and settlement reserve, to enable more cost effective management of catastrophic and long-term claims.

RATIONALE:

This account will reduce the state's long-term workers' compensation liabilities, assist agencies with payments on catastrophic claims, and pay claim expenses for agencies that have been abolished. In F.Y. 1996, the program settled approximately 100 claims, with settlement values ranging from \$1,000 to \$110,000, excluding any special assessments for the Department of Labor and Industry. The department projects \$500,000 in annual activity in order to forecast expenditures and revenues. This will vary from year to year depending on the number and scale of settlements, as well as large, one-time catastrophic claims. The reserve would be replenished each year through premiums assessed to agencies.

PROGRAM OUTCOMES:

The expected benefit would be a reduction in the number of open claims and a reduction in workers' compensation costs on old claims for the agencies. The account will also resolve budget problems caused by large, isolated catastrophic claims, especially difficult for small agencies to cover within limited appropriations.

LONG-TERM IMPACT:

Reduction in workers' compensation future liabilities, which were \$101.6 million as of 6-30-96.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Claims and Premium Administration

ITEM TITLE: Study of Long-Term Care Insurance Benefit for Public Employees

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$350	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$350,000 from the General Fund for an in-depth feasibility study to determine the benefits of offering optional, employee-paid long-term care insurance coverage to public sector employees.

RATIONALE:

As the baby boom generation ages and state budgets become increasingly strained by expenditures for elderly long-term care, the state of Minnesota must examine ways to encourage its citizens to take more responsibility for financing their own future long-term care. One step in this direction may be to offer an employee-paid, optional long-term care group insurance product to public sector employees and their families. In addition to providing coverage for a substantial segment of the state's population, such an option could also raise the public's awareness of and interest in long-term care insurance. This, in turn, could spur development in the private sector employers offering this type of coverage. Similar efforts in other states have had very positive responses. Moreover, the development of private strategies such as this are a key component in our longer range efforts to control health care budgets.

A preliminary report completed by DOER, Analysis of a Proposed Long-Term Care Insurance Benefit, delineates the areas that must be addressed by a feasibility study before being able to proceed with the offering of this benefit. Many knowledgeable staff in different state departments participated in the development and analysis of the options presented in the DOER report. As part of these discussions, there is a growing consensus that the key to significantly address the long-term care financing issues faced by the state by the year 2030 must be found in options that encourage younger employed persons to save for their potential needs in this area. In that context, access to affordable long-term care insurance may be an important component of an individuals savings plan.

PROGRAM OUTCOMES:

This study would allow state policy makers to examine demographic, actuarial and market trends in the context of options to address critical issues in long-term care financing. Specifically, the study will:

- Determine the impact of large scale use of long-term care insurance by private individuals on the state's projected expenditures for elderly long-term care.
- Determine the size, interest and attitudes of potential consumers in order to measure the demand for various insurance products.
- Explore strategies to involve other employers.
- Identify the implications of different design and implementation strategies.

LONG-TERM IMPACT:

A well-developed infrastructure with broad participation and diverse choices would allow employees and their families to protect themselves and their assets against the risk of chronic illnesses, while reducing or stabilizing the growth in future public expenditures for elderly long-term care.

This page intentionally left blank.

AGENCY: Ethical Practices Board

AGENCY DESCRIPTION:

The Ethical Practices Board is the service and regulatory agency that develops and implements the administration and enforcement of state laws requiring registration and public disclosure by candidates, political committees and funds, and lobbyists attempting to influence state legislative action, administrative action, and the official action of metropolitan governmental units. Other programs provide for disclosure of economic interests and conflicts of interest for certain state and metropolitan officials. The board is also responsible for administration of the state's public subsidy program which provides public funding to qualified state candidates and the state committee of a political party.

The primary mission of the board is to promote public confidence in state government decision making, both through effecting timely compliance with disclosure and public subsidy laws and through developing programs which will increase public access to information filed with the board.

REVENUES:

Revenues collected by the Ethical Practices Board (\$48,000 per biennium) include:

- fees for the late filing of required statements and reports;
- civil fines assessed by the board for noncompliance with M.S. Ch.10A;
- contributions from anonymous sources for political committees and political funds; and
- gifts to the state from political committees upon termination.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The board continues to experience increases in the number of clients registering with and reporting to the board and requesting advisory opinions from the board. The resulting levels of data which must be processed, severely strain the board's human and technology resources during much of each year.

The complexity of campaign finance laws makes it difficult for candidate committees and other political committees and funds to comply with the statutes and to file timely and accurate reports. At the same time, a board survey indicates that the computer resources of these committees are substantial and growing. Rather than a lack of hardware, it is the lack of appropriate software which prevents most committees from effectively using information technology to assist in compliance with the law and reporting to the board. More and more frequently, the board receives requests that it provide software to assist in complying with campaign finance statutes.

GOALS AND OBJECTIVES:

The board's objectives are to:

- facilitate easier and more universal compliance with the Ethics in Government Act, M.S. Ch.10A;
- continue to provide fair and consistent enforcement of the Ethics in Government Act;
- help citizens become better informed about public issues related to the Ethics in Government Act.

WORKLOAD/EFFICIENCY MEASUREMENTS:

Board staff will continue its efforts to secure and make available timely accurate filing of statements and reports required by statute. From F.Y. 1993-94 to F.Y. 1995-96:

- campaign finance reports that needed to be amended decreased from 21% to 9%;
- candidates who agreed to limit their campaign expenditures but exceeded those limits, decreased from 9 (from a possible 446 candidates) to 4 (from a possible 348 candidates);
- candidate committees that exceeded the applicable contribution limit decreased from 27 to 21; and
- candidate committees taking contributions from prohibited sources increased from 14 to 21.

The board sees the increase in contributions from prohibited sources as a result of new legislation that prohibits contributions between state candidate committees and state and local or federal candidate committees. The board will continue to monitor all compliance issues and educate clients in an attempt to further decrease the percentage of documents that are filed inaccurately or in noncompliance with the statute, and to increase the public's confidence in candidates for and holders of state elective offices. In order to further assist clients in compliance with this complex law the board undertook and completed rulemaking in F.Y. 1996 and is currently in the process of a second rulemaking procedure which will be completed in F.Y. 1997.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Base level funding adjustments have been made for inflation at 2.5% for F.Ys. 1998 and 1999. A one-time appropriation is required for information technology systems enhancements.

The budget will allow the board to continue to administer compliance with M.S. Ch.10A by:

- providing effective client education programs and publications;
- using technology more effectively to provide information to clients; and
- facilitating a more effective use of technology by board clients.

The board is requesting a one-time appropriation of \$122,000 during this biennium to implement a client services/technology initiative. The appropriation would enable the board to develop, produce and distribute software which would assist political committees and funds in accounting for their campaign finance activities and reporting them to the board. The initiative would permit electronic filing of campaign finance reports, thus providing the board with the means to continue to meet its obligations as a disclosure agency without additional human resources.

Included in the initiative is a component to upgrade the board's own information technology systems to the level required to support electronic filing. Finally, a client education component is included which will permit the board to more effectively educate clients on the requirements of the law and will provide an effective means for training users in operation of the campaign finance management software to be provided by the board.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The Information Policy Office in the Department of Administration reviewed and recommended approval of the board's technology budget request.

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: LAWFUL GAMBLING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	2,043	2,043	2,039	2,039	4	4		
BASE ADJUSTMENTS								
1998-99 COMPENSATION INFLATIO	41	85	41	85				
SUBTOTAL BASE ADJ.	41	85	41	85				
BASE LEVEL	2,084	2,128	2,080	2,124	4	4		

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Lawful Gambling Control Board
PROGRAM: Lawful Gambling Control Board
ACTIVITY:

ITEM TITLE: Integrated Gambling Data Community System Project

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$125	\$125	\$125	\$125
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$250,000 for a technology initiative that will enable the Gambling Control Board to maintain its level of service to clients and keep pace with network operating improvements with its primary government partner, the Department of Revenue.

RATIONALE:

In order for the Gambling Control Board to provide data sharing and efficient service to its clientele, both internal and external, its current information system must be supported.

The Gambling Control Board currently uses a FoxPro for DOS system for its major licensing program but the program will no longer be supported by the manufacturer, Microsoft, after 1997. In addition, the board's LAN is currently using Microsoft Windows 3.1 for its working environment with the intention of moving towards Windows NT or Windows 95, in partnership with the Department of Revenue (DOR). The operating system must be compatible with DOR.

The board relies on information provided by DOR to determine compliance with tax laws for all licensees and individuals applying for licenses and renewals. DOR collects over \$67 million in state tax revenue per year and relies on the licensing information provided by the board to run DOR's lawful gambling tax program. Within the next 2 years the board's licensing system will no longer be compatible with the DOR system, which will jeopardize the collection of these taxes. The 2 systems must remain compatible to provide efficient service to licensees and ensure all state tax revenues are efficiently collected.

PROGRAM OUTCOMES:

Support of the Gambling Control Board's licensing system and network upgrade will allow staff to continue to issue licenses to clients. Replacing the Gambling Control Board's current dBASE III for DOS database management system with Microsoft Access for Windows will improve service to clients. Benefits of this initiative include:

- Improved communications within the agency through integrated databases.
- Multiple users will be able to access data, which will significantly improve the efficiency of Gambling Control staff to serve its clients.
- Gambling Control staff will be able to respond more quickly to legislative changes and requests.

LONG-TERM IMPACT:

Without investing in information technology for the licensing system support and operating system upgrade, the board risks lessening its ability to exchange data and information with its essential government partners: local governments, the Departments of Revenue and Public Safety and the Attorney Generals Office. Further, in an industry that is becoming increasingly sophisticated, the board will find its operations inadequate to keep up with clients' demands for service, education and regulatory assistance. This lessening of abilities will over time translate into more errors, more omissions, decreasing compliance and lower taxes paid to the state by manufacturers, distributors and non-profit organizations.

This page intentionally left blank.

1998-99 Biennial Budget

AGENCY: Minnesota State Lottery

AGENCY DESCRIPTION:

The Lottery's mission is to provide secure gaming opportunities designed to maximize public participation and acceptance, within the guidelines provided by statute. More specifically, the Lottery will offer a wide range of paper and electronic gaming options designed to appeal to a variety of the state's citizens and visitors. This mission is intended to maximize the contributions to those projects and programs identified by the constitution and the legislature to receive lottery proceeds.

The legislature established the Minnesota State Lottery during the 1989 legislative session after the citizens approved a constitutional amendment in 1988. The Lottery began selling instant tickets in April, 1990 and on-line Lotto tickets in August of 1990.

The Lottery Director is appointed by the governor with the advice and consent of the senate and can be removed only for certain causes outlined in the legislation.

Three Assistant Directors, a Chief of Security, Legal Counsel, Executive Assistant, Research Director and Public Relations Manager comprise the executive staff with responsibilities for marketing, public and player information, electronic systems and games control, retailer network, personnel, finance, purchasing, administration and security of games and systems.

Lottery administrative headquarters are in Roseville with regional offices in Virginia, Marshall, Brainerd, Owatonna, Detroit Lakes and Eagan.

Headquarters staff manage financial, personnel, purchasing, facilities, information systems, ticket and promotional distribution; contracts with retailers to sell lottery products; develop marketing and advertising strategies; plan and conduct retailer and staff training and develop new lottery products. Telemarketing sales representatives call retailers bi-weekly to provide marketing assistance, take special ticket orders and provide promotional support services. Retailer contracting, games control and validations programs are operated from the headquarters location; as are security, warehousing, ticket validation computer systems, and general administration.

Regional offices validate and pay winning tickets, maintain emergency ticket stock and promotional items for retailers and provide training to retailers. In addition, the offices are headquarters for a statewide sales staff of 50 who call on retailers to train retailer staff, plan and run special sales promotions tailored to the needs of individual retailers, recruit retailers, and ensure placement of product and point-of-sale materials. Each regional office is also staffed by 3 support staff who pay winners, answer inquiries from players and retailers, fill emergency ticket orders, and general administrative duties.

During the first 5 months of F.Y. 1997, Lottery sales were \$152.7 million. Of that amount, \$90.7 million was returned to winners; \$7.8 million paid to retailers; \$23.6 million in net proceeds were split 60/40 between the Cambridge Bank Fund and the Environmental and Natural Resource Fund; and \$9.9 million went to the General Fund in lieu of sales tax. Also, through 11-30-96, approximately \$1.7

million was accrued for transfer to the state from unredeemed Lottery prizes in F.Y. 1997 (.7 million to the Environmental and Natural Resources Trust Fund and \$1 million to the General Fund). Since lottery sales began in 1990, over \$540 million has been transferred to Lottery beneficiaries.

The network of instant and on-line retailers continues to change. The Lottery is currently contracting with 3,400 instant and 1,900 on-line retailers. Those numbers are adjusted as the Lottery improves its ability to forecast sales and define successful retailer profiles.

Lottery net proceeds and payments in lieu of sales tax are deposited monthly with the state. Of all lottery ticket sales, 6.5% are designated as a "tax in lieu of sales tax" and deposited in the General Fund. In 1991, the legislature designated 2 beneficiaries to receive lottery net proceeds: 60% to the General Fund as non-dedicated revenues and 40% to the Environmental and Natural Resources Trust Fund. The 40% to the Environmental Trust Fund is dedicated by the state constitution, with the bulk of the money designated to building a permanent trust fund.

In 1995 the legislature amended statute such that the 60% of net proceeds is credited to the Cambridge Bank Fund, a special revenue fund used by the commissioner of Finance to pay the debt service on the bonds issued in response to the Cambridge State Bank case. In that same session, the legislature required that 70% of unclaimed prizes be transferred to the state with 40% of that amount going to the Environmental and Natural Resources Trust Fund and 60% to the General Fund.

In addition, Lottery funds have been transferred to the General Fund for the department of human service's Compulsive Gambling Treatment Program. By the end of F.Y. 1997, the total amount transferred is \$4.755 million. In addition, the Lottery has developed a TV and radio public service advertising campaign on compulsive gambling, designed and printed stickers advertising the compulsive gambling hotline number that are posted at each Lottery retailer and available to other interested parties, as well as designed and distributed a pamphlet on compulsive gambling for use by schools, treatment and counseling professionals.

Explanation of Estimates

The lottery ticket sales estimate is the key driver affecting most other Lottery costs/expenses such as tax (in lieu of sales tax), prizes and prize reserve, retailer commissions, on-line-vendor expenses, and operating expenses. Lottery sales are expected to decline somewhat from F.Y. 1996 due to several factors:

- The installation of in-counter dispensers for instant tickets during F.Y. 1996 resulted in a surge of ticket sales. While the dispensers will continue to keep the product before the public and help maintain ticket sales, the Lottery does not expect a similar sales increase for subsequent years due to these dispensers.
- In general, the sales trend for Powerball is declining while the sale of instant tickets remains stable or shows a slight increase. Since the cost of the instant ticket product is greater than the on line ticket, changes in consumer buying patterns will mean greater costs and subsequently lower profits.

1998-99 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

- Since the first months of Daily Millions have produced no large winner, it is difficult to predict the long range effect of that game on Lottery sales.
- Other income for F.Y. 1997 shows an increase of \$1.5 million due to damages assessed to the on-line vendor. That income is not anticipated during either F.Y. 1998 or F.Y. 1999.

As a result, sales for F.Y. 1998 and F.Y. 1999 are projected to remain on a level with F.Y. 1997. The reduction in revenue for the next biennium reflects the reduction in Other Income. It should be remembered, however, that as with other businesses, lottery sales remain sensitive to overall economic conditions.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The Lottery's mission is to maximize revenue for the state; it does that by selling lottery tickets. Lottery ticket sales can be dramatically affected by a number of factors: the state of the economy (unemployment, cost of essentials, consumer confidence), national and international events (Gulf War), competition for the discretionary dollar (other forms of gaming, recreation and entertainment). When those conditions adversely affect sales, it is essential that the Lottery initiate corrective action quickly to maintain its revenues.

The novelty of the Lottery has naturally waned and with that comes the challenge of sustaining and increasing sales by means such as new and enhanced products, player promotions and retailer incentives.

The competition for discretionary dollars in Minnesota is fierce. As alternative opportunities to wager arise or expand, new challenges to meet revenue expectations must be overcome. The Lottery intends to meet its objectives through merchandising, advertising and promotion of its games, and the introduction of new and more attractive Lottery products.

The Lottery stands ready to act as a source of information for the legislature and other policy makers who address questions of gaming in Minnesota. Should the legal or public debate over permissible state gaming formats yield directives for new lottery ventures, the Lottery stands ready to build upon its existing technological base and respond quickly with more variety in its product line.

GOALS AND OBJECTIVES:

The performance measures of the Lottery are simple: maximize the contributions to the state within the guidelines of the statute. To maintain existing revenue projections, the Lottery must anticipate, develop and foster the consumer's preference in spending of the discretionary entertainment dollar. New games are always under development, their themes and styles varied to keep pace with appeal to the market place.

The Lottery will offer a variety of price points (\$1, \$2, \$5), designs and new play styles on its instant game products. As more states are added to the Daily Millions games, the likelihood of large winners increases; that should spur sales. Competition from casinos for the consumer's dollar is significant. The challenge of both maintaining and growing revenue for the state is significant. The Lottery's goals are to:

- maintain contributions to the state in excess of \$75 million;
- maintain market share of the state gaming industry; and
- continue to operate a network of retail outlets which provides convenient access to lottery products for all Minnesotans.

EXPLANATION OF AGENCY'S BUDGET PLAN:

To maintain the Lottery's current market share, and thus the state's profit from Lottery operations, the Lottery must continue to expend moneys at the F.Y. 1997 levels by awarding prizes at the high levels established in the latter half of F.Y. 1992 as well as maintaining its efforts in promotions and advertising. Higher prize payouts (70% for some games), aggressive marketing, strategic advertising, increased emphasis on retailer promotions and incentives, innovation by field and telephone representatives, games control services and support by operations and technical staff made it possible for the Lottery to maintain its market share during this fiscal year and should have the same effect in F.Y. 1998 and F.Y. 1999.

The Lottery will continue to explore and implement methods of providing more cost effective advertising and promotions and more efficient operations, while still maintaining or increasing the Lottery's market share. These actions enable the Lottery's budget plan to absorb inflationary increases in operating costs and salaries.

The Lottery's budget plan shows no increase in overall operating expenses through the next biennium. The slight decrease from F.Y. 1997 is due to the absence of the 2 major expenditures: the additional \$800,000 payment to the Compulsive Gambling Treatment Program mandated by the legislature for F.Y. 1997 and the expenditure for a marketing segmentation study. Neither of those factors is anticipated for the next biennium. Consequently, the plan shows the same total amount paid to the state each year of the next biennium. It should be pointed out that based on the experiences of lotteries in other states, it is highly probable that a reduction of allowable operating expenses would result in lower ticket sales and a corresponding decrease in the state's profit greater than the operating funds saved.

1998-99 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

**Lottery Budget Summary
Dollars in Thousands**

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
	<u>Actual</u>	<u>Projection</u>	<u>Projection</u>	<u>Projection</u>
INCOME				
Instant Ticket Sales	\$269,291	\$267,600	\$267,600	\$267,600
On-Line Daily 3 Sales	13,877	12,500	12,500	12,500
On-Line Power Ball	69,023	40,300	40,300	40,300
On-Line Gopher 5	23,459	28,900	28,900	28,900
On-Line Daily Millions	-0-	12,900	12,900	12,900
TOTAL SALES	\$375,650	\$362,200	\$362,200	\$362,200
Less Tax in Lieu of Sales Tax	24,417	23,543	23,543	23,543
Gross Receipts	\$351,233	\$338,657	\$338,657	\$338,657
Plus Other Income	3,284	3,166	1,666	1,666
Gross Revenue	\$354,517	\$341,823	\$340,323	\$340,323
EXPENSES				
Direct Costs:				
Total Game Prizes	\$230,848	\$222,573	\$223,373	\$223,373
Unclaimed Pz. Exp. Pble. to St.	2,556	2,464	2,464	2,464
Prizes/Compul. Gambling	-0-	800	-0-	-0-
Retailer Commission	18,794	18,110	18,110	18,110
Retailer Incentive	1,110	2,105	2,105	2,105
Subtotal	\$253,308	\$246,052	\$246,052	\$246,052
Operating Expense:				
Instant Tickets	3,180	3,180	3,180	3,180
Ticket Delivery	633	633	633	633
On-line Vendor Commission	6,525	6,479	6,479	6,479
Contrib: Compl. Gambling & Public Safety	690	690	690	690
Advertising	8,657	9,400	9,400	9,400
Salaries & Benefit, Emp. Expense	8,717	9,235	9,512	9,797
Rent	1,384	1,508	1,508	1,508
Communications	1,364	1,427	1,427	1,427
Promotions	3,368	3,522	3,430	3,362
Depreciation	868	824	824	824
Professional Services	1,204	1,819	1,437	1,361
Office & Retailer Supplies	1,184	1,204	1,112	1,036
Other	1,300	1,605	1,513	1,447
Total Operating Expense	\$39,074	\$41,526	\$41,145	\$41,146
Net Proceeds	\$62,135	\$54,245	\$53,126	\$53,125

REVENUES:

	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Net Proceeds				
40% Envir. & Natural Resources Trust Fund	\$24,854	\$21,698	\$21,250	\$21,250
60% Cambridge Bank Fund	37,281	32,547	31,875	31,876
Total Net Proceeds	\$62,135	\$54,245	\$53,126	\$53,125
Unclaimed Prizes				
40% Envir. & Natural Resources Trust Fund	\$1,022	\$986	\$986	\$986
60% General Fund	1,534	1,478	1,478	1,478
Total Unclaimed Prizes	\$2,556	\$2,464	\$2,464	\$2,464
Total Paid to Beneficiary	\$64,691	\$56,709	\$55,590	\$55,589

In addition to the amount paid to the state as the beneficiary, the Lottery also transfers the following to the General Fund:

Tax in Lieu of Sales Tax	24,417	23,543	23,543	23,543
Transfer for Compulsive Gambling Program	540	1,340	540	540
Transfer for Gambling Enforcement	150	150	150	150

TOTAL REVENUE PAID TO STATE	\$89,798	\$81,742	\$79,823	\$79,822
------------------------------------	-----------------	-----------------	-----------------	-----------------

GOVERNOR'S RECOMMENDATION:

The Lottery has outperformed its projection of net proceeds in each of the past 5 years. In F.Y. 1992 actual net proceeds exceeded the Lottery's projection by 5.4%; in F.Y. 1993 actual exceeded projected by 11%; in F.Y. 1994 actual exceeded projected by 15%; in F.Y. 1995 actual exceeded projected by 14%; and in F.Y. 1996 actual exceeded projected by 19%.

As a result the Governor's budget includes a projection of net proceeds at \$60 million in each of F.Y. 1997, F.Y. 1998 and F.Y. 1999. The estimate of \$60 million is \$6.874 million higher than the amount estimated by the Lottery in F.Y. 1998 and F.Y. 1999. The Governor's budget includes estimates for unclaimed prizes and tax in lieu of sales tax at the levels shown in the Lottery's budget plan.

	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Net Proceeds				
40% Envir. & Natural Resources Trust Fund	\$24,854	\$24,000	\$24,000	\$24,000
60% Cambridge Bank Fund	37,281	36,000	36,000	36,000
Total Net Proceeds	\$62,135	\$60,000	\$60,000	\$60,000
Unclaimed Prizes				
40% Envir. & Natural Resources Trust Fund	\$1,022	\$986	\$986	\$986
60% General Fund	1,534	1,478	1,478	1,478
Total Unclaimed Prizes	\$2,556	\$2,464	\$2,464	\$2,464
Total Paid to Beneficiary	\$64,691	\$62,464	\$62,464	\$62,464
Tax in Lieu of Sales Tax	24,417	23,543	23,543	23,543
Transfer for Compulsive Gambling Program	540	1,340	540	540
Transfer for Gambling Enforcement	150	150	150	150
TOTAL REVENUE PAID TO STATE	\$89,798	\$87,497	\$86,697	\$86,697

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MN STATE RETIREMENT SYSTEM	198,350	210,337	220,853	220,853	220,853	231,896	231,896	231,896
ELECTIVE OFFICERS PLAN	158	165	173	173	173	182	182	182
JUDGES PLAN	6,767	7,146	7,503	7,503	7,503	7,878	7,878	7,878
LEGISLATORS PLAN	4,132	5,894	4,277	4,277	4,277	4,490	4,490	4,490
TOTAL EXPENDITURES BY PROGRAM	209,407	223,542	232,806	232,806	232,806	244,446	244,446	244,446
EXPENDITURES BY FUND:								
OPEN APPROPRIATIONS:								
GENERAL	2,320	3,979	2,266	2,266	2,266	2,379	2,379	2,379
CORRECTIONAL EMPLOYEES RETIRE	5,776	6,100	6,405	6,405	6,405	6,725	6,725	6,725
STATE EMPLOYEES RETIREMENT	149,750	157,632	165,513	165,513	165,513	173,789	173,789	173,789
HIGHWAY PATROL RETIREMENT	13,307	14,380	15,099	15,099	15,099	15,854	15,854	15,854
UNCLASSIFIED EMPLOYEES RETIRE	5,523	6,135	6,442	6,442	6,442	6,764	6,764	6,764
DEFERRED COMPENSATION	23,994	26,090	27,394	27,394	27,394	28,764	28,764	28,764
JUDICIAL RETIREMENT	6,767	7,146	7,503	7,503	7,503	7,878	7,878	7,878
STATUTORY APPROPRIATIONS:								
LEGISLATIVE ANNUITIES	1,970	2,080	2,184	2,184	2,184	2,293	2,293	2,293
TOTAL EXPENDITURES	209,407	223,542	232,806	232,806	232,806	244,446	244,446	244,446
FTE BY EMPLOYMENT TYPE:								
REGULAR	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7
TEMP/SEAS/PART_TIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL FTE	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
GENERAL	590	622	638	638	638	654	654	654
CORRECTIONAL EMPLOYEES RETIRE	9,023	9,668	9,910	9,910	9,910	10,158	10,158	10,158
STATE EMPLOYEES RETIREMENT	128,007	129,763	133,003	133,003	133,003	136,325	136,325	136,325
HIGHWAY PATROL RETIREMENT	9,208	9,331	9,564	9,564	9,564	9,803	9,803	9,803
UNCLASSIFIED EMPLOYEES RETIRE	7,295	7,827	7,920	7,920	7,920	8,118	8,118	8,118
DEFERRED COMPENSATION	32,079	34,122	34,928	34,928	34,928	35,754	35,754	35,754
JUDICIAL RETIREMENT	6,525	6,757	6,926	6,926	6,926	7,099	7,099	7,099
=====								
TOTAL NON-DEDICATED RECEIPTS	192,727	198,090	202,889	202,889	202,889	207,911	207,911	207,911
=====								
AGENCY TOTAL REVENUES	192,727	198,090	202,889	202,889	202,889	207,911	207,911	207,911
=====								

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Transportation, Department of (Mn/DOT)

Fund: Trunk Highway

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$788,156	\$788,156	\$1,576,312
<u>BASE ADJUSTMENT</u>			
Transfers Between Agencies	(4,441)	(6,063)	(10,504)
Biennial Appropriations	865	865	1,730
Systems Development Costs	(1,500)	(1,500)	3,000
1997 Salary Supplement Transfers	14,632	14,632	29,264
1998-99 Compensation Inflation	6,017	12,172	18,189
Doc Space Rent/Lease Inc/Decreases	<u>533</u>	<u>1,139</u>	<u>1,672</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$804,262	\$809,401	\$1,613,663
<u>AGENCY DECISION ITEMS</u>			
Technology	1,377	1,228	2,605
Information Resource Management	1,730	1,730	3,460
Employee Development & Training	500	500	1,000
Buildings	6,771	-0-	6,771
Cedar Avenue Truck Station	<u>5,500</u>	<u>-0-</u>	<u>5,500</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$820,140	\$812,859	\$1,632,999
<u>GOVERNOR'S INITIATIVES</u>			
State Road Construction	38,060	38,060	76,120
800 MHZ Radio System	1,730	8,170	9,900
Safety	<u>1,790</u>	<u>1,790</u>	<u>3,580</u>
GOVERNOR'S RECOMMENDATIONS	\$861,720	\$860,879	\$1,722,599

Brief Explanation of Agency Plan:

- The plan includes \$2,605,000 over the biennium for various technology initiatives such as the Orion public/private partnership to deliver advance technology to enhance traffic management traveler information, emergency response, transit and railroad safety. The plan also provides for the development of an interim transportation information system (TIS) for better transportation data access, generation of geographic information system (GIS) base maps, means to view and represent data graphically and enhance staff skills in database design and development. Lastly, the plan provides support for modification of administration and electronic communications legacy systems.
- The plan calls for \$3,460,000 over the biennium, for Information Resource Management. This item will support Mn/DOT's implementation plan for shared information resources. The Information Policy Office has reviewed and supports the project as presented in the agency plan consistent with any requirement identified in its analysis.
- The plan calls for \$1,000,000 over the biennium for Employee Development and Training to implement the transportation worker concept which will enhance the technical skills of some highway maintenance workers and bridge workers.
- The plan includes \$6,771,000 for operational type buildings which include storage buildings, truck stations and rest areas. Large building request will continue to be in the capital budget.
- The plan also includes \$5,500,000 for a larger truck station at Cedar Avenue in Richfield to replace the Fort Snelling truck station.

1997 STATE ROAD CONSTRUCTION SUPPLEMENT:

Additional revenues generated in the current biennium allow for an expanded highway construction program in F.Y. 1997. The agency requests that \$8,905,000 for state road construction and \$16,000,000 for snow and ice control and spring maintenance be added to F.Y. 1997 appropriations.

Revenue Summary:

This budget is based on current fee and permit rates.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency plan and also incorporates initiatives which total \$41,580,000 in F.Y. 1998 and \$48,020,000 in F.Y. 1999. These initiatives are made possible as a result of growth in gas tax and motor vehicle registration revenues.

AGENCY: Transportation, Department of (Mn/DOT)

AGENCY DESCRIPTION:

The Minnesota Department of Transportation (Mn/DOT) was established and operates in accordance with statutory authority "...to provide a balanced transportation system, including aeronautics, highways, motor carriers, ports, public transit, railroads and pipelines..." Further, Mn/DOT is sanctioned to function as the "...principal agency of the state for the development, implementation; administration, consolidation, and coordination of state transportation policies, plans, and programs."

According to the transportation goals outlined in M.S. 174.01, Sub. 2, as well as Mn/DOT's internal strategic planning efforts, the department's mission goes beyond the role perceived by most citizens to plan, design, construct, maintain, and operate a transportation infrastructure.

Working with cities, counties, and townships, Mn/DOT seeks to establish a seamless transportation system that offers more choice, flexibility, and ways of moving people and goods. Fundamental to this mission is the need to provide connectivity to local, regional, national, and international markets at the greatest possible cost advantage consistent with the state's economic, social, environmental, and safety values.

AGENCY ISSUES:

The following factors are shaping the development of Mn/DOT policies and programs:

■ **Integration of Transportation Modes**

Minnesota's transportation system needs to provide a minimum level of critical access to all people, sustain and enhance regional economic centers, and exploit the strength and utility of all modes. Transportation solutions must recognize the interdependence of transportation systems in creatively and efficiently moving people and goods. Demand for services is increasing in all modes - air traffic, highways, transit, railroads, and waterways.

■ **Investment Preservation**

The aging infrastructure has challenged the department to focus its resources on maintaining and preserving acceptable levels of service on existing state and local roads and bridges. The department has limited ability to expand the capacity of the system; it must focus on preserving and maintaining the existing infrastructure. It is concentrating available resources to reconstruct existing road systems in need of replacement. The department continues to explore the benefits of non-traditional financing mechanisms to expand capacity.

■ **Safety**

The agency faces many challenges related to safety. These include increased level of traffic volume and congestion on highways, higher speed rail traffic and its exposure to high traffic levels at rail crossings, high level of accidents in work zones, and a growing number of elderly drivers. A combination of safety improvement projects, increased public information, and enhanced traffic management techniques will play an important role in dealing with agency safety challenges.

■ **Customer Focus**

Mn/DOT is working closely with local communities to assess and recognize local transportation needs, design appropriate systems and, where applicable, implement transportation services according to the requirements of the community. Through market research and extensive public outreach, the department must meet the challenge of understanding the needs of all users of its transportation services.

■ **Economic Development**

There is a need to complement state and local economic development strategies with transportation systems that effectively move people and goods within the state. There is renewed public emphasis on the social and economic effects of transportation projects on communities and neighborhoods.

■ **Technology**

Mn/DOT is committed to the research and application of new technologies. The department needs to foster, develop, and strategically manage new technology and research, challenging itself to apply this knowledge in ways that more effectively use the infrastructure and efficiently deliver traveler services.

■ **Environment**

Mn/DOT recognizes the need to be responsible partners and caretakers in the world through efforts that reduce the level of pollutants and toxins and promote greater energy efficiency. The department is aware that it needs to balance transportation needs with environmental concerns. It continues to encourage innovation in using less road salt, reducing the amount of litter and hazardous debris along the road and right of way, and creating a more aesthetic transportation system.

■ **Partnerships**

Mn/DOT seeks creative solutions through public and private partnerships to provide effective and innovative transportation services that support future economic development and recognize individual expectations. The development of partnerships with public and private organizations is critical to implementation of long-range planning through the statewide transportation improvement program (STIP). There is also greater interest in partnerships with other governmental entities - mutually beneficial arrangements to share human, natural, and equipment resources to do more with less.

■ **Workforce Flexibility**

Mn/DOT needs to meet the challenge of creating an environment in which flexible, multi-skilled workers are used to their fullest potential. The department and its employees can mutually benefit from more flexible assignment opportunities, broadened employee skill development, expanded employee empowerment, stronger links between employee skills and compensation, and fewer administrative requirements.

AGENCY STRATEGIES:

The department's budget is organized into 8 programmatic areas: 1) Aeronautics; 2) Transit; 3) Railroads and Waterways; 4) Motor Carrier; 5) Local Roads; 6) State Roads; 7) General Support; and 8) Buildings.

1998-99 Biennial Budget

AGENCY: Transportation, Department of (Mn/DOT)
(Continuation)

The agency budget plan is constructed to achieve the following outcomes:

- To preserve essential elements of the transportation system.
- To enhance access for economic development.
- To enhance safety and access in the heaviest traveled inter-regional corridors.
- To promote new technologies that enhance the efficiency and effectiveness of existing transportation systems.
- To work together with state, regional, local governments, and the private sector to provide transportation facilities and services.
- To capitalize on the strengths of all transportation modes to efficiently move people and goods.
- To develop informed consent among potentially affected interests for transportation programs and projects.
- To consider the full costs and benefits of choices within and among transportation modes.
- To increase the flexibility of the department's existing employee base.
- To continue to explore non-traditional road funding mechanisms for feasibility and potential application.
- To pursue siting, construction, and development of combined inter-modal transportation facilities.
- To provide more driver road information in expanded and new ways to the traveling public.

AGENCY LEVEL REVENUE SUMMARY

The Mn/DOT generates non-dedicated revenues, dedicated revenue, and federal funds. Funds collected in F.Y. 1997 are deposited in several state funds:

- General Fund: \$51,000 for F.Y. 1997.
- Special revenue: \$12,260,000 of which \$6.8 million is for rail service improvement, and the rest is primarily partnership agreements throughout the various Mn/DOT programs.
- Cambridge Bank Fund: \$140,000 in hazardous material handling registrations.
- State Airports Fund: \$12.9 million is derived primarily through air flight property taxes as well as aircraft registration tax collections.
- Highway User Tax Distribution Fund: \$1.4 million from investment income to this fund.
- Agency Fund: \$2.1 million from finance company for equipment master lease, right of way damage deposits and local share of transit equipment purchases.
- Hangar Revolving Fund: \$690,000 from payments received for hangar construction loans.
- Air Transportation Revolving Fund: \$969,000 used for recovering the Mn/DOT airplane expenses and borne by all users of the aircraft.
- Municipal State Aid Street Fund: \$8.8 million gained from investment income to this fund.
- County State Aid Street Fund: \$16.3 million derived from investment income to this fund.

- Trunk Highway Fund: \$52.1 million collected from fees, account receivable and investment income. \$233 million in federal formula highway funds are reimbursed to the trunk highway fund.

The mission of the department, in part, is to function as the principal agency of the state for the development, implementation, administration, consolidation, and coordination of state transportation policies, plans, and programs. As such, there are numerous state statutes that require the Department of Transportation to regulate occupational groups, individuals and businesses. These statutes require licensing or registration, endorsement of rules, and provision of education services. Fees are established to partially recover the cost of providing these services to various clients: trucking firms, aeronautics-related customers, rail and waterways transportation, transit, and the general traveling public.

The department collects fees for advertising devices along highway right-of-way and collects rents for use of vacant right-of-way land until it is used for agency roadway purposes. A large portion of agency non-dedicated fee revenue is derived from inter-governmental lab testing and service agreements. Mn/DOT does road products testing for local governments, as well as provides road construction and maintenance for county and municipal agencies that find using this agency as a provider to be more efficient than doing all of their own road activities.

Transportation permits are a final major category of Mn/DOT fees. This income is derived from overweight/size vehicles that increase road wear and thus the demand for road maintenance in the areas traveled.

The remainder of revenues gained by the trunk highway fund are income from investments.

- Federal Fund: the department actively seeks grants from the Federal Government, and as a result was awarded 19 categories of grants in F.Y. 1997 totaling \$154.9 million. This excludes federal formula highway funds which are included in the trunk highway fund above, but does include \$85 million for local government road projects.

SUMMARY OF BUDGET REQUEST:

The budget plan includes requests for an:

- additional trunk highway fund appropriation of \$1,000,000 in the F.Y. 1998-99 biennium for technical training of highway maintenance and bridge workers to implement the transportation worker initiative.
- additional trunk highway fund appropriations totaling \$6,065,000 in the F.Y. 1998-99 biennium for technology initiatives.
- additional state airport fund appropriation of \$2,800,000 in the F.Y. 1998-99 biennium for airport construction and maintenance grants.
- appropriation of \$6,771,000 from the trunk highway fund in F.Y. 1998 for land purchase, design, and construction of smaller building projects.
- appropriation of \$5,500,000 from the trunk highway fund in F.Y. 1998 for site development and buildings for a larger truck station near Cedar Avenue and 66th Street in Richfield.

1998-99 Biennial Budget

AGENCY: Transportation, Department of (Mn/DOT)
(Continuation)

F.Y. 1997 STATE ROAD CONSTRUCTION SUPPLEMENT:

Additional revenues generated in the current biennium allow for an expanded highway construction program in F.Y. 1997. The agency requests that \$8,905,000 for state road construction and \$16,000,000 for snow and ice control and spring maintenance be added to the F.Y. 1997 appropriations.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the following initiatives are proposed:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General Fund	\$1,900	\$1,500

An additional \$3 million for the biennium is recommended for Greater Minnesota Transit Assistance. This additional funding will provide the needed assistance to maintain current levels of service and for the implementation of public transit service for commitments made in the current biennium. Also, \$400,000 is recommended for modifications to a federal surplus jet aircraft for use by the state of Minnesota.

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Trunk Highway Fund	\$41,580	\$48,020

Initiatives of \$41,580,000 in F.Y. 1998 and \$48,020,000 in F.Y. 1999 are made possible as a result of growth in motor fuel tax and motor vehicle registration revenues.

The additional funds are recommended to be used for the following purposes:

State Road Construction	\$38,060	\$38,060
800 MHZ Radio System	\$1,730	\$8,170
Safety	\$1,790	\$1,790

1998-99 Biennial Budget

PROGRAM: State Roads

AGENCY: Transportation, Department of (Mn/DOT)

PROGRAM DESCRIPTION:

The State Roads Program designs, constructs, maintains and operates the state's highway infrastructure. The goals of this program are:

- Movement of people and goods free of disruption;
- Safe trips through sound engineering, maintenance, education and information;
- Investments aligned with the Statewide Transportation Plan;
- Efficient delivery of high quality transportation products and services; and
- Travel information that allows people to optimize their trips.

This program is comprised of seven budget activities and their related policy objectives:

■ State Road Construction

- Increase roadway safety through operational improvements.
- Increase rail crossing safety through construction of signals and other improvements.
- Construct roads and bridges to preserve and improve state highways.
- Acquire property necessary for state highway construction.
- Pay for the relocation of public utilities and cooperative work with local governments and railroad companies related to state highway construction and improvement.
- Comply with environmental regulations, such as junkyard regulations (financed through the environmental fund motor vehicle title transfer fee) and perform wetland, historical site and other mitigation activities.

■ Highway Debt Service

- Repay the principal and interest on state bonds, principal on loans and advances from other governmental entities and service fees.

■ Research and Investment Management

- Manage transportation research, new initiatives and long-range strategic initiatives such as the Mn/ROAD research project.

■ Central Engineering Services

- Provide central office pre-construction program delivery work and constituent services
- Provide central office and satellite office construction support.

■ Design and Construction Engineering

- Deliver the pre-construction and construction program delivery work and constituent services in the 8 geographic districts: Twin Cities metropolitan area, Duluth, Bemidji, Brainerd, Detroit Lakes, Rochester, Mankato, Willmar

■ State Road Operations

- Preserve and maintain the trunk highway (TH) system.
- Remove obstructions and impediments on the highways.
- Maintain a system of traffic signs and markings.
- Maintain and improve roadsides.
- Provide centralized engineering and technical efforts that directly support the management and maintenance of transportation facilities.

■ Electronic Communications

- Design and maintain several state agencies' communications networks.
- Design and maintain statewide radio towers, mobile and portable radios, computer and other electronic systems.

PROGRAM STATUS:

- State trunk highway fund revenues have increased over the past few years. This positive growth trend, coupled with improved department operational efficiencies and good fiscal management, will allow an increased funding level for the State Roads program. A higher funding level in the State Road Construction activity, will require more support from the Central Engineering Services and Design & Construction Engineering activities.
- The federal Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 allowed more flexibility in making federally aided state and local transportation investments. Project eligibility was broadened to include transit equipment and transit right of way, bicycle, pedestrian and other enhancements or operational improvements beyond the traditional highway capital and preservation projects. ISTEA encouraged agencies to develop new processes to identify transportation needs and involve stakeholders. In 1992 Area Transportation Partnerships (ATPs) were established in the agency's eight geographical transportation districts to encourage full use of these more flexible and broad federal funding approaches. Both Minnesota Statute 174.03 and ISTEA require the agency to perform transportation planning. Statewide, intermodal, research, strategic, business, regional, district, and metropolitan planning provide the analytical base to operate, manage and invest in the state's transportation systems.

These state and federal changes increase the amount, complexity and importance of investments in the State Roads system and its support structure. The department continues to adopt operational techniques to improve safety, freeway travel times, driver communication systems and emergency responses. These investments are then analyzed using a benefit-cost analysis to ensure the highest possible return to citizens.

PLANNED RESULTS:

The budget plan allows the department to attain the targeted performance levels identified in the Agency Performance Report (APR). The following summary presents the direction established in the report and the expected performance, with base level or change level funding, of the activities within the State Roads program.

1998-99 Biennial Budget

PROGRAM: State Roads
AGENCY: Transportation, Department of (Mn/DOT)
 (Continuation)

<u>SELECTED PERFORMANCE MEASURES</u>	<u>BASE LEVEL FUNDING</u>	<u>CHANGE LEVEL FUNDING</u>
■ Percentage of Minnesotans satisfied with the time it takes to travel to the places they want to go	Minor change	Increase
■ Percentage of metro freeway miles congested in A.M. and P.M. peaks	Increase	Same
■ Smooth pavement indicator (PQI)	No change	Increase
■ Spring road restrictions	Minor decrease	Decrease
■ Condition rating of bridges by functional class of the roadway	Decrease	Decrease
■ The level of satisfaction of travelers with winter road condition information	No change	Increase
■ Percentage of Minnesotans who feel safe while driving or riding through highway work zones	No change	Increase
■ Percentage of Minnesotans satisfied with the safety of Minnesota's roadways	Decrease	Increase
■ Crash and fatality rates by roadway class	Increase	Decrease
■ Ratio of program delivery costs to construction expenditures/investments	No change	Decrease
■ Bare pavement ratio	No change	No change

BUDGET AND REVENUE SUMMARY:

Summary of the Agency Plan is as follows:

- The Agency Plan includes an increase of \$30,000 per year for technology to enhance a radio tracking system database.
- The Agency Plan calls for an increase of \$805,000 per year in technology funding and staffing increase to develop and operate the ORION - Intelligent Transportation System (ITS). This project is a major public/private partnership formed to deliver advanced technology to enhance productivity in these areas: traffic management, traveler information, emergency response, transit and railroad safety.
- The agency plan includes an increase of \$154,000 in F.Y. 1998 and \$181,000 in F.Y. 1999 to make enhancements to or develop an interim Transportation Information System (TIS) in a relational client server environment.
- The Agency Plan includes a 2.5% per year base adjustment for salary inflation within the program.

1997 STATE ROAD CONSTRUCTION SUPPLEMENT:

Additional revenues generated in the current biennium allow for an expanded highway construction program in F.Y. 1997. The agency requests that \$8,905,000 for state road construction and \$16,000,000 for snow and ice control and spring maintenance be added to the F.Y. 1997 appropriations.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends an additional \$65,060,000 for road and bridge construction, \$11,060,000 for program delivery costs such as engineering and design, \$9,900,000 for purchase of 800 MHZ radio equipment, and \$3,580,000 for highway safety initiatives.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Public Safety, Department of

Fund: General Fund

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$35,344	\$35,344	\$70,688
<u>BASE ADJUSTMENT</u>			
One-time Appropriation	(4,741)	(4,741)	(9,482)
Documented Space Rent/Lease Increase	153	179	332
Biennial Appropriations	150	150	300
Transfers Between Agencies	100	100	200
Annualization of New Program Costs	104	104	208
1998-99 Compensation Inflation	489	991	1,480
Fund Changes/Fund Consolidation	<u>405</u>	<u>384</u>	<u>789</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$32,004	\$32,511	\$64,515
<u>AGENCY DECISION ITEMS</u>			
Salary Increase Internal Comp. Study	35	70	105
Hazardous Materials Incident Response	75	75	150
Natural Disaster Assist. - State Match	1,300	1,300	2,600
Fire Sprinkler Certification Inspection	103	100	203
Legislative and Executive Protection	<u>398</u>	<u>404</u>	<u>802</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$33,915	\$34,460	\$68,515
<u>GOVERNOR'S INITIATIVES</u>			
Enhanced Criminal Justice Computer	5,889	3,894	9,783
Law Enforcement Overtime and Gang Unit	2,752	2,454	5,206
State Patrol Special Response	1,441	883	2,324
Bullet Proof Vest Reimbursement	100	100	200
Delinquent Traffic Fine Collection Study	<u>200</u>	<u>-0-</u>	<u>200</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$44,297	\$41,791	\$86,088

Brief Explanation of Agency Plan:

- The agency plan calls for a base adjustment of \$25,000 in both F.Y. 1998-99 as a biennial appropriation to fund a portion of the costs for the hazardous materials safety activity of the Emergency Management Program. \$50,000 was provided in F.Y. 1996 only, for payment to the

emergency response teams for their response to hazardous materials incidents.

- The agency plan calls for a base adjustment of \$125,000 each year as a biennial appropriation to fund the costs of the Crime Fax Alert Network. \$250,000 was appropriated in F.Y. 1996 only, to fund the network.
- The plan calls for a base adjustment (transfers between appropriations) of \$100,000 each year of the biennium to fund a portion of the Crime Victims Ombudsman program. Laws of 1995, Chapter 226, Article 1, Section 11, Subdivision 4, transfers \$200,000 from the Department of Corrections to the Crime Victims Ombudsman.
- The plan calls for the annualization of costs by \$111,000 each year. The supplemental appropriation of \$119,000 for F.Y. 1997, as found in Laws of 1996, Chapter 455, Article 1, Section 4, only partially funded critical computer operation systems of the agency.
- The plan calls for the annualization of costs for Bureau of Criminal Apprehension laboratory improvements by \$43,000 each year. \$450,000 was appropriated in the Laws of 1996, Chapter 408, Article 1, Section 4, to partially fund laboratory improvements and an increase in special agents.
- The plan calls for a base level decrease of \$50,000 each year to annualize the costs related to designating parents on the Minnesota drivers licenses of drivers under age 21. \$111,000 was appropriated in F.Y. 1997 in the Laws of 1996, Chapter 455, Article 1, Section 4, to implement this program.
- The plan includes a compensation inflation base adjustment of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.
- The agency plan calls for \$35,000 in F.Y. 1998 and \$70,000 in F.Y. 1999 to implement wage increases for employees in Bargaining Unit 201, Law Enforcement. These wage adjustments are based on an internal Hay study conducted by the Department of Employee Relations.
- The agency plan includes an appropriation of \$1,300,000 each year to cover projected state match obligations under federal natural disaster assistance and hazard mitigation grants to local units of government.
- The agency plan includes an increase in funding of \$75,000 each year under the Hazardous Materials Incident Response Act. The appropriation will be used to reimburse state hazardous materials response teams for costs incurred in responding to incidents when no responsible party can be identified.
- The agency plan calls for an increase in the level of funding of \$103,000 in F.Y. 1998 and \$100,000 in F.Y. 1999 for the fire sprinkler system licensing activity. Fees generated by this activity are sufficient to cover the increase level of funding.
- The agency plan calls for an increase in the level of funding of \$398,000 in F.Y. 1998 and \$404,000 in F.Y. 1999 to enhance enforcement capabilities within the Capitol Complex.

1997 DEFICIENCIES:

This budget includes 3 F.Y. 1997 deficiency appropriations. \$1,393,000 is to reimburse local governments for disaster recovery costs related to the spring flooding of 1996. \$226,000 is for costs incurred by the State Patrol in providing assistance to local law enforcement in the City of Minneapolis during the summer of 1996.

The supplemental budget includes \$20 million for costs incurred by units of government in this winter's snow emergencies.

Revenue Summary: The agency plan has no impact on revenue collection.

Affected Statutes: None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund level of \$85,299,000 for the biennium, which incorporates initiatives for the following: \$9,783,000 for enhanced criminal justice computers; \$5,206,000 for law enforcement overtime grants and gang unit expenditures; \$2,234,000 for enhanced patrolling services statewide; and \$200,000 for bullet proof vest reimbursements. These items are part of the Governor's overall Anti-Crime initiative that totals \$58.2 million for the 1998-99 biennium. In addition to these funds for the Department of Public Safety, it includes funds for the Departments of Corrections, Military Affairs, Children, Families & Learning, and the Office of Planning. The Governor also recommends \$200,000 for a delinquent traffic fine collection study.

The Governor also recommends that the legislature act on the 3 F.Y. 1997 deficiencies included in the agency plan.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Public Safety, Department of

Fund: Trunk Highway Fund

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$66,531	\$66,531	\$133,062
<u>BASE ADJUSTMENT</u>			
One-Time Appropriation	5	(5)	(10)
Documented Space Rent/Lease Increase	618	665	1,283
Attorney General Funding Changes	1,188	1,188	2,376
1997 Salary Supplement Transfers	3,031	3,031	6,062
Annualization of New Program Costs	(9)	(9)	(18)
1998-99 Compensation Inflation	<u>1,432</u>	<u>2,901</u>	<u>4,333</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$72,786	\$74,302	\$147,088
<u>AGENCY DECISION ITEMS</u>			
Salary Increase Internal Comp. Study	600	1,200	1,800
Traffic Safety Federal Match	<u>93</u>	<u>93</u>	<u>186</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$73,479	\$75,595	\$149,074
<u>GOVERNOR'S INITIATIVES</u>			
Enhanced CJ Computer System	2,250	999	3,249
State Patrol Special Response	<u>6,631</u>	<u>4,423</u>	<u>11,054</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$82,360	\$81,017	\$163,377

Brief Explanation of Agency Plan:

- The agency plan calls for a base level decrease of \$9,000 each year to annualize the costs related to impounding motor vehicle license plates. \$65,000 was appropriated in Laws of 1996, Chapter 455, Article 1, Section 4, to implement new impound plate provisions in statute.
- The agency plan includes a \$1,188,000 base adjustment to cover costs related to services provided by the Attorney General's office for activities funded from the Trunk Highway Fund. The majority of the funding will cover legal costs related to the implied consent law.
- The plan includes a compensation inflation adjustment of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.
- The agency plan calls for \$600,000 in F.Y. 1998 and \$1,200,000 in F.Y. 1999 to implement wage increases for employees in Bargaining Unit 201, Law Enforcement. These wage adjustments are based on an internal Hay study conducted by the Department of Employee Relations.
- The agency plan includes an increase in the level of funding in the Traffic Safety program by \$93,000 each year. This will provide the required state match under the National Highway Traffic Safety Administration (NHTSA) grants.

Revenue Summary:

The agency plan has no impact on revenue collection.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a Trunk Highway Fund level of \$163,377,000 for the biennium, which incorporates initiatives for the following: \$3,249,000 for enhanced criminal justice computers; and \$11,054,000 for enhanced patrolling services statewide. These items are part of the Governor's overall Anti-Crime initiative that totals \$58.2 million for the 1998-99 biennium. In addition to these funds for the Department of Public Safety, it includes funds for the Departments of Corrections, Military Affairs, Children, Families & Learning, and the Office of Planning.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Public Safety, Department of

Fund: Highway User Tax Distribution

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$11,557	\$11,557	\$23,114
<u>BASE ADJUSTMENT</u>			
One-Time Appropriation	(33)	(33)	(66)
Documented Space Rent/Lease Increase	712	725	1,437
Attorney General Funding Changes	30	30	60
1997 Salary Supplement Transfers	305	305	610
Annualization of New Program Costs	10	10	20
1998-99 Compensation Inflation	143	289	432
Fund Changes/Fund Consolidation	<u>106</u>	<u>136</u>	<u>242</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$12,830	\$13,019	\$25,849
<u>AGENCY DECISION ITEMS</u>			
License Plate Manufacturing	867	777	1,644
Increased DVS Postage Costs	<u>213</u>	<u>213</u>	<u>426</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$13,910	\$14,009	\$27,919
<u>GOVERNOR'S INITIATIVES</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATIONS	\$13,910	\$14,009	\$27,919

Brief Explanation of Agency Plan:

- The agency plan includes the annualization of costs of \$10,000 each year related to impounding motor vehicle license plates. \$14,000 was appropriated in Minnesota Laws of 1996, Chapter 455, Article 1, Section 4, to implement new impound plate provisions.
- The agency plan includes a \$30,000 per year base adjustment to cover costs related to services provided by the Attorney General's Office. The legal costs relate to civil and criminal weight cases.
- The plan includes a compensation inflation adjustment of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.
- The agency plan calls for an increase in the level of funding of \$867,000 in F.Y. 1998 and \$777,000 in F.Y. 1999 to purchase manufactured license plates from the Department of Corrections for motor vehicles registered in Minnesota.
- The agency plan calls for an increase in the level of funding of \$213,000 each year to cover the cost of previous postage rate increases that have been absorbed by Driver and Vehicle Services program.

Revenue Summary:

Agency plans has no impact on revenue collection.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

AGENCY: Public Safety, Department of
(Continuation)

AGENCY STRATEGIES:

The agency budget plan is constructed to achieve the following goals:

- Provide leadership and support to all state and local units of government whose responsibilities encompass safety.
- Assure the safe transportation of people.
- Reduce the detrimental effect of drug and alcohol use on people.
- Lessen the impact of violent crime on people.
- Inform and educate people on safety issues.
- Provide timely and effective services in times of emergency and disaster.
- Provide quality records and documents, in a timely manner, for the use and protection of people and business.

See the Agency Performance Report, dated November 1996, for specific strategies, agency results and outcomes.

SUMMARY OF BUDGET REQUEST:

The major objective used by the department to develop the proposed budget and key budget issues largely relate to increased enforcement and criminal justice needs. Summary of the agency budget plan by fund is as follows:

General Fund:

- The agency plan includes a funding increase of \$1,300,000 each year to cover projected state match obligations under federal natural disaster assistance and hazard mitigation grants to local units of government.
- The agency plan includes a funding increase of \$75,000 each year under the Hazardous Materials Incident Response Act. The appropriation will be used to reimburse state hazardous materials response teams for costs incurred in responding to incidents when no responsible party can be identified.
- The agency plan calls for a funding increase of \$103,000 in F.Y. 1998 and \$100,000 in F.Y. 1999 for the fire sprinkler system licensing activity. Fees generated by this activity are sufficient to cover the increase level of funding.
- The agency plan calls for a funding increase of \$398,000 in F.Y. 1998 and \$404,000 in F.Y. 1999 to enhance enforcement capabilities within the Capitol Complex.

- The agency plan calls for \$35,000 in F.Y. 1998 and \$70,000 in F.Y. 1999 to implement wage increases for employees in Bargaining Unit 201, Law Enforcement. These wage adjustments are based on an internal Hay study conducted by the Department of Employee Relations.

Trunk Highway Fund:

- The agency plan includes a funding increase in the Traffic Safety program of \$93,000 each year. This will provide the required state match under the National Highway Traffic Safety Administration (NHTSA) grants.
- The agency plan calls for \$600,000 in F.Y. 1998 and \$1,200,000 in F.Y. 1999 to implement wage increases for employees in Bargaining Unit 201, Law Enforcement. These wage adjustments are based on an internal Hay study conducted by the Department of Employee Relations.

Highway User Tax Distribution Fund:

- The agency plan calls for a funding increase of \$867,000 in F.Y. 1998 and \$777,000 in F.Y. 1999 to purchase manufactured license plates from the Department of Corrections for motor vehicles registered in Minnesota.
- The agency plan calls for a funding increase of \$213,000 each year to cover the cost of previous postage rate increases that have been absorbed by Driver and Vehicle Services program.

Special Revenue:

- The agency plan calls for amending M.S. 168A.29, subd. 1 to remove the provision, effective 7-1-97, which reduces the fee for each motor vehicle title transfer from \$3.50 to \$1.00, to enable the State Patrol, Criminal Apprehension, and Alcohol and Gambling Enforcement to replace vehicles every 3 years. This statute needs to be amended to include the Bureau of Criminal Apprehension (BCA) and Alcohol and Gambling Enforcement (AGE).
- The agency plan calls for an amendment to M.S. 299C.10 that would continue the dedication of non-criminal justice record check receipts to the BCA. Receipts from fees collected cover the costs of processing record checks and maintaining the computerized criminal history system.

GOVERNOR'S RECOMMENDATION:

General Fund - The Governor recommends a General Fund level of \$85,299,000 for the biennium, which incorporates initiatives for the following: \$9,783,000 for enhanced criminal justice computers; \$5,206,000 for law enforcement overtime grants and gang unit expenditures; \$2,234,000 for enhanced patrolling services statewide; \$200,000 for bullet proof vest reimbursements; and \$200,000 for a delinquent traffic fine collection study.

Special Revenue Fund - The Governor concurs with the agency's plan.

State Government Special Revenue Fund - The Governor concurs with the agency's plan.

Trunk Highway Fund - The Governor recommends a Trunk Highway Fund level of \$163,377,000 for the biennium, which incorporates initiatives for the following: \$3,249,000 for enhanced criminal justice computers; and \$11,054,000 for enhanced patrolling services statewide.

Highway User Tax Distribution Fund - The Governor concurs with the agency's plan.

1998-99 Biennial Budget

AGENCY: Public Safety, Department of
(Continuation)

Environmental Fund - The Governor concurs the agency's plan.

1997 DEFICIENCIES:

The Governor also recommends three F.Y. 1997 deficiency appropriations. \$1,393,000 to reimburse local governments for disaster recovery costs related to the spring flooding of 1996. \$226,000 to reimburse the Trunk Highway Fund for costs incurred by the State Patrol in providing assistance to local law enforcement in the City of Minneapolis during the summer of 1996. \$20 million is recommended in the supplemental budget for costs incurred by units of government in this winter's snow emergencies.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMIN & RELATED SERVICES	6,138	8,118	10,855	10,855	12,658	10,998	10,998	12,801
EMERGENCY MANAGEMENT	12,236	30,463	13,775	15,150	15,150	5,378	6,753	6,753
CRIMINAL APPREHENSION	17,882	25,522	19,880	21,650	27,320	19,797	21,377	24,825
FIRE MARSHAL	3,219	3,581	3,787	3,890	3,890	3,801	3,901	3,901
STATE PATROL	53,833	60,033	54,012	57,573	67,413	54,850	59,309	65,061
DRIVER & VEHICLE SERVICES	29,593	32,821	33,949	35,029	35,229	34,299	35,289	35,289
ALCOHOL & GAMBLING ENFORCEMENT	1,898	2,245	2,134	2,211	2,211	2,160	2,170	2,170
TRAFFIC SAFETY	2,725	4,505	4,297	4,390	4,390	4,306	4,399	4,399
DRUG POLICY & VIOLENCE PREVENT	8,014							
PIPELINE SAFETY	1,131	1,550	1,405	1,405	1,405	1,385	1,385	1,385
CRIME VICTIMS SERVICES	2,933	3,476	3,287	3,287	3,287	3,739	3,739	3,739
CRIME VICTIMS OMBUDSMAN	289	317	322	322	322	329	329	329
LAW ENFORC.& COMMUNITY GRANTS		4,661			1,750			1,750
TOTAL EXPENDITURES BY PROGRAM	139,891	177,292	147,703	155,762	175,025	141,042	149,649	162,402
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	31,504	36,107	32,004	33,915	44,297	32,511	34,460	41,791
STATE GOVERNMENT SPECIAL REVENUE	7	14	7	7	7	7	7	7
SPECIAL REVENUE	1,009	1,388	1,420	1,420	1,420	1,436	1,436	1,436
TRUNK HIGHWAY	65,063	71,296	72,786	73,479	82,360	74,302	75,595	81,017
HIGHWAY USERS TAX DISTRIBUTION	10,260	10,812	12,830	13,910	13,910	13,019	14,009	14,009
ENVIRONMENTAL	38	43	42	42	42	43	43	43
OPEN APPROPRIATIONS:								
GENERAL	1	3	3	3	3	3	3	3
TRUNK HIGHWAY	1	1,355	4	4	4	4	4	4
HIGHWAY USERS TAX DISTRIBUTION	2	56	8	8	8	8	8	8
STATUTORY APPROPRIATIONS:								
GENERAL	1,227	1,486	1,410	1,410	1,410	1,410	1,410	1,410
STATE GOVERNMENT SPECIAL REVENUE	25	181	103	103	103	103	103	103
SPECIAL REVENUE	9,122	10,814	5,072	9,447	9,447	5,090	9,465	9,465
TRUNK HIGHWAY	1,065	2,330	1,340	1,340	1,340	1,090	1,090	1,090
FEDERAL	20,503	41,310	20,652	20,652	20,652	11,994	11,994	11,994
AGENCY	10							
GIFT	54	97	22	22	22	22	22	22
TOTAL EXPENDITURES	139,891	177,292	147,703	155,762	175,025	141,042	149,649	162,402

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY DEPT

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
PROGRAM RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	1,730.4	1,833.1	1,815.8	1,832.6	1,960.6	1,815.8	1,832.6	1,960.6
TEMP/SEAS/PART_TIME	19.2	22.1	22.0	22.0	22.0	20.8	20.8	20.8
OVERTIME	72.6	60.6	56.7	57.8	62.0	56.7	57.9	63.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	1,822.2	1,915.8	1,894.5	1,912.4	2,044.6	1,893.3	1,911.3	2,044.8

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Public Safety, Department of
PROGRAM:
ACTIVITY:

ITEM TITLE: Enhanced Public Safety and Criminal Justice Computer Systems

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$5,889	\$3,894	\$2,397	\$2,397
Trunk Highway Fund				
- State Operations	\$2,250	\$999	\$575	\$575
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends biennial funding of \$9,783,000 in General Fund monies and \$3,249,000 in Trunk Highway Fund monies for the development and enhancement of mission critical automated computer systems and 16 positions for the Department of Public Safety.

RATIONALE:

Many of the automated systems of the Department of Public Safety are nearing or past their life expectancy and must be enhanced to perform efficiently and effectively over the coming years. The department has prepared a strategic plan and is undertaking a consolidated effort to enhance, modify and implement the computer systems and infrastructure that must support public safety and criminal justice community efforts into the next century. This document is a compilation of 8 project plans which are detailed in the Agency Information Technology Budget Brief and supplemental pages.

PROGRAM OUTCOMES:

The impact of the implementation of the Department's Information Technology Strategic Plan will be felt in all areas of public safety, including increased efficiencies and effectiveness of the State Patrol, Capitol Security and Bureau of Criminal Apprehension due to the implementation of new and enhanced computer systems.

LONG-TERM IMPACT:

The enhancement of the mission critical components of the state's public safety systems will prepare the way for the automated facilities that will be required in the 21st century by starting the rebuilding process of the systems and infrastructure.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Public Safety, Department of
PROGRAM:
ACTIVITY:

ITEM TITLE: Law Enforcement Overtime Grants and Gang Unit

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,102	\$804	\$804	\$804
- Grants	\$1,650	\$1,650	\$1,650	\$1,650
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$5,206,000 in General Fund monies to provide funding for grants to law enforcement for overtime police efforts, to create a statewide gang unit consisting of local, county, state and federal law enforcement, and to fund 10 agents and 1 clerical for the Bureau of Criminal Apprehension (BCA) for assignment to the statewide gang unit.

RATIONALE:

Well devised law enforcement strategies can and do have a real impact on crime. However, with juvenile crime and gang activity steadily on the rise, law enforcement agencies are experiencing additional time pressures and are unable to fully utilize some effective strategies. This initiative will provide funding for overtime grants to encourage law enforcement to target high crime areas and make arrests for all illegal behavior no matter how small the crime. Overtime funding will also allow law enforcement agencies to interact more fully with the community and devise crime strategies unique to their neighborhoods. This community-oriented and directed enforcement strategy is currently having tremendous success in New York City, where crime rates have plummeted to unprecedented levels. A firm hand in the beginning stages of crime will prevent further deterioration of the community and prevent the more serious offenses from occurring.

Gang-related crime is significantly increasing statewide, and law enforcement agencies are often working independently of each other on issues of gang violence and crime. Gang issues are similar, with the same participants crossing city and county lines. A coordinated effort to combat the growing gang problem is necessary. This initiative will allow the sharing of information, ideas and strategies and provide common access to gang information on the newly created gang computer file at the BCA. This initiative will provide the necessary resources for surveillance equipment, facility rental, a staff person and 10 BCA agents to coordinate a statewide effort.

PROGRAM OUTCOMES:

The proposed increased funding for overtime police efforts will continue a strong and visible law enforcement presence in the communities and will allow law enforcement to pursue directed enforcement and arrests for minor offenses. The increased funding will also allow law enforcement to interact with their communities and develop crime strategies which take into account the unique needs of the community. Without this funding, these important efforts will be greatly diminished. The pervasive and exhaustive effort to crack down on the minor offenses will send the criminals in Minnesota the message that the state will not tolerate crime, and the crime rate will be reduced.

This initiative will result in reduced gang activity in Minnesota, a more efficient and accurate system of gathering and disseminating gang-related information, and the creation of positive working relationships among all of Minnesota's law enforcement agencies.

LONG-TERM IMPACT:

This initiative will result in an increased certainty that illegal behavior will result in an arrest. This will restore the integrity of law enforcement, reinforce individual accountability for illegal behavior and eventually restore the community's sense of safety and security. This initiative will offer all law enforcement agencies the necessary resources to target, track and apprehend all gang members in Minnesota. The long term impact will be a significant reduction in gang-related crime in Minnesota.

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: PUBLIC SAFETY DEPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	143,513	134,639	36,757	36,757	86,104	85,888	20,652	11,994
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<4,779>	<4,779>	<4,741>	<4,741>	<38>	<38>		
BIENNIAL APPROPRIATIONS	150	150	150	150				
FUND CHANGES/FUND CONSOLIDATI	511	520	405	384	106	136		
TRANSFERS BETWEEN AGENCIES	100	100	100	100				
ATTORNEY GENERAL FUNDING CHAN	1,218	1,218			1,218	1,218		
1997 SALARY SUPPLEMENT TRANSF	3,337	3,337			3,337	3,337		
1998-99 COMPENSATION INFLATIO	2,065	4,183	489	991	1,576	3,192		
ANNUALIZATION OF NEW PROGRAM	105	105	104	104	1	1		
DOC SPACE RENT/LEASE INCR/DEC	1,483	1,569	153	179	1,330	1,390		
SUBTOTAL BASE ADJ.	4,190	6,403	<3,340>	<2,833>	7,530	9,236		
BASE LEVEL	147,703	141,042	33,417	33,924	93,634	95,124	20,652	11,994

1998-99 Biennial Budget

PROGRAM: Administration and Related Services
AGENCY: Public Safety, Department of (DPS)

PROGRAM DESCRIPTION:

Through the use of computer technology, and data communications, personnel, fiscal services, the Administration and Related Services program supports all of Public Safety's programs. These education, awareness, prevention, and investigative programs are dependent on the services of the administration program to enable them to carry out their missions and goals.

PROGRAM STATUS:

- Decision-making is made at the lowest service level.
- The agency welcomes, values and respects people of all cultures, races and ethnic backgrounds.
- The agency maintains a high level of compliance with affirmative action goals.
- Requests for systems development and enhancements far exceed the resources of this program. Personal computer usage has grown significantly and most department employees are now linked through networking.
- This program continues to be more responsive to electronic media inquiries.

PLANNED RESULTS:

The agency budget plan will allow this program to accomplish or accelerate its services during the next biennium as follows:

- Develop an operational criminal justice community communications network that will allow authorized users to communicate with each other through a state-of-the-art system maintained by the DPS.
- Develop and distribute computer based automated learning programs that will enhance the training capacity of the criminal justice community.
- Increase the functionality of Law Enforcement Message Switching System (LEMS) to provide additional criminal justice investigative data to the criminal justice community.
- Implement a new Driver and Vehicle Services (DVS) pro-rate system.
- Implement a prototype image based document management system in DVS.
- Implement communications plans to enabling the agency to enhance its credibility with, and inform the citizens of Minnesota.
- Provide media relations training to all agency managers and supervisors.

- Implement internal graphics standards policy agency-wide, including establishment of a graphics unit.

BUDGET AND REVENUE SUMMARY:

Summary of the agency budget plan is as follows:

- The plan includes a compensation inflation adjustment of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.
- The plan calls for the annualization of costs by \$111,000 each year in the General Fund. The supplemental appropriation of \$119,000 for F.Y. 1997, as found in Laws of 1996, Ch. 455, Art. 1, Sec. 4, only partially funded critical computer operation systems of the agency.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a funding level of \$24,428,000 for the biennium, which incorporates initiatives for the following: \$2,256,000 General Funds and \$1,150,000 Trunk Highway Funds for an enhanced criminal justice computer system, and \$200,000 General Funds for bullet proof vest reimbursements.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY DEPT
PROGRAM: ADMIN & RELATED SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
OFFICE OF COMMUNICATIONS	592	702	670	670	670	676	676	676
PUBLIC SAFETY - SUPPORT	3,906	4,395	7,306	7,306	7,406	7,382	7,382	7,482
TECHNICAL SUPPORT SERVICES	1,640	3,021	2,879	2,879	4,582	2,940	2,940	4,643
TOTAL EXPENDITURES BY ACTIVITY	6,138	8,118	10,855	10,855	12,658	10,998	10,998	12,801
GOV'S INITIATIVES:		FUND						
(A) ENHANCED CRIMINAL JUSTICE COMPUTER SYST		GEN			1,128			1,128
(A) ENHANCED CRIMINAL JUSTICE COMPUTER SYST		THI			575			575
(A) BULLET PROOF VEST REIMBURSEMENT		GEN			100			100
TOTAL GOV'S INITIATIVES					1,803			1,803
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	576	772	2,723	2,723	3,951	2,709	2,709	3,937
TRUNK HIGHWAY	4,512	6,048	5,915	5,915	6,490	6,041	6,041	6,616
HIGHWAY USERS TAX DISTRIBUTION	19	19	1,315	1,315	1,315	1,345	1,345	1,345
OPEN APPROPRIATIONS:								
TRUNK HIGHWAY		224						
HIGHWAY USERS TAX DISTRIBUTION		18						
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	812	746	739	739	739	739	739	739
FEDERAL	219	291	163	163	163	164	164	164
TOTAL EXPENDITURES	6,138	8,118	10,855	10,855	12,658	10,998	10,998	12,801
FTE BY EMPLOYMENT TYPE:								
REGULAR	85.9	105.0	105.0	105.0	121.0	105.0	105.0	121.0
TEMP/SEAS/PART_TIME	.3							
OVERTIME	.3							
TOTAL FTE	86.5	105.0	105.0	105.0	121.0	105.0	105.0	121.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Office of Communications
PROGRAM: Administration and Related Services
AGENCY: Public Safety, Department of (DPS)

ACTIVITY DESCRIPTION:

The communications activity exists to provide strategic communications support to all divisions within the Department of Public Safety (DPS). Staff members serving as internal consultants to DPS divisions work to develop comprehensive public information and education programs informing all Minnesotans on public safety issues and concerns. The activity:

- Provides strategic direction, leadership, and communications support to divisions and offices including efforts associated with the department's legislative activities.
- Serves as a resource to educate and inform the citizens of Minnesota on public safety issues.
- Develops, implements, and administers federal and state public education programs on impaired driving and motorcycle safety issues.
- Responds in an accurate and timely fashion to news media inquiries concerning department activities and programs.
- Develops agency-wide communications planning strategies and crisis communications plans.
- Develops and establishes agency-wide graphic design standards.

BUDGET ISSUES:

This is a small activity charged with department-wide responsibilities to carry out media liaison, coordination of communications efforts and citizen interaction on safety issues. The increased demands by DPS divisions for communications services strains the capabilities of this activity.

REVENUE:

This activity generates dedicated revenues. The revenues collected are federal funds claimed and receipted for National Highway Safety Administration grants.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY DEPT
PROGRAM: ADMIN & RELATED SERVICES
ACTIVITY: PUBLIC SAFETY - SUPPORT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,469	2,569	2,614	2,614	2,614	2,681	2,681	2,681
OPERATING EXPENSES	1,239	1,628	1,353	1,353	1,353	1,353	1,353	1,353
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,708	4,197	3,967	3,967	3,967	4,034	4,034	4,034
PAYMENTS TO INDIVIDUALS	112	110	110	110	160	110	110	160
LOCAL ASSISTANCE	86	88	82	82	132	82	82	132
TRANSFERS			3,147	3,147	3,147	3,156	3,156	3,156
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,906	4,395	7,306	7,306	7,406	7,382	7,382	7,482
GOV'S INITIATIVES:		FUND						
-----		-----						
(A) BULLET PROOF VEST REIMBURSEMENT		GEN			100			100
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					100			100
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	526	566	2,400	2,400	2,500	2,380	2,380	2,480
TRUNK HIGHWAY	2,736	2,969	3,018	3,018	3,018	3,083	3,083	3,083
HIGHWAY USERS TAX DISTRIBUTION			1,296	1,296	1,296	1,326	1,326	1,326
OPEN APPROPRIATIONS:								
TRUNK HIGHWAY		224						
HIGHWAY USERS TAX DISTRIBUTION		18						
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	618	586	579	579	579	579	579	579
FEDERAL	26	32	13	13	13	14	14	14
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,906	4,395	7,306	7,306	7,406	7,382	7,382	7,482

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY DEPT
PROGRAM: ADMIN & RELATED SERVICES
ACTIVITY: PUBLIC SAFETY - SUPPORT

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	680	579	579	579	579	579	579	579
FEDERAL	13	32	13	13	13	14	14	14
TOTAL REVENUES COLLECTED	693	611	592	592	592	593	593	593
FTE BY EMPLOYMENT TYPE:								
REGULAR	55.4	58.0	58.0	58.0	58.0	58.0	58.0	58.0
TEMP/SEAS/PART_TIME	.3							
OVERTIME	.3							
TOTAL FTE	56.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY DEPT
PROGRAM: ADMIN & RELATED SERVICES
ACTIVITY: TECHNICAL SUPPORT SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,246	2,126	2,273	2,273	3,386	2,330	2,330	3,485
OPERATING EXPENSES	394	895	606	606	1,196	610	610	1,158
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,640	3,021	2,879	2,879	4,582	2,940	2,940	4,643
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,640	3,021	2,879	2,879	4,582	2,940	2,940	4,643
=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:		FUND						
-----		-----						
(A) ENHANCED CRIMINAL JUSTICE COMPUTER SYST		GEN			1,128			1,128
(A) ENHANCED CRIMINAL JUSTICE COMPUTER SYST		THI			575			575
=====	=====	=====			=====			=====
TOTAL GOV'S INITIATIVES					1,703			1,703
=====	=====	=====						
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	50	186	303	303	1,431	309	309	1,437
TRUNK HIGHWAY	1,482	2,710	2,557	2,557	3,132	2,612	2,612	3,187
HIGHWAY USERS TAX DISTRIBUTION	19	19	19	19	19	19	19	19
STATUTORY APPROPRIATIONS:								
FEDERAL	89	106						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,640	3,021	2,879	2,879	4,582	2,940	2,940	4,643
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
FEDERAL		106						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED		106						

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY DEPT
PROGRAM: ADMIN & RELATED SERVICES
ACTIVITY: TECHNICAL SUPPORT SERVICES

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	25.5	42.0	42.0	42.0	58.0	42.0	42.0	58.0
TOTAL FTE	25.5	42.0	42.0	42.0	58.0	42.0	42.0	58.0

This page intentionally left blank.

1998-99 Biennial Budget

PROGRAM: Emergency Management
AGENCY: Public Safety, Department of

PROGRAM DESCRIPTION:

The division of Emergency Management (DEM) is responsible for reducing or eliminating the effects of natural or technological disasters by promoting prevention and ensuring emergency preparations; coordinating and participating in state agency response, and providing resources for recovery.

PROGRAM STATUS:

DEM continues to advocate an all-hazard emergency management approach where a single plan is used to address all types of emergencies. This approach promotes an efficient response. This single plan is joined with an incident management system, Minnesota Incident Management System (MIMS), to provide a common, coordinated response and recovery framework for public safety actions in the state. Furthermore, the program offers training and guidance designed to promote local public safety efforts, test emergency preparations, provide key information for the planning processes, and promote public/private partnerships within communities. All of these efforts are based on the experience that local preparation leads to a good local response, which leads to a successfully managed incident.

The division provides response capability through the Minnesota duty officer 24-hour communications center and by coordinating state agency response. The duty officer system acts as a link between parties notifying state agencies and the receiving agencies. The system also provides access to response resources such as specialized staff and information, response coordinators, and the hazardous materials incident response teams.

DEM is continuing its role in recovery efforts by administering direct recovery public assistance and individual assistance grants and hazard mitigation (prevention) grants. This effort utilizes federal and state funding to provide direct assistance to local governments and individuals and to undertake projects that reduce the impacts of a disaster. Public assistance is used to rebuild infrastructure. Individual assistance assists individual property owners to clean up and recover. Qualifying mitigation projects include relocation of homes out of flood plains and improvement of flood control systems.

The division depends on federal funds, Special Revenues, and General Fund appropriations to carry out its functions. Federal funds are expected to be stable throughout the biennium; however, changes are expected in state fiscal year 2000. Federal funding changes will impact all cost shared programs, about 50% of DEM's operation, and local governments. Increased state funding will be required to maintain the program's current level of activity.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1996 Annual Performance Report to be accomplished or accelerated as follows:

- Within 2 years of a disaster, 90% of the funding available for mitigation (prevention) projects will be approved and obligated by the state for distribution to local parties.
- 137 local emergency plans will be reviewed by division staff by 2000 in order to provide technical assistance and promote progressive emergency management efforts.

- The division will immediately respond with staff, resources, and/or information, to 100% of the incidents which are reported to the Minnesota duty officer.
- All state disaster applications will be compiled and submitted within 30 days in order to trigger disaster relief assistance in a timely manner.
- Individual payments will be made within 72 hours of receiving an acceptable individual assistance application.

BUDGET AND REVENUE SUMMARY:

A summary of the budget plan is as follows:

- The plan includes a compensation inflation adjustment of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.
- The agency plan calls for a base adjustment of \$25,000 in F.Y. 1998-99 as a biennial appropriation from the General Fund to fund a portion of the costs for the hazardous materials safety activity of the Emergency Management Program. \$50,000 was provided in F.Y. 1996 only, for payment to the emergency response teams for their response to hazardous materials incidents.
- The agency plan includes \$1,300,000 each year to cover projected state match obligations for public assistance and hazard mitigation grants.
- The agency plan includes \$75,000 each year of the biennium to fully fund the hazardous materials incident response act.

1997 DEFICIENCIES:

This budget includes a fiscal year 1997 deficiency of \$1,393,000 to reimburse local governments for disaster recovery costs related to the spring flooding of 1996. The Governor's supplemental budget recommendations include \$20 million in F.Y. 1997 for costs incurred by units of government in this winter's snow emergencies.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The Governor also recommends two F.Y. 1997 deficiency appropriations.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Public Safety, Department of
PROGRAM: Fire Marshal
ACTIVITY:

ITEM TITLE: Positions to Fulfill Sprinkler Legislation

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$103	\$100	\$100	\$100
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$103,000 in F.Y. 1998 and \$100,000 in F.Y. 1999 in General Fund monies and 2.0 positions to complete the funding of the fire sprinkler system licensing legislation.

RATIONALE:

This initiative requests 2 additional positions to fulfill the intent of the legislation passed in 1992, to licence and certify fire sprinkler contractors and installers, and to conduct plan reviews for system installations. The original fiscal note for this legislation was to provide the division with 5 positions: 1 supervisor, 3 deputies, and 1 clerical. During the first 2 years of the program rules were written and adopted and the entire complement was not needed. In 1994 the program added 2 plan review positions. It is now 2 years into the program and 2 additional inspector positions are needed to fully implement the field inspection function. Fees generated by this program are sufficient to fund the positions.

PROGRAM OUTCOMES:

The projected outcomes of this program are:

- To increase the level of life safety for Minnesota citizens and the fire service as it relates to the installation of fire sprinkler systems in buildings.
- To ensure cities relying on the State Fire Marshal to permit and conduct plan reviews that the system is installed according to plan specification.
- To increase service to local jurisdictions and contractors for timely inspections.

The overall impact of this initiative is to speed up both the plan review process and inspection process by having dedicated positions for each function. Currently, plan reviewers get into the field on a limited basis. By the time they can get on-site of the project, the work has been completed and occupants are in the building. If major changes or alterations are to be made at that time, major disruption is caused to the occupants and the cost for such changes are very high.

LONG-TERM IMPACT:

The long term impact will enable the division to fulfill the requirements of the enabling legislation by addressing the needs of local fire departments and the industry with inspections in a timely manner before the building is completed. This will eliminate the need for occupant disruption and increased costs when corrections or alterations are necessary. There will also be an assurance of an increased level of life safety for occupants based on a final acceptance inspection of the fire safety systems.

1998-99 Biennial Budget

PROGRAM: State Patrol
AGENCY: Public Safety, Department of

PROGRAM DESCRIPTION:

The State Patrol provides police traffic services on Minnesota's state and federal highways, provides for the safe and efficient movement of traffic, and protects Minnesota's citizens through enforcement, education, and assistance. It also provides security for the legislature, the governor, the governor's family and residence.

Through enforcement, education and assistance, the program components work together to ensure a safe environment on Minnesota's roadways by reducing the number of fatalities and serious injuries caused by motor vehicle crashes. The objectives of the program are:

- Raise the incidence of seat belt use.
- Reduce the number of alcohol and drug related traffic accident deaths and injuries.
- Improve the traffic safety environment.
- Reduce the number and severity of commercial motor vehicle crashes.

PROGRAM STATUS:

Using a commonly accepted barometer of traffic safety (number of persons killed per 100 million miles traveled), the impact and performance of this program has been excellent. Minnesota has been among the 5 safest states in which to drive each year during the previous decade and was the safest state in 4 of those 10 years. The 1993 fatality rate of 1.27 deaths per 100 million miles traveled was one of the lowest rates in the nation and the lowest rate ever recorded in Minnesota. The 1995 fatality rate was 1.35 deaths per 100 million miles traveled.

The population growth trend continues within the extended urban area of Minneapolis-St. Paul, including Rochester and St. Cloud, with greater demand for police traffic services on an expanding and increasingly congested highway system. More agency resources will be committed to provide response to calls for service. As demographics continue to change, this program's ability to provide rapid response to highway emergencies statewide will be adversely affected.

The majority of fatal crashes occur in rural areas where there is less congestion, however, rural vehicular speed continues to rise. The program is not able to maintain continuous 24-hour on-duty coverage in Greater Minnesota. This diverts local police and county Sheriff departments from crime-related activities, to respond to traffic crashes and emergency service on the federal and state trunk highway system. The expanding use and reliance on cellular telephone communication has increased the frequency of cellular 911 calls for service statewide. The State Patrol communication centers are the direct answer points for cellular 911 communications. The increase in direct calls for service has caused the number of hours spent in preventative enforcement activities to decrease.

During each of the previous 8 years, the State Patrol has increased the number of commercial motor vehicle inspections and the enforcement of laws regulating the operation of commercial motor vehicles. Over the same period, the number of commercial motor vehicle crashes has consistently decreased. The current level of inspections and enforcement activity is expected to decrease with a potential reversal of the trend toward decreased commercial vehicle crashes. The number of commercial vehicles weighed annually will decline, which has the potential to accelerate the damage to highways from overweight vehicles.

PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1996 Annual Performance Report to be accomplished or accelerated as follows:

- Reduce the percentage of motor vehicle crash fatalities attributed to alcohol/drug impaired drivers to 36% by the Calendar Year (C.Y.) 1998.
- Increase the percentage of driver and front seat occupant seat belt use to 70% by the C.Y. 1998 through enforcement and education.
- Reduce the frequency of commercial motor vehicle crashes to 1.85 per 1 million miles traveled by C.Y. 1998.
- Increase the percentage of time spent in proactive patrolling by 2% by C.Y. 1998.
- Increase the number of reported cases of suspicious persons and suspicious activity by 5.9% by C.Y. 1998.
- Reduce the incidence of violence in the work place by 15% by C.Y. 2000.

BUDGET AND REVENUE SUMMARY:

Summary of the agency plan is as follows:

- The plan includes a compensation inflation base adjustment of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.
- The agency plan includes a \$30,000 per year base adjustment in the Highway User Tax Distribution Fund to cover costs related to services provided by the Attorney General's Office. The legal costs relate to civil and criminal vehicle weight cases.
- The agency plan calls for \$398,000 in F.Y. 1998 and \$404,000 in F.Y. 1999 in General Fund monies and 6 positions to enhance enforcement capabilities within the capitol complex.
- The agency plan calls for amending M.S. 168A.29, subd. 1 to remove the provision, effective 7-1-97, which reduces the surcharge for each motor vehicle title transaction from \$3.50 to \$1.00. Revenues collected from the surcharge are presently dedicated for the purchase and equipping of state patrol vehicles.
- The agency plan includes \$600,000 in F.Y. 1998 and \$1,200,000 in F.Y. 1999 to implement wage increases for State Patrol Troopers, Trooper 1s and Corporals. The wage adjustments are based on an internal Hay study conducted by the Department of Employee Relations.

1997 DEFICIENCY:

This budget includes a 1997 deficiency appropriation of \$226,000 for costs incurred by the State Patrol in providing assistance to local law enforcement in the City of Minneapolis during the summer of 1996.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a funding level of \$132,474,000 for the biennium, which incorporates initiatives for the following: \$115,000 General Funds and \$2,099,000 Trunk Highway Funds for enhanced criminal justice computers; and \$2,324,000 General Funds and \$11,054,000 Trunk Highway Funds for enhanced patrolling services statewide.

The Governor also recommends the appropriation of \$226,000 for costs incurred by the State Patrol in providing assistance to local law enforcement in the City of Minneapolis during the summer of 1996. Of this appropriation, \$76,000 is for transfer to the Trunk Highway Fund as a reimbursement for expenditures made from that fund. \$150,000 is available to reimburse state patrol General Fund expenditures.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Supreme Court

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$19,659	\$19,659	\$39,318
<u>BASE ADJUSTMENT</u>			
One time appropriation	(350)	(350)	(700)
Salary Adjustment	179	363	542
Rent Adjustment	<u>(133)</u>	<u>(117)</u>	<u>(250)</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$19,355	\$19,555	\$38,910
<u>AGENCY REQUEST ITEMS</u>			
Judicial Salary Supplement	61	61	122
Community Dispute Resolution Programs	55	55	110
Victim Offender Mediation	240	240	480
Civil Legal Services Increases	1,900	1,900	3,800
Judicial Branch Technology	5,870	5,870	11,740
Law Library Resources Inflation	<u>30</u>	<u>30</u>	<u>60</u>
<u>AGENCY REQUEST (for 1998 and 1999)</u>	\$27,511	\$27,711	\$55,222
<u>GOVERNOR'S INITIATIVES</u>			
Sustainable Growth Initiative	1,206	1,206	2,412
Policy Development Initiative	<u>100</u>	<u>-0-</u>	<u>100</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$20,661	\$20,761	\$41,422

Brief Explanation of Agency Plan:

The Supreme Court is requesting staff and support resources at the program level. In addition, salary increase funding through a salary supplement is for judicial salary increases.

Revenue Summary:

Non-dedicated revenues of approximately \$950,000 for the biennium are deposited in the Cambridge State Bank Fund from filing appeals to the appellate courts.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Supreme Court, this amounts to a biennial increase of \$2,954,000, which includes the base adjustment provided for salaries. For display purposes only, the increase is shown under the Supreme Court Operations Program, although the funds are intended to be available agency-wide.

The Governor makes no recommendation regarding the specific initiatives put forward by the Supreme Court.

The Supreme Court is uniquely positioned to contribute to state policy development efforts regarding the criminal justice system, court organization, etc. The Court's vision and contributions to previous policy development efforts, including the studies of the Juvenile Justice System and Racial Bias in the Judicial System have proven very important. The Governor wishes to support the future involvement of the Supreme Court and recommends the appropriation of \$100,000 in F.Y. 1998.

1998-99 Biennial Budget

AGENCY: Supreme Court

AGENCY DESCRIPTION:

The Supreme Court, the highest court of the state, exercises supervisory and adjudicatory authority. The Supreme Court establishes the rules and procedures which govern the courts in the 87 counties, the 252 judges, the approximately 1,800 judicial system personnel, and the 18,000 lawyers who appear in them to dispose of nearly 2,000,000 cases annually.

The Supreme Court is responsible for adjudicating appeals brought throughout the state. In 1996 an estimated 1000 cases will be filed in the Supreme Court. It has original jurisdiction over cases appealed from the Worker's Compensation Court of Appeals and the Tax Court and in first degree murder cases. It exercises discretionary review of cases heard by the Court of Appeals. The Supreme Court also supervises the maintenance of the State Law Library which provides resources necessary for a clear understanding of the law to government personnel and citizens (M.S. 480.09).

With the assistance of the State Court Administrator, the Chief Justice exercises general supervisory powers over the courts of the state and specific supervisory powers over the courts' financial affairs, programs of continuing legal education, and planning and research (M.S. 2.724).

The primary aim in the court is to provide prompt access for litigants to well trained judges who are supported by a knowledgeable, efficient staff and modern management technology. This goal is based on the premises: that each citizen is entitled to have his dispute considered and resolved in a court of law, that litigants and society are best served by speedy, just resolution of disputes while the facts are still clear and evidence and witnesses are still available; that modern management techniques can make the court process more efficient and assist in achieving a speedy, just resolution of a case; and that planning for change in the courts, based on adequate, accurate information, will help achieve uniformity of procedure and an efficient, effective process.

The Supreme Court seeks to insure the efficiency and integrity of the judicial system through programs in 3 areas:

1. **Supreme Court Operations:** The Supreme Court has concentrated on refining the appellate discretionary review process, on screening and deciding petitions for accelerated and further review, on accepting and deciding the precedent setting cases which will shape Minnesota case law, and on disposing of the 230 original jurisdiction cases file annually. It has continued to exercise extensive supervision of the legal process through promulgation of court rules and of the legal system through the regulatory boards monitoring the practice of law. It supervises the administration of the state trial courts in conjunction with the Conference of Chief Judges by promulgating judicial branch policies and procedures.
2. **State Court Administration:** This program provides administrative support for the Supreme Court, the Court of Appeals and the trial courts; conducts operations research to identify management and case flow problems in trial and appellate courts and to recommend solutions; provides data through a computerized management information system to support research and the operation of all courts; plans and executes training programs for court personnel, plans for the development and use of judicial resources, and for the collection, storage and use of court records; develops uniform policies and procedures for trial court management; reports to the legislature about the operation of the judicial system; administers distribution of funds to civil legal services programs so that indigent citizens may receive legal services; administers distribution of funds to

community dispute resolution and victim-offender mediation programs; and conducts numerous studies of court operations and processes initiated by the courts and the legislature.

3. **State Law Library:** This program provides the court, other state agencies and the general public assisted research capabilities for the public and state agencies on a fee basis.

AGENCY ISSUES:

Providing timely, high quality appellate review is a continuous focus for the Supreme Court. In its administrative role, the Supreme Court seeks to assure timely, meaningful access to adjudicative processes for a diverse clientele in an operating environment where a variety of support services and critical information are not uniformly or readily available throughout the state.

AGENCY STRATEGIES:

The Supreme Court continues to review its operations as well as court rules and practices for the entire judicial branch to increase its efficiency and to insure meaningful access for citizens to the courts of the state.

REVENUE SUMMARY:

The Clerk of Appellate Courts receives non-dedicated filing fees for all appellate filings. The revenue generated amounts to approximately \$475,000 annually and is deposited in the Cambridge State Bank fund.

SUMMARY OF BUDGET REQUEST:

The Supreme Court is requesting additional resources at the program level. In addition, salary increase funding through a salary supplement is desperately needed if the courts are to retain competent experienced judges.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Supreme Court, this amounts to a biennial increase of \$2,954,000, which includes the base adjustment provided for salaries. For display purposes only, the increase is shown under the Supreme Court Operations Program, although the funds are intended to be available agency-wide.

The Governor makes no recommendation regarding the specific initiatives put forward by the Supreme Court.

The Supreme Court is uniquely positioned to contribute to state policy development efforts regarding the criminal justice system, court organization, etc. The Court's vision and contributions to previous policy development efforts, including the studies of the Juvenile Justice System and Racial Bias in the Judicial System have proven very important. The Governor wishes to support the future involvement of the Supreme Court and recommends the appropriation of \$100,000 in F.Y. 1998.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SUPREME COURT

PROGRAM RESOURCE ALLOCATION:			FY 1998			FY 1999		
	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
SUPREME COURT OPERATIONS	3,950	4,110	4,058	4,119	5,364	4,135	4,196	5,341
CIVIL LEGAL SERVICES	5,005	5,359	5,007	6,907	5,007	5,007	6,907	5,007
FAMILY LAW LEGAL SERVICES	877	877	877	877	877	877	877	877
STATE COURT ADMINISTRATION	6,751	9,689	7,661	13,531	7,661	7,768	13,638	7,768
COMMUNITY DISPUTE RESOLUTION	241	99	95	150	95	95	150	95
VICTIM OFFENDER MEDIATION		150	150	390	150	150	390	150
LAW LIBRARY OPERATIONS	1,712	1,875	1,817	1,847	1,817	1,838	1,868	1,838
TOTAL EXPENDITURES BY PROGRAM	18,536	22,159	19,665	27,821	20,971	19,870	28,026	21,076
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	18,321	21,553	19,355	27,511	20,661	19,555	27,711	20,761
STATUTORY APPROPRIATIONS:								
GENERAL	6	273	95	95	95	95	95	95
SPECIAL REVENUE	40	166	175	175	175	180	180	180
FEDERAL	137	100						
GIFT	32	67	40	40	40	40	40	40
TOTAL EXPENDITURES	18,536	22,159	19,665	27,821	20,971	19,870	28,026	21,076
FTE BY EMPLOYMENT TYPE:								
REGULAR	146.4	148.2	148.0	166.0	148.0	148.0	166.0	148.0
OVERTIME	.4	.4	.4	.4	.4	.4	.4	.4
TOTAL FTE	146.8	148.6	148.4	166.4	148.4	148.4	166.4	148.4

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SUPREME COURT

			FY 1998			FY 1999		
		Est.		Agency	Governor		Agency	Governor
SUMMARY OF AGENCY REVENUES	FY 1996	FY 1997	Forecast	Request	Recomm.	Forecast	Request	Recomm.
=====								
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
CAMBRIDGE DEPOSIT FUND	472	475	475	475	475	475	475	475
OTHER REVENUES:								
GENERAL	2							
=====								
TOTAL NON-DEDICATED RECEIPTS	474	475	475	475	475	475	475	475
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
GENERAL	94	95	95	95	95	95	95	95
SPECIAL REVENUE	55	169	189	189	189	189	189	189
GRANTS:								
GENERAL	33	57						
FEDERAL	105	100						
OTHER REVENUES:								
SPECIAL REVENUE	16	6	6	6	6	6	6	6
FEDERAL	20							
GIFT	34	46	40	40	40	40	40	40
=====								
TOTAL DEDICATED RECEIPTS	357	473	330	330	330	330	330	330
=====								
AGENCY TOTAL REVENUES	831	948	805	805	805	805	805	805

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SUPREME COURT
PROGRAM: SUPREME COURT OPERATIONS
ACTIVITY: SUPREME COURT OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,801	2,916	2,982	3,043	2,982	3,054	3,115	3,054
OPERATING EXPENSES	1,149	1,194	1,076	1,076	2,382	1,081	1,081	2,287
SUBTOTAL STATE OPERATIONS	3,950	4,110	4,058	4,119	5,364	4,135	4,196	5,341
TOTAL EXPENDITURES	3,950	4,110	4,058	4,119	5,364	4,135	4,196	5,341
AGENCY REQUEST ITEMS:		FUND						
JUDICIAL SALARY INCREASE		GEN		61			61	
TOTAL AGENCY REQUEST ITEMS				61			61	
GOV'S INITIATIVES:		FUND						
(P) SUSTAINABLE GROWTH INITIATIVE		GEN			1,206			1,206
(P) POLICY DEVELOPMENT INITIATIVE		GEN			100			
TOTAL GOV'S INITIATIVES					1,306			1,206
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,919	4,043	4,018	4,079	5,324	4,095	4,156	5,301
STATUTORY APPROPRIATIONS:								
GIFT	31	67	40	40	40	40	40	40
TOTAL EXPENDITURES	3,950	4,110	4,058	4,119	5,364	4,135	4,196	5,341
REVENUE COLLECTED:								
DEDICATED:								
GIFT	34	46	40	40	40	40	40	40

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SUPREME COURT
PROGRAM: SUPREME COURT OPERATIONS
ACTIVITY: SUPREME COURT OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	472	475	475	475	475	475	475	475
TOTAL REVENUES COLLECTED	506	521	515	515	515	515	515	515
FTE BY EMPLOYMENT TYPE:								
REGULAR	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3
TOTAL FTE	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LEGAL CERTIFICATION BOARD
PROGRAM: LEGAL CERTIFICATION BOARD
ACTIVITY: LEGAL CERTIFICATION BOARD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	18	25	26	26	26	27	27	27
OPERATING EXPENSES	9	12	13	13	13	15	15	15
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	27	37	39	39	39	42	42	42
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	27	37	39	39	39	42	42	42
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	27	37	39	39	39	42	42	42
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	27	37	39	39	39	42	42	42
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	27	28	27	27	27	26	26	26
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	27	28	27	27	27	26	26	26
FTE BY EMPLOYMENT TYPE:								

REGULAR	.4	.4	.4	.4	.4	.4	.4	.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	.4	.4	.4	.4	.4	.4	.4	.4

1998-99 Biennial Budget

AGENCY: Tax Court

AGENCY DESCRIPTION:

The Minnesota Tax Court was established as a full-time court of record in 1977. The Tax Court is a specialized trial court in the executive branch with statewide jurisdiction to hear and determine all matters arising out of Minnesota's tax laws. The Court's mission is to provide timely and equitable disposition of appeals of orders issued by the Commissioner of Revenue and local property tax valuations, classifications, equalization and/or exemptions.

The Tax Court has primary jurisdiction for appeals from Commissioner's orders (M.S. Chapter 271). For property tax matters, District Courts delegate their jurisdiction to the Tax Court (M.S. Chapter 278). The District Courts routinely transfer all Chapter 278 property tax petitions, as well as other miscellaneous tax cases, to the Tax Court.

The Tax Court docket, tracks, schedules and disposes of all cases filed. Property tax cases are heard by the Court in the county where the property is located and commissioner appeals are heard either in Ramsey County or the county where the taxpayer resides. Most appeals are scheduled and disposed of within one year of filing. The Tax Court provides a judge and the support functions to issue and disseminate a written decision on every case heard by the court.

REVENUES:

This activity generates non-dedicated revenue. Claims filed under the Court's regular division are charged a fee of \$122. Small claims, generally those involving pro se homestead issues or small dollar claims, are charged a fee of \$25.

All filing fee revenue is deposited into the General Fund.

WORKLOAD/EFFICIENCY MEASUREMENTS:

Appeals filed by Calendar Year

<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
5,642	4,543	3,711	2,490

Number of Trials Held by Fiscal Year

<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
144	86	91	88

Number of Motions and Pretrial Conferences Held by Fiscal Year

<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
331	358	465	501

Property tax appeals fluctuate with the economic conditions of the real estate market. The number of appeals due to orders from the Commissioner of Revenue has decreased slightly in recent years. The number of trials has been consistent over the last 3 years. However, the number of motions and pretrial conferences has increased due to the increasing complexity of many property tax appeals.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The agency's plan includes a 2.5% inflationary-increase each year. Virtually all of the Tax Court's budget pays for the salaries of judges and staff (71%) and rent (22%). The Court has not increased its complement of 6 full-time and 1 part-time employees since 1977.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends \$350,000 for the Court's Information Systems Enhancement initiative.

REVISED 2/28/97

PAGE H-66

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TAX COURT
PROGRAM: TAX COURT
ACTIVITY: TAX COURT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	427	430	441	441	441	453	453	453
OPERATING EXPENSES	171	190	189	189	539	192	192	192
SUBTOTAL STATE OPERATIONS	598	620	630	630	980	645	645	645
TOTAL EXPENDITURES	598	620	630	630	980	645	645	645
GOV'S INITIATIVES:		FUND						
(B) INFORMATION SYSTEMS ENHANCEMENT		GEN			350			
TOTAL GOV'S INITIATIVES					350			
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	598	620	630	630	980	645	645	645
TOTAL EXPENDITURES	598	620	630	630	980	645	645	645
REVENUE COLLECTED:								
NONDEDICATED:								
GENERAL	11	10	10	10	10	10	10	10
TOTAL REVENUES COLLECTED	11	10	10	10	10	10	10	10
FTE BY EMPLOYMENT TYPE:								
REGULAR	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
TEMP/SEAS/PART TIME	.5	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: TAX COURT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	592	592	592	592				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	22	22	22	22				
1998-99 COMPENSATION INFLATIO	11	22	11	22				
SMALL AGENCY S & E INFLATION	5	9	5	9				
SUBTOTAL BASE ADJ.	38	53	38	53				
BASE LEVEL	630	645	630	645				

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC DEFENSE BOARD

			FY 1998			FY 1999		
PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
STATE PUBLIC DEFENDER	2,969	3,052	3,123	3,389	5,297	3,188	3,528	5,362
PUBLIC DEFENSE BOARD	735	941	900	1,004	900	915	1,038	915
DISTRICT PUBLIC DEFENSE	33,094	36,025	35,525	41,671	35,525	36,020	42,344	36,020
TOTAL EXPENDITURES BY PROGRAM	36,798	40,018	39,548	46,064	41,722	40,123	46,910	42,297
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	36,691	39,817	39,389	45,905	41,563	39,964	46,751	42,138
STATUTORY APPROPRIATIONS:								
FEDERAL	107	198	159	159	159	159	159	159
GIFT		3						
TOTAL EXPENDITURES	36,798	40,018	39,548	46,064	41,722	40,123	46,910	42,297
FTE BY EMPLOYMENT TYPE:								
REGULAR	364.8	367.8	367.8	410.8	367.8	367.8	410.8	367.8
TEMP/SEAS/PART_TIME	4.5	4.5	4.5	6.5	4.5	4.5	6.5	4.5
TOTAL FTE	369.3	372.3	372.3	417.3	372.3	372.3	417.3	372.3

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC DEFENSE BOARD

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Request	Governor Recomm.	Forecast	Agency Request	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
GENERAL	5	31	35	35	35	35	35	35
=====								
TOTAL NON-DEDICATED RECEIPTS	5	31	35	35	35	35	35	35
=====								
DEDICATED RECEIPTS:								

GRANTS:								
FEDERAL	116	159	159	159	159	159	159	159
OTHER REVENUES:								
GIFT		3						
=====								
TOTAL DEDICATED RECEIPTS	116	162	159	159	159	159	159	159
=====								
AGENCY TOTAL REVENUES	121	193	194	194	194	194	194	194
=====								

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC DEFENSE BOARD
PROGRAM: STATE PUBLIC DEFENDER
ACTIVITY: STATE PUBLIC DEFENDER

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,083	2,203	2,286	2,516	2,286	2,344	2,663	2,344
OPERATING EXPENSES	886	849	837	873	3,011	844	865	3,018
SUBTOTAL STATE OPERATIONS	2,969	3,052	3,123	3,389	5,297	3,188	3,528	5,362
TOTAL EXPENDITURES	2,969	3,052	3,123	3,389	5,297	3,188	3,528	5,362
AGENCY REQUEST ITEMS:		FUND						
APPELLATE CASELOAD RELIEF		GEN		187			178	
STRUCTURAL DEFICIENCY		GEN		79			162	
TOTAL AGENCY REQUEST ITEMS				266			340	
GOV'S INITIATIVES:		FUND						
(P) SUSTAINABLE GROWTH INITIATIVE		GEN			2,174			2,174
TOTAL GOV'S INITIATIVES					2,174			2,174
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,952	2,991	3,085	3,351	5,259	3,150	3,490	5,324
STATUTORY APPROPRIATIONS:								
FEDERAL	17	61	38	38	38	38	38	38
TOTAL EXPENDITURES	2,969	3,052	3,123	3,389	5,297	3,188	3,528	5,362
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	36	38	38	38	38	38	38	38

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC DEFENSE BOARD
PROGRAM: STATE PUBLIC DEFENDER
ACTIVITY: STATE PUBLIC DEFENDER

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
TOTAL REVENUES COLLECTED	36	38	38	38	38	38	38	38
FTE BY EMPLOYMENT TYPE:								
REGULAR	35.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0
TEMP/SEAS/PART_TIME	2.0	2.0	2.0	4.0	2.0	2.0	4.0	2.0
TOTAL FTE	37.0	39.0	39.0	41.0	39.0	39.0	41.0	39.0

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC DEFENSE BOARD
PROGRAM: PUBLIC DEFENSE BOARD
ACTIVITY: PUBLIC DEFENSE BOARD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	453	570	589	681	589	604	720	604
OPERATING EXPENSES	282	371	311	323	311	311	318	311
SUBTOTAL STATE OPERATIONS	735	941	900	1,004	900	915	1,038	915
TOTAL EXPENDITURES	735	941	900	1,004	900	915	1,038	915
AGENCY REQUEST ITEMS:								
		FUND						
HUMAN RESOURCES DIRECTOR		GEN		83			80	
STRUCTURAL DEFICIENCY		GEN		21			43	
TOTAL AGENCY REQUEST ITEMS				104			123	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	735	941	900	1,004	900	915	1,038	915
TOTAL EXPENDITURES	735	941	900	1,004	900	915	1,038	915
FTE BY EMPLOYMENT TYPE:								
REGULAR	9.0	10.0	10.0	11.0	10.0	10.0	11.0	10.0
TOTAL FTE	9.0	10.0	10.0	11.0	10.0	10.0	11.0	10.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Public Defense Board
PROGRAM: Public Defense Board
ACTIVITY: Public Defense Board

ITEM TITLE: Human Resources/Training Director

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$83	\$80	\$80	\$80

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

* Non-Executive Branches of Government

RATIONALE:

On 1-1-95, the state completed the assumption of public defense services. This task involved transferring many county-based public defense functions and associated employees, under state's auspices. The Public Defense Board now has jurisdiction for approximately 450 full and part-time employees. During the developmental stage of this assumption and currently in effect now, the Chief Administrator, along with his other responsibilities, must develop policies and procedures dealing with all personnel, subject to the approval of the State Public Defender and Public Defense Board. Some of these tasks include, but are not limited to, personnel policies, employment classifications, salary plans, hiring and termination procedures, disciplinary proceedings, affirmative action and equal employment opportunities, as well as a host of other personnel issues. Also, all of the policies, procedures and processes related to employees must be monitored on a regular basis to ensure their equal application statewide.

In addition to the above issues, there is also a greater demand and need for training of employees. While legal training for the attorney staff has been expanding, there now is an increasing need to train employees in areas such as budgeting, accounting, personnel management, payroll functions, information systems, employment law, affirmative action, sexual harassment, and other areas.

PROGRAM OUTCOMES:

The Human Resource/Training position will provide for a more structured and uniform development and application of personnel policies and procedures, and equally important, allow for the implementation and monitoring that is necessary in an agency that employs a significant number of people. It is important to note that in many agencies the areas of personnel administration and training are handled by different positions. In the interest of keeping administrative costs low, the board is requesting that these two functions be combined into one position.

LONG-TERM IMPACT:

The Human Resources/Training position will help ensure equal application of board policies and state law in the personnel administration of the board. In addition, it will provide for a uniform and structured training program for all employees under the direction of the board.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC DEFENSE BOARD
PROGRAM: DISTRICT PUBLIC DEFENSE
ACTIVITY: DISTRICT PUBLIC DEFENSE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	16,611	18,840	19,347	21,853	19,347	19,831	23,090	19,831
OPERATING EXPENSES	2,694	3,405	2,385	3,318	2,385	2,396	2,903	2,396
SUBTOTAL STATE OPERATIONS	19,305	22,245	21,732	25,171	21,732	22,227	25,993	22,227
LOCAL ASSISTANCE	13,788	13,780	13,793	16,500	13,793	13,793	16,351	13,793
OTHER EXPENSES	1							
TOTAL EXPENDITURES	33,094	36,025	35,525	41,671	35,525	36,020	42,344	36,020
AGENCY REQUEST ITEMS:		FUND						
INFORMATIONS SYSTEMS DEPT/SYSTEMS		GEN		836			575	
PUBLIC DEFENSE CORPORATIONS		GEN		45			71	
DISTRICT CASELOAD EQUITY		GEN		4,587			4,292	
STRUCTURAL DEFICIENCY		GEN		678			1,386	
TOTAL AGENCY REQUEST ITEMS				6,146			6,324	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	33,004	35,885	35,404	41,550	35,404	35,899	42,223	35,899
STATUTORY APPROPRIATIONS:								
FEDERAL	90	137	121	121	121	121	121	121
GIFT		3						
TOTAL EXPENDITURES	33,094	36,025	35,525	41,671	35,525	36,020	42,344	36,020
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	80	121	121	121	121	121	121	121
GIFT		3						

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC DEFENSE BOARD
PROGRAM: DISTRICT PUBLIC DEFENSE
ACTIVITY: DISTRICT PUBLIC DEFENSE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
NONDEDICATED:								
GENERAL	5	31	35	35	35	35	35	35
TOTAL REVENUES COLLECTED	85	155	156	156	156	156	156	156
FTE BY EMPLOYMENT TYPE:								
REGULAR	320.8	320.8	320.8	362.8	320.8	320.8	362.8	320.8
TEMP/SEAS/PART_TIME	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
TOTAL FTE	323.3	323.3	323.3	365.3	323.3	323.3	365.3	323.3

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Corrections, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$276,645	\$276,645	\$553,290
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(589)	(824)	(1,648)
Transfers Between Agencies	(1,122)	(1,122)	(2,244)
1998-99 Compensation Inflation	3,961	8,017	11,978
Annualization of New Program Costs	6,713	10,509	17,222
DOC Space Rent/Lease Inc/Decreases	39	77	116
Caseload, Enrollment Changes	<u>2,930</u>	<u>4,616</u>	<u>7,546</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$288,577	\$297,918	\$586,495
<u>AGENCY DECISION ITEMS</u>			
Preservation of Corr. Svcs. - Comm. Svcs.	1,591	1,591	3,182
Preservation of Corr. Svcs. - Corr. Inst.	1,300	1,300	2,600
Preservation of Corr. Svcs. - Juv. Svcs.	108	108	216
Medical Director	165	165	330
Planning for Juvenile Services	367	367	734
Legal Settlement and Assessment Costs	300	300	600
Crime Victim & Prevention Services	198	198	396
Probation/Supervised Release Agents	300	530	830
Retirement Changes	163	208	371
County Probation Reimbursement	290	613	903
Residential Services	237	237	474
Intensive Supvd. Release Agents	150	150	300
CIP Agent	72	72	144
Facilities Planning and Inspection	123	83	206
Local Restorative Justice	-0-	120	120
Sentencing to Service Expansion	100	100	200
Community-Based Sex Offender Treatment	-0-	80	80
Work Release Expansion	<u>100</u>	<u>150</u>	<u>250</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$294,141	\$304,290	\$598,431

GOVERNOR'S INITIATIVES

Facility Repair and Maintenance	400	400	800
Special Needs of Juveniles	800	900	1,700
Evaluation of MCF-RW's PREPARE Prog.	100	-0-	100
Wilderness Endeavors Program Building	320	-0-	320
Automated Victim Notification System	80	60	140
Juvenile Aftercare Services	130	130	260
Expand Fugitive Unit	225	225	450
Weekend Work Camp at Camp Ripley	400	600	1,000
Three-Week Camp at Camp Ripley	750	1,000	1,750
Vision Quest and Aftercare Prog.	500	500	1,000
Drug, Night, and Family Court	1,500	1,500	3,000
Innovation Grants			
Statewide Probation Caseload Reduction	<u>1,686</u>	<u>1,686</u>	<u>3,372</u>

GOVERNOR'S RECOMMENDATIONS	\$301,032	\$311,291	\$612,323
-----------------------------------	------------------	------------------	------------------

Brief Explanation of Agency Plan:

- The plan calls for the preservation of correctional services in the amount of \$2,999,000 in both years of the biennium. This funding is essential to maintain the base operations of the correctional institutions, juvenile services and community services programs and to enhance public safety.
- The plan calls for the addition of a department medical director in the amount of \$165,000 in both years of the biennium.
- The plan calls for the establishment of a planning and coordinating unit for the delivery of juvenile services in the amount of \$367,000 in both years of the biennium.
- The plan includes \$300,000 in both years of the biennium to cover legal settlement and assessment costs incurred in the operation of the department.
- The plan includes \$198,000 in both years of the biennium to provide planning and support to the crime victim and prevention services program.
- The plan calls for the addition of five probation agents in F.Y. 1998 and four additional agents in F.Y. 1999 at a cost of \$300,000 in F.Y. 1998 and \$530,000 in F.Y. 1999.
- The plan includes changes in the correctional employees retirement plan in the amount of \$163,000 in F.Y. 1998 and \$208,000 in F.Y. 1999.
- The plan calls for additional county probation reimbursement funding of \$290,000 in F.Y. 1998 and \$613,000 in F.Y. 1999.

REVISED 2/28/97
PAGE H-121

Agency Budget Brief
Agency: Corrections, Department of
(Continuation)

1998-99 Biennial Budget
Fund: General

- The plan calls for additional residential programming in the amount of \$237,000 in both years of the biennium
- The plan calls for the addition of two intensive supervised release agents at a cost of \$150,000 in both years of the biennium.
- The plan calls for the addition of a Challenge Incarceration Program (CIP) agent at a cost of \$72,000 in both years of the biennium.
- The plan includes additional support for the facilities planning and inspection activity in the amount of \$123,000 in F.Y. 1998 and \$83,000 in F.Y. 1999.
- The plan includes funding to support local restorative justice efforts in the amount of \$120,000 in F.Y. 1999.
- The plan includes the addition of four Sentencing to Service crews in the amount of \$100,000 in both fiscal years of the biennium.
- The plan calls for additional community-based sex offender treatment funds in the amount of \$80,000 in F.Y. 1999.
- The plan includes the purchase of additional work release beds in the amount of \$100,000 in F.Y. 1998 and \$150,000 in F.Y. 1999.

Revenue Summary:

See separate page "Agency Level Revenue Summary".

Affected Statutes:

- M.S. 624.714, Subd. 13.
- M.S. 352.91.

GOVERNOR'S RECOMMENDATION:

The Governor recommends additional funding of \$13,892,000 above the agency plan level, which includes the following items:

The Governor's Anti-Crime Initiative: This statewide initiative, which total \$58.2 million, includes \$9,720,000 for the Department of Corrections.

- Special Needs of Juveniles and Evaluation of PREPARE Program: \$1,800,000 to improve programs for juveniles at the Red Wing and Sauk Centre facilities and to evaluate the department's newly created PREPARE Program for serious/chronic youthful offenders.
- Wilderness Endeavors Program Building: \$320,000 to construct a new building to house the new Wilderness Endeavors program at Thistledeew Camp.

- Juvenile Aftercare Services: \$260,000 to improve aftercare services for juveniles released from juvenile correctional facilities.
- Weekend Work Camp at Camp Ripley: \$1,000,000 to implement a juvenile work camp program at Camp Ripley.
- Three-Week Camp at Camp Ripley: \$1,750,000 to implement a 3-week juvenile camp program at Camp Ripley.
- Vision Quest and Aftercare Program: \$1,000,000 for the implementation of a 3-month juvenile camp and aftercare program.
- Automated Victim Notification System: \$140,000 for an automated victim notification system.
- Drug, Night, and Family Courts: \$3,000,000 for the funding of innovation grants for drug, night, and family courts.
- Expand Fugitive Unit: \$450,000 to expand the fugitive unit.

Repair and Maintenance of State Facilities: This statewide initiative includes \$800,000 for the Department of Corrections for the repair and maintenance of state correctional facilities.

Probation Caseload Reduction: \$3,372,000 for probation caseload reduction.

The Governor's supplemental budget recommendations reinstate funding of \$235,000 in F.Y. 1998 for the 3rd year of the remote electronic alcohol monitoring pilot program. This funding was mistakenly eliminated from the agency's base level under the base adjustment category "one-time appropriations". That base adjustment has been revised accordingly.

AGENCY: Corrections, Department of

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Corrections is to ensure that sanctions and services of the criminal justice system are designed and delivered to create a safer Minnesota. The department is authorized under M.S. 241.

To achieve this mission, the department currently operates 10 correctional facilities including 7 for adults (1 female and 6 male), 2 for juveniles, and 1 that serves both adults and juveniles. In addition, the department contracts for about 210 beds with a private prison and local jails. Adult prison populations currently total 5,082 inmates, and juvenile offenders total 210. The department is also responsible for nearly 15,000 adult and juvenile offenders on probation, supervised release and parole who are supervised by department agents. Through the state Community Corrections Act (CCA) the department also administers grant funds to units of local government for correctional services. Through grant funding provided by the department, programs serve battered women, victims of sexual assault, and general crime victims.

The department is organized into 5 programmatic divisions: correctional institutions; juvenile services; community services; crime victim and prevention services; and management services. Numerous volunteer citizen advisory groups play key roles in the department in areas such as victim services, community corrections, women offender issues and correctional industries.

The responsibilities of the department have grown significantly in recent years as offender populations have increased in volume and sentence lengths have increased substantially. These changes have greatly influenced department activities and resulted in prison bed expansion, additional agents for probation and supervised release, growth in the CCA subsidy, and the coordination of juvenile services.

AGENCY ISSUES:

The following primary factors influence the department's operations and performance.

- **Agency changes.** With the appointment of a new commissioner of corrections in August, 1996, new policies and initiatives have been implemented. A new juvenile services division has been developed to coordinate juvenile activities within the department. A new planning and research unit will provide inmate population and trend analysis.
- **Increases in adult inmate population.** Because of increases in the adult male inmate population the department continues to add state prison beds and is in the process of constructing a new close custody facility. The adult female inmate population is also increasing.

Minnesota prisons are under control and must remain so. Many states operate prison systems that are unconstitutionally overcrowded and face federal court orders mandating expensive improvements or release of prisoners. In overcrowded, understaffed prisons, control of the institution is limited by an inability to adequately separate inmates and monitor their activities.

- **Juvenile population.** The juvenile population at Minnesota Correctional Facility(MCF)-Red Wing and MCF-Sauk Centre has averaged from 210 to 220. While the delinquent juvenile population cannot be forecast like the adults, the increase in the number of juveniles from age 10

through 17 in the general population might indicate an increase in juvenile delinquents. The new juvenile services division will plan and coordinate programming for juveniles.

- **Community corrections.** Minnesota's relatively low rate of incarceration when compared to other states is reflected in the correctional system's reliance on local sanctions. Community corrections programs in Minnesota provide a wide range of sentencing options. Examples include restitution, community service, diversion and jail/workhouse programs. Adequate community based supervision must be in place to assure that these sanctions are realized.

The Minnesota Community Corrections Act of 1973 authorizes the commissioner of corrections to award subsidy grants to a county or group of counties for the provision of local correctional services. The act is designed to encourage development of a local correctional system which includes sanctions for offenders and a variety of community programs. Thirty-one counties representing over 70% of the state's population participate in the CCA.

- Just as the state prison offender population has been increasing, so too, has the number of offenders on probation and supervised release. The department is continually challenged to maintain agents' caseloads at an appropriate level.
- The department's newly restructured crime victim and prevention services division includes the Victim Services Unit and the Community Preservation Unit. Its goal is to ensure a partnership with communities most impacted by crime and to administer victim service resources throughout the state.

AGENCY STRATEGIES:

The agency budget plan is constructed to achieve the following program outcomes:

- to provide a safe, secure and humane environment for offenders committed to the commissioner of corrections,
- to provide a safe, secure and humane environment for staff,
- to create an environment conducive to rehabilitation for those offenders inclined to want to make change in their lives,
- to hold offenders accountable through supervision and surveillance,
- to assist offenders in the development of skills necessary to function in the community,
- to assist local units of government with the responsible use of state subsidy funds and the responsible delivery of correctional services in the community,
- to provide program services for female offenders, due process for inmates and grants administration for victims.

Correctional strategies focus on planning, policy development, restorative justice and working with other public and private organizations on correctional issues.

Planning is provided by the newly created planning and research unit, and includes assessing offender population trends and other areas impacting the correctional services provided by the department.

Policy development provides direction, consistency and effectiveness within the department.

1998-99 Biennial Budget

AGENCY: Corrections, Department of (Continuation)

Restorative justice defines the response to crime and requires offender accountability and community involvement.

Working with others includes counties, private, non-profit agencies providing correctional services or victim services, communities and the many volunteers who serve on task forces.

The department's program and administrative base budgets are essential to maintain the ongoing functions as prescribed by statute. Funding increases through the annualization of programs started but not fully funded maintain basic services and caseload changes provide resources to deal with offender population increases. The 1998-99 compensation inflation at 2.5% each year is essential to maintain operations of the department and is included in each budget activity.

REVENUE SUMMARY:

The department's operations are primarily funded through general fund appropriations except for Thistledeew Camp which operates on reimbursements of per diems from counties and school districts. The department's limited miscellaneous receipts are generally based on cost recovery. The department houses up to 30 federal inmates at MCF-Oak Park Heights and Sentencing to Service receives county match funds for its programs. Special revenue accounts for 2% of the total budget.

The industry work program or MINNCOR is expected to generate between \$15.8 million and \$17.2 million, which is less than 5% of the department's operating budget, from the sale of goods produced by inmates participating in the program with receipts dedicated to supporting the program.

Federal funds provide only 3% of the department's budget. A new federal grant from the violent offender incarceration program in the amount of \$4.2 million over a 3-year period will provide for state prison and local jail bed expansion.

In accordance with statute, the department collects approximately \$5 million annually in non-dedicated receipts from Community Corrections Act counties utilizing the department's juvenile facilities. The department also collects approximately \$1.8 million of non-dedicated receipts per year, reflecting county reimbursement of juvenile probation and parole services provided by the state to contracting counties.

SUMMARY OF BUDGET REQUEST:

The agency budget plan includes funding for the following:

- for the maintenance of operations through the preservation of correctional services for correctional institutions, juvenile services and community services;
- for a medical director position for inmate health care;
- for juvenile services division staff;
- for legal settlement and assessment costs incurred by the department;

- for community preservation unit staff;
- for probation and supervised release agents;
- for corrections early retirement coverage changes;
- for county probation reimbursement to maintain 50% reimbursement;
- to increase community residential services for offenders in the community;
- to add intensive supervised release agents;
- for an additional challenge incarceration agent;
- to continue the children's mental health integrated services, clerical support and travel, and one-time funding for juvenile facility rulemaking under the facilities planning and inspection activity;
- to add a local restorative justice matching program to increase the number of programs in the community;
- to expand the Sentencing to Service program;
- to expand community-based sex offender programming; and
- to expand work release beds.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an alternative funding level of \$612,323,000 for the biennium from the General Fund, which incorporates initiatives for the following purposes:

Institutions \$800,000 for the repair and maintenance of state correctional facilities and \$450,000 to expand the fugitive unit proposed in the Governor's Anti-Crime initiative.

Juvenile Services: \$6,130,000 for items proposed in the Governor's Anti-Crime initiative, which include improving programs for juveniles in state facilities, providing aftercare services for juveniles released from those facilities, establishing a weekend work camp and a three-week juvenile camp program at Camp Ripley, adding a facility for the Wilderness Endeavors program at Thistledeew Camp, and evaluating the newly created PREPARE program for serious/chronic youthful offenders.

Community Services: \$3,372,000 for probation caseload reduction and \$3,000,000 for drug, night, and family court innovation grants proposed in the Governor's Anti-Crime initiative.

Crime Victim and Prevention Services: \$140,000 for an automated victim notification system proposed in the Governor's Anti-Crime initiative.

The Governor's Anti-Crime initiative, which totals \$58.2 million statewide, includes \$9,720,000 for the Department of Corrections. The other agencies funded in that initiative are the departments of Public Safety, Military Affairs, and Children, Families and Learning, and the Office of Planning.

The Governor's supplemental budget recommendations reinstate funding of \$235,000 in F.Y. 1998 for the 3rd year of the remote electronic alcohol monitoring pilot program.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
CORRECTIONAL INSTITUTIONS	189,585	218,971	218,681	220,309	220,934	228,728	230,401	231,026
JUVENILE SERVICES	18,143	20,393	19,865	20,340	23,340	20,404	20,879	24,009
COMMUNITY SERVICES	65,322	83,246	75,310	78,273	81,459	75,439	79,165	82,351
CRIME VICTIM & PREVENTION SVCS	12,414	14,274	16,320	16,518	16,598	17,219	17,417	17,477
MANAGEMENT SERVICES	7,308	9,990	10,666	10,966	10,966	10,854	11,154	11,154
TOTAL EXPENDITURES BY PROGRAM	292,772	346,874	340,842	346,406	353,297	352,644	359,016	366,017
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	253,622	298,560	288,577	294,141	301,032	297,918	304,290	311,291
STATUTORY APPROPRIATIONS:								
GENERAL	26	103	92	92	92	92	92	92
SPECIAL REVENUE	7,076	9,886	9,100	9,100	9,100	9,292	9,292	9,292
FEDERAL	3,393	6,743	9,632	9,632	9,632	10,401	10,401	10,401
AGENCY	16,449	17,139	17,650	17,650	17,650	17,650	17,650	17,650
GIFT	92	85	33	33	33	33	33	33
CORRECTIONAL INDUSTRIES	12,114	14,358	15,758	15,758	15,758	17,258	17,258	17,258
TOTAL EXPENDITURES	292,772	346,874	340,842	346,406	353,297	352,644	359,016	366,017
FTE BY EMPLOYMENT TYPE:								

REGULAR	3,296.3	3,538.2	3,574.5	3,594.9	3,618.9	3,574.0	3,601.9	3,625.9
TEMP/SEAS/PART_TIME	22.4	22.2	22.2	22.2	22.2	22.2	22.2	22.2
OVERTIME	63.4	61.5	61.5	61.5	61.5	61.5	61.5	61.5
TOTAL FTE	3,382.1	3,621.9	3,658.2	3,678.6	3,702.6	3,657.7	3,685.6	3,709.6

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Corrections, Department of

DECISION ITEMS:

Not applicable.

REVENUE SOURCES:

The department generates non-dedicated revenue, dedicated revenue, and federal funds. The non-dedicated revenue is generated through per diem charges to various counties for confinement of juveniles committed to the commissioner and confined in department facilities. Also, counties which contract with the state for the provision of juvenile probation and parole services must reimburse the state for these services. Funds collected are deposited in the state's Cambridge Deposit Fund and are estimated to be \$6.8 million for F.Y. 1997.

Dedicated revenue is generated through interagency agreements with state agencies, other governmental units, school districts, out-of-state residential/detention facilities, businesses, and individuals. Revenues generated from these sources are deposited in the Special Revenue Fund and the Correctional Industries Fund and are estimated to be \$6.5 million and \$14.2 million respectively in F.Y. 1997.

The department actively seeks grants from the federal government and as a result was awarded 19 separate grants in F.Y. 1997 totaling \$6.6 million.

FEE STRUCTURE:

Earnings are generated from the sale of goods manufactured by and services provided by department inmates participating in MINNCOR programs. MINNCOR reduces inmate idleness and teaches marketable job skills by employing the maximum number of inmates possible as cost effectively as possible. Prices are established to sell the product. MINNCOR has 21 product lines.

Receipts are also generated from a wide variety of facility activities. Various vocational programs keep inmates productively occupied by providing work opportunities. Prices are established to ensure that work opportunities exist. Meal charges allow full recovery of costs for food, meal preparation, and kitchen supplies/equipment for staff/visitor meals. Shared services and agreements are anticipated for full cost recovery of the services provided. Adult inmates are required to pay a minimal fee toward the cost of health care services provided. Thistledeew Camp provides, on a per diem basis, education and confidence building programs for male juveniles who experience difficulties in their homes. MCF-Red Wing and MCF-Sauk Centre provide juvenile detention and pre-disposition evaluation services to meet county needs.

RECENT CHANGES:

The prices charged for MINNCOR products and services are based on market demand and change rapidly.

FORECAST BASIS:

The department is anticipating a 46% increase in F.Y. 1998 and F.Y. 1999 over F.Y. 1997 in federal grant revenue due to the anticipated increases in funding for victim services, education, and maximum security prison construction.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Faribault
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

Minnesota Correctional Facility-Faribault is a medium security facility for adult male felons transferred from other medium, close or maximum security Minnesota correctional facilities. Inmates at this institution are generally within the last 10 - 30 months of completing their sentence; however, appropriate longer term inmates are also incarcerated at this facility.

The purpose of this facility is to protect the public while maintaining a safe, secure, humane, environment for adult male offenders, within which they have an opportunity to work, learn, and prepare themselves for life back in the community. Faribault provides a program where the expectations for inmate behavior and responsibilities are patterned as closely as possible to life in the community while maintaining adequate security to assure protection of the public. Emphasis is on employment and education. Each inmate must be productive by participating in an 8-hour day, 5-day a week program, either in industry, education, or by performing essential institution support services.

This facility also operates a geriatric unit that houses up to 65 inmates.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	1,720	1,780	1,780	1,780
Average daily population	804	832	832	832
Average daily cost	\$70.23	\$81.01	\$83.65	\$84.54

BUDGET ISSUES:

The agency budget plan provides for continuation of the facility at the same level with the preservation of correctional services for the maintenance of operations. It also includes annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from employee meal receipts, from a shared services agreement with the Faribault Regional Center, and from the sale of student projects in the Educational Vocational programs. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity. Local assistance is a federal grant to the Correctional Education Association to conduct a study on the effects of education on recidivism rates.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Lino Lakes
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity. Local assistance is given via a grant which provides bus transportation to and from the facility for inmate family members.

ACTIVITY DESCRIPTION:

Minnesota Correctional Facility-Lino Lakes is a medium security facility for adult male felons transferred from other medium, close or maximum security Minnesota correctional facilities. The facility provides a safe, secure and controlled environment for staff and offenders.

The facility was constructed in 1963 and operated as a juvenile facility until 1978 when it was converted to a medium security adult facility. The facility became an admitting facility in 1993 for offenders who violated technical rules of their release agreement and in 1994 for offenders who have a pronounced term of imprisonment of 12 months or less and all probation violators.

To meet the growing demand for more therapeutic programming for offenders, the department constructed a 232-bed chemical dependency living unit which will make the facility the primary therapeutic center for offenders requiring chemical dependency and transitional sex offender treatment. A significant portion of the industry program was transferred to other correctional facilities. A private industry program employs inmates in an educational/work program. A 42-bed segregation unit was constructed in the former industry building which will eliminate the transporting of inmates to segregation units in other facilities.

These changes have increased the capacity of this facility from 480 inmates at the beginning of 1994-1995 biennium to the current capacity of 959 and make Lino Lakes the second largest correctional facility in Minnesota. In addition, Lino Lakes operates a 30-bed work release unit on campus.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	3,200	4,000	4,300	4,300
Average daily population	699	902	959	959
Average daily cost	\$87.46	\$88.08	\$83.10	\$84.82

BUDGET ISSUES:

The agency budget plan reflects a concerted effort to operate this facility as efficiently as possible. The agency budget plan provides funding for maintenance of operations through the preservation of correctional services. It also includes annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from Anoka County reimbursements, employee meal receipts and work release receipts. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Shakopee
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

Minnesota Correctional Facility-Shakopee provides a safe, secure and humane environment for adult female offenders. The mission of the institution is to protect the public while providing a variety of programs for the inmates. The facility houses adult women felons convicted by the courts and sentenced to more than 1 year. Offender characteristics show that 90-95% of the inmates have chemical abuse issues, 58% have dependent children, and 72% are under the age of 35.

Institution activities include academic education, vocational education, specialized programming and work programs. Academic education includes a variety of programs such as adult basic education and literacy instruction. Vocational programs include electronic office skills, horticulture, and building construction technology. Extensive specialized programming is offered in chemical dependency, parenting/family issues, personal development skills, battered women's groups, HIV/AIDS education, critical thinking skills, anger management, victim empathy, work release, pre-release, and off-grounds training. Work programs include data entry, assembly, textiles, market research, computer-aided design, food service and building maintenance.

Emphasis is placed on parenting, education and relapse prevention services through the institution's parenting/family program, the education program and the chemical health program. The primary focus of the parenting/family program is to help inmate mothers restructure and preserve the family unit during their incarceration, while at the same time providing them with some background in parenting skills. Providing new skills and opportunities for increased interaction with their children is intended to ease reentry into the family upon release. The education program is designed to serve the educational needs of the inmate population by offering a variety of services including individualized, open entry/open exit programs, usage of available community resources and appropriate materials and technology to enhance skills for reintegration into the community. In the relapse prevention program women review their motivations in recovery and their power of choice in preparation for release.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	462	529	594	605
Average daily population	207	237	266	271
Average daily cost	\$123.67	\$120.95	\$115.75	\$116.37

BUDGET ISSUES:

The agency budget plan provides for the maintenance of operations through the preservation of correctional services. It also includes a caseload increase for 29 beds the first year and 34 beds the second year due to the projected population increase along with annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from employee meal receipts and other minor miscellaneous receipts. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Willow River
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

The Minnesota Correctional Facility-Willow River (MCF-WR) operates the Challenge Incarceration Program which is a very intensive, highly structured, and disciplined program for non-violent, chemically dependent or chemically abusive inmates. There is an elevated level of offender accountability and control specifically designed to prepare the offender for successful reintegration into society. Through culturally sensitive chemical dependency programs, academic and cognitive skills training, this program is structured to promote the offender's self-worth, self-discipline and develop positive work habits. This program has a rigorous physical training component.

The maximum capacity of this program is 72: 64 men and 8 women. The inmates participate in Phase 1 incarceration at MCF-WR for 6 months followed by Phase 2 of the program which is very intensive supervision in the community for 6 months.

This facility shares a chief executive officer with Minnesota Correctional Facility-Moose Lake.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	123	233	233	233
Average daily population	38	72	72	72
Average daily cost	\$148.31	\$111.45	\$113.01	\$114.84

BUDGET ISSUES:

The Challenge Incarceration Program has a maximum capacity of 72. So far, this facility has not been able to meet their maximum capacity due to the restrictiveness of the selection process. However, legislative changes in criteria have resulted in a rise in population and the potential to fill this program to capacity. This program is committed to succeed and offers excellent values for the offenders to use when released into society.

The agency budget plan provides for the maintenance of operations through the preservation of correctional services. It also includes annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from employee meals. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Moose Lake
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

Minnesota Correctional Facility-Moose Lake is a medium security facility with the primary purpose to maintain a safe, secure, and humane environment for adult male offenders. The secondary purpose is to provide a variety of programs including vocational education, academics, literacy, living skills (such as parenting, critical thinking and anger management), sex offender programming, and work programs.

The total capacity of the medium security units will reach 644 by the end of F.Y. 1997. The medium security offenders participate in vocational programming (building maintenance and care, horticulture and barbering), the industry program (MINNCOR) areas (print shop, garment making, baits, and wood shop) or are placed in support services including food service, and yard/work crews.

This correctional facility is focused on creating an environment where inmates who want to change, can change. When inmates return to the community with increased academic and vocational skills, they are in a better position to achieve a self-sufficient productive lifestyle, thereby helping to make communities safer.

This facility shares a chief executive officer with MCF-Willow River.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	886	1,170	1,713	1,713
Average daily population	333	440	644	644
Average daily cost	\$127.51	\$107.10	\$85.64	\$86.51

BUDGET ISSUES:

The Moose Lake facility will take on a new dimension during the course of the next biennium. The facility that formerly housed both adult male medium and minimum security offenders has now become a medium security facility and will be at capacity by the end of F.Y. 1997. The agency budget plan calls for annualizing operating costs for the next biennium and for maintenance of operations through the preservation of correctional services. It also includes annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from employee meals, vocational programs, and shared services with the Department of Human Services. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity. Local assistance is given via a grant which provides bus transportation to and from the facility for inmate family members.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Stillwater
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

Minnesota Correctional Facility-Stillwater (MCF-STW), the state's largest correctional facility, is close custody and houses convicted male felons age 25 or older. Inmates may be transferred to other correctional facilities at some point in accordance with established classification criteria.

The primary goal of MCF-STW is to protect the public by confining adult male offenders in a safe, secure, and humane environment, so that the outcome will be a secure community where families are physically and emotionally secure. A secondary goal is to provide academic and vocational education, therapeutic programs and employment for inmates, so that the outcome will be an inmate population returning to the community better prepared to maintain a crime-free life.

Educational programs range from basic education through college level, plus a variety of vocational programs operated through a contract with Northeast Metropolitan Technical College. There is also a full-time 90 day residential chemical dependency program with a capacity of 28 inmates. The industry work program or MINNCOR includes metal products, truck/auto body repair, and diversified products which includes office furniture along with a variety of other products. Many other inmates work in facility maintenance jobs.

The facility also provides classes in cognitive skills to teach the inmates to improve their mental attitude and become more responsible when they return to society. These classes include critical thinking, anger management and parenting classes. The critical thinking class conducted by the education staff teaches participants to think about and solve problems in a logical, rational and socially acceptable manner. The participants develop skills in controlling emotions, negotiations, creative thinking and critical reasoning.

The anger management class conducted by psychology staff concentrates on the participant's own feelings of anger and methods of dealing with them. It includes the ability to recognize, express and manage one's own feelings of anger in a constructive and socially acceptable manner.

The parenting class teaches the ability to recognize abuse and dysfunction and their effects on individuals, the family unit and the community. Inmates work to establish positive relationships with their children and to strengthen the family unit.

This facility has a minimum security area outside the walls which houses about 86 inmates nearing the end of their incarceration.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	3,256	3,161	3,161	3,161
Average daily population	1,343	1,304	1,304	1,304
Average daily cost	\$65.89	\$69.72	\$69.54	\$70.17

BUDGET ISSUES:

The agency budget plan calls for maintenance of operations through the preservation of correctional services. It also includes annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from employee meals. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity. Local assistance is given via a grant which provides bus transportation to and from the facility of inmate family members.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-St. Cloud
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity. Local assistance is given via a grant which provides bus transportation to and from the facility for inmate family members.

ACTIVITY DESCRIPTION:

The purpose of the Minnesota Correctional Facility-St. Cloud is to maintain a safe, secure, humane environment for adult male offenders. It is a close custody facility housing younger adult males, generally less than 25 years of age.

The facility provides protection to the public by holding offenders until their release and by working with inmates through a variety of educational, vocational and work programs or specialized programs. Programs provide inmates with the opportunity to gain skills necessary to re-enter the community with a better chance to succeed. Other programs include individual, group, and job counseling, and chemical dependency programming.

A complete academic educational offering is available to students. Courses include basic literacy, life, social and work skills including a parenting curriculum and a critical thinking skills program, as well as a high school diploma or its equivalency and 2 years of college level course work. The vocational school offers 2 different programs and includes baking, printing, small engine repair, auto body, meat cutting, auto mechanics, welding, barbering, upholstery, masonry, painting and decorating and furniture refinishing.

Activities offered to inmates through the industry program (MINNCOR) include the manufacture and upholstery of furniture, the production of mattresses and license plates, wood products, a variety of piecework, and engraving/silk screening.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	1,812	1,665	1,665	1,665
Average daily population	839	771	771	771
Average daily cost	\$76.21	\$82.75	\$84.00	\$85.65

BUDGET ISSUES:

The department plans to have St. Cloud become the receiving facility for all adult male felons. It will remain a close custody facility. After receiving and orientation, inmates would be transferred to the appropriate security level correctional facility.

This agency budget plan provides funding for maintenance of operations through the preservation of correctional services and for annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from employee meals and vocational work program sales. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Oak Park Heights
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

Minnesota Correctional Facility-Oak Park Heights (MCF-OPH) is the state's only maximum security adult male correctional facility. The facility is designed to receive inmates from the St. Cloud and Stillwater facilities who are classified as maximum custody or who present risks to the public, including those convicted of serious persons offenses, high escape risks and dangerous or serious management cases. Program services are provided for inmates in training, education, mental health and work experiences under close supervision within a highly structured environment.

The overall facility program is designed to encourage inmate participation and maximize the number of difficult to manage inmates involved in constructive program assignments thereby reducing the frequency, scope and seriousness of potential incidents in a maximum security facility. This institution houses over 95% person offenders, of whom nearly 30% are serving life sentences. What makes this facility unique for maximum security is that over half of the inmates are programmed out of their cells 15 hours a day, 7 days a week.

The facility's education program is provided through a combination of employees and contracted services. The program offers a diversity of full-time and part-time educational programs with instruction in literacy, basic education, GED, and some college level courses. The educational programming emphasizes a change in behavior and attitudes by incorporating anger management, commitment to change, critical thinking skills and parenting into the curriculum.

The primary focus of the 2 52-bed Special Housing Units is to house inmates who are awaiting positive programming placement, inmates who refuse to accept work or education assignments, and others from throughout the prison system.

The Mental Health Unit provides inpatient psychiatric care for inmates throughout the department. This 22-bed unit serves inmates who volunteer for treatment and those who have been committed by the court. Services are provided by psychiatrists, psychologists, and therapists. A range of inpatient and outpatient health care services is provided by physicians, registered nurses, dentists, and other medical professionals. The infirmary unit has an inpatient capacity of 13 beds and provides 24-hour nursing care.

The goal of the 2 industry units (MINNCOR) is to provide a cost-effective work experience and reduce idleness by maintaining constructive inmate assignments. Industry products are manufactured which have the potential of generating revenue to operate the program.

The MCF-OPH program enables the department to operate its other correctional institutions with increased safety and security for inmates and staff, because it serves as a high security backup which allows other facilities more creative and less restrictive programming.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of inmates served	829	827	827	827
Average daily population	394	393	393	393
Average daily cost	\$117.77	\$122.06	\$121.04	\$122.78

BUDGET ISSUES:

The agency budget plan provides for maintenance of operations through the preservation of correctional services and for annualizing the early retirement incentive authorized in 1996.

The agency budget plan for the facility reflects a change in staffing. A thorough review of staffing needs has determined that 14 positions will be eliminated prior to the biennium as a result of programming changes. These positions had been assigned to industry living units which have been converted to Special Housing Units. In the 2 Special Housing Units inmates are secured in their rooms at 3:00 p.m. thus reducing the number of staff in those units. This facility has made a committed effort to reduce the per diem while maintaining a safe, secure, and humane environment for staff and inmates. This staff reduction will result in a savings of \$565,000 annually at this facility. These funds will be reallocated internally to reduce new funding requests.

REVENUE:

This activity generates dedicated special revenue from employee meals. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity. Local assistance is given via a grant which provides bus transportation to and from the facility for inmate family members.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Red Wing
PROGRAM: Juvenile Services
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

The Minnesota Correctional Facility-Red Wing (MCF-RW) provides custody and care of juvenile and adult offenders and offers them opportunities for change and personal growth as they prepare to return to the community. MCF-RW is an open campus, minimum security facility originally built in 1889. A new 30-bed secure juvenile unit opened up during F.Y. 1996.

Its purpose is to protect the public and provide programs which reduce crime and benefit the community, victim and offender. MCF-RW also provides detention and pre-dispositional evaluations for the juvenile courts.

Juveniles up to 19 years of age who are committed to the commissioner of corrections are received from juvenile courts in 22 southeastern Minnesota counties including Hennepin. These youth have been unsuccessful in other programs and are chronic, sometimes serious, offenders. Adult inmates are received from the Minnesota correctional facilities at St. Cloud, Stillwater, Faribault, and Lino Lakes. The juvenile and adult populations and programs are separated.

Adult male inmates provide about 100,000 hours per year of work program hours including grounds maintenance, plumbing, carpentry and building maintenance. The intrinsic value of these work programs is providing skills and confidence required to transition the offenders back into their community and out of the criminal justice system.

Program services provided for all inmates include academic (mostly juvenile), special, vocational education, and behavioral and chemical treatment and counseling. Other program services include effective parenting, sex offender counseling, diverse spiritual/religious counseling, GED preparation and testing, career services, and work opportunities.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Juveniles:				
Number of residents served	416	479	479	479
Average daily populations	112	129	129	129
Adults:				
Number of inmates served	230	256	256	256
Average daily population	62	69	69	69
Juveniles and Adults:				
Average daily cost	\$124.47	\$123.70	\$126.25	\$129.03

BUDGET ISSUES:

The agency budget plan includes the annualization of a living unit for juveniles, the maintenance of operations through the preservation of correctional services, and for annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from detention and pre-dispositional evaluations, the adult land management program, and vocational shops. Federal revenue includes special education, Chapter 1 education, and child nutrition funds. Dedicated agency funds reflect resident/inmate banking and canteen activities at the facility.

This activity generates non-dedicated revenue from the charges to Community Corrections Act counties on a per diem basis for their juveniles at Red Wing.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity.

This page intentionally left blank.

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Correctional Facility-Sauk Centre
PROGRAM: Juvenile Services
AGENCY: Corrections, Department of

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity.

ACTIVITY DESCRIPTION:

The Minnesota Correctional Facility-Sauk Centre (MCF-SCR) receives and treats, in a safe, secure and humane environment, delinquent boys committed from juvenile courts in 65 counties in the western region of Minnesota and delinquent girls committed from juvenile courts throughout the state and also operates a special program for juvenile sex offenders from throughout the state. MCF-SCR also provides secure detention services and pre-dispositional evaluations to the juvenile courts.

The facility has an open campus atmosphere with living quarters consisting of two-story living units which house from 15 to 30 residents depending on the designated program capacity of each unit.

MCF-SCR's mission includes protection of the public in conjunction with mandatory programming for residents. This is accomplished in a controlled and structured environment where personal goals are established for each resident that attempts to bring about positive changes in attitude and behavior. Such changes are promoted through peer group therapy, individual counseling, academic and remedial education, and a campus wide atmosphere directed towards teaching and learning.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of residents served	465	436	436	436
Average daily population	112	105	105	105
Average daily cost	\$138.99	\$153.03	\$144.21	\$147.68

BUDGET ISSUES:

MCF-SCR's role in the juvenile justice system is evolving as violent juvenile crime rates increase and the public demands more control and accountability. Specialized programs are being developed to attempt to confront the more sophisticated or needy juvenile criminal commitments. This facility currently operates a juvenile sex offender program, a juvenile female program unit and a security unit that are considered to be specialized with a special chemical dependency program scheduled to be added during F.Y. 1997 with federal funds. The agency budget plan includes funding for the maintenance of operations through the preservation of correctional services. It also provides for annualizing the early retirement incentive authorized in 1996.

REVENUE:

This activity generates dedicated special revenue from employee meals, indirect costs, detention services and pre-dispositional evaluations. Federal revenue includes special education, child nutrition, vocational education and a long-term residential chemical dependency program which started in F.Y. 1997. Dedicated agency funds reflect resident banking and canteen activities at the facility.

This activity generates non-dedicated revenue from the charge to Community Corrections Act counties on a per diem basis for their juveniles at Sauk Centre.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Corrections, Department of
PROGRAM: Juvenile Services
ACTIVITY: Minnesota Correctional Facility-Sauk Centre

ITEM TITLE: Special Needs of Juveniles

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$800	\$900	\$900	\$900
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$800,000 the first year and \$900,000 the second year for the special needs of juvenile offenders at Minnesota Correctional Facility-Sauk Centre (MCF-SCR). This item is part of the Governor's Anti-Crime initiative that totals \$58.2 million for the 1998-99 biennium.

RATIONALE:

This initiative includes \$631,000 each year for a juvenile female program, \$80,000 each year to enhance the sex offender program and \$89,000 the first year and \$189,000 the second year to fund 4.0 positions in health care, medical records, control center, education and support services.

The juvenile female program has been operational since October, 1995, but has been minimally funded and staffed using internal department resources which will no longer be available. This program was established to provide equitable programming for juvenile females. The number of female commitments to Sauk Centre has steadily risen from 1 as of 7-1-93 to 15 as of 7-1-96.

MCF-SCR will meet the needs of a diverse population by providing equitable program options for both male and female commitments and the juvenile female program will be staffed with a complement that equals the staffing of other open living units. Sauk Centre recognizes the different needs of the genders and is committed to providing gender specific programming options for the juvenile females who are committed to the commissioner of corrections. This initiative is coordinated with the juvenile female continuum of care planning underway for female offenders' activity.

For the last 3.5 years, Sauk Centre has been operating a 30-bed juvenile sex offender program. During this time, the number of commitments of sex offenders has continued to increase as well as the special needs of juveniles. The profiles of the juveniles committed to Sauk Centre increasingly require more specialized treatment options. This initiative funds 2.0 additional positions to provide education course work along with a higher level of staff for resident interaction and mentoring.

The department has experienced a great increase in the number of juvenile commitments to Sauk Centre over the past several years. With an average daily population that has increased from 82 in 1992 to 115 in December, 1996, the staffing for support services has remained constant. This initiative funds 4.0 staff in health care, medical records, control center, education and financial services.

PROGRAM OUTCOMES:

The Department of Corrections has formed a separate division called Juvenile Services which will focus on juveniles in corrections and their special needs. This initiative will aid the department in enhancing and fulfilling the special needs of juveniles at Sauk Centre.

LONG-TERM IMPACT:

This initiative will provide resources to meet the special needs of juvenile offenders committed to the commissioner of corrections and will aid in preventing future criminal behavior.

1998-99 Biennial Budget

BUDGET ACTIVITY: Thistledeew Camp
PROGRAM: Juvenile Services
AGENCY: Corrections, Department of

ACTIVITY DESCRIPTION:

Thistledeew Camp provides, on a per diem basis, an educational and confidence building outdoor survival program for young men 13 to 17 years of age who experience difficulties in their home communities. The program is designed to enhance self-confidence and self-image in the students so that when they return to their home community they will not be involved in further delinquent behavior. The camp is located in the George Washington State Forest, 220 miles north of Minneapolis/St. Paul area on Highway 65 near Togo.

Thistledeew Camp is available for use by all juvenile county courts in Minnesota and provides county court services and social services with an alternative residential program. It provides educational resources and vocational exploration designed to meet the needs of the individual students referred to camp. The goal is to meet the academic needs of students in continuing their high school education and to involve all students in pre-vocational and work skill programs at least 20 hours per week. The camp's Challenge program is designed to build self-confidence, develop leadership abilities and teach the importance of teamwork. An agent position in the Community Services Division works with the probation officer and juvenile to provide a transition back to the community.

The primary funding source for operations of the camp are purchase of service agreements with counties and a contract with the local school district for education. A new education building was constructed at the camp and completed in F.Y. 1996.

ACTIVITY MEASURES:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Number of students served	240	240	240	240
Average daily population	48	48	48	48
Total per diem	\$158.74	\$176.70	\$194.00	\$212.00
County contract per diem	\$101.74	\$114.00	\$121.00	\$134.00
Education contract per diem	\$57.00	\$62.70	\$73.00	\$78.00
Average length of stay (days)	91	91	91	91

BUDGET ISSUES:

A new short-term program, the Wilderness Endeavors Program, is planned to begin in March, 1997. The purpose of this new program is to use high adventure programming and adventure therapy methodologies to improve the personal growth and development of the participants. It is intended for boys to increase their level of confidence and self-esteem in order to improve their chances of success in their families and communities. The program's motto is empowerment, confidence, and perseverance. Other than startup costs of the program, per diem revenue will cover the operating costs of the program. However, the camp lacks living space for this new program.

REVENUE:

This activity generates dedicated special revenue for its operation from county and school district contracts. Dedicated federal revenue arises from child nutrition funds. Dedicated agency funds reflect resident banking and canteen activities at this facility.

GRANTS:

Payments to individuals consist of inmate wages and inmate banking activity.

1998-99 Biennial Budget

PROGRAM: Community Services
AGENCY: Corrections, Department of

PROGRAM DESCRIPTION:

The Community Services program provides a broad range of correctional services in the community. Objectives of these services are to protect the public, to control criminal behavior of offenders, to assist offenders in the development of skills necessary to function in the community and to ensure compliance with standards governing operation of local correctional facilities. In order to achieve these objectives the program carries out the following functions:

1. Department of Corrections' agents supervise individuals who have been placed on probation, supervised release and parole in 56 counties not under the Community Corrections Act (CCA). This activity also includes intensive supervision for selected offenders.
2. Community Services administers the CCA. Thirty-one Minnesota counties representing over 70% of the state's population voluntarily participate in the Act and assume responsibility for the provision of community based correctional services.
3. Work Release provides highly structured programs and supervision for offenders being released from state institutions.
4. Community Services in conjunction with the Department of Natural Resources and counties operates Sentencing to Service programs for non-dangerous offenders who are sentenced to perform useful community service projects.
5. The Restorative Justice Initiative provides leadership and innovative training opportunities to foster community involvement, restore the victim, the offender and the community.
6. The Institution Community Work Crew (ICWC) program takes minimum security state prisoners nearing the end of their sentences into the community to work in supervised crews on community improvement projects.
7. Community residential facilities provide structure and strict surveillance for offenders being released from institutions or who require stricter conditions of supervision.
8. Community corrections centers provide housing, education, supervision and treatment of juveniles adjudicated as delinquent.
9. Community Services, through contractual arrangements, provides outpatient services such as job placement, electronic monitoring, after-care treatment for sex offenders, day programming and drug testing and treatment programs.
10. Administration of interstate transfer cases is provided through the Interstate Compact for the Supervision of Probationers and Parolees.
11. Community Services administers the county probation subsidy which reimburses counties for some costs associated with probation services.

12. The inspection and enforcement unit licenses, monitors and assists approximately 215 adult and juvenile local correctional facilities, as well as a private prison in Minnesota. Additionally, the inspection and enforcement unit administers the certification of 35 juvenile facilities in other states. Its function is designed to ensure that conditions of confinement in local facilities adequately protect the public and meet basic safety, health and constitutional standards and to avoid litigation.

PROGRAM STATUS:

Like the Institutions program, the Community Services program has had a steady growth of clientele and workload. This has taxed the ability of the division to provide timely and quality services to its clients which include victims, courts, county boards, sheriffs, probation, and community corrections officials, as well as offenders. It is expected that providing services to a continued expanding client population will be a major challenge throughout the biennium.

The division has, and will continue to develop intermediate sanctions which will be acceptable to the public as well as to the legislature for dealing with more offenders in a way which is economically feasible yet effective. Among these programs are intensive supervision, day reporting centers, electronic surveillance, sentencing to service and other community work options, and house arrest. With the exception of Hennepin, Ramsey and St. Louis counties, jails provide services for pre-trial detainees and sentenced prisoners. In Hennepin, Ramsey and St. Louis counties, jails are under the jurisdiction of the sheriff and hold only pre-trial detainees and are not under the CCA administration. These counties operate separate facilities for sentenced prisoners.

PLANNED RESULTS:

The Community Services Division is dedicated to the maintenance of current effective programs and the development of new programs to accomplish the objectives. The division will meet these objectives through constant review of current programs and through the study and research of potential new programs:

- to provide low cost alternatives to expensive prison beds,
- to enable local facilities to free up valuable jail space while continuing to assure the safety of the public,
- to continue to provide innovative programs such as Intensive Community Supervision, Sentencing to Service, Work Release and Phase 2 of the Challenge Incarceration Program,
- to continue to develop and initiate intermediate sanctions that safely keep a high number of individuals on probation and decrease the need for additional prison beds.

BUDGET AND REVENUE SUMMARY:

The agency budget plan provides for:

- the maintenance of operations through the preservation of correctional services in the amount of \$1,591,000 each year in the base budget of this program,
- an increase of \$300,000 the first year and \$530,000 the second year for additional agents to maintain caseload levels,

1998-99 Biennial Budget

PROGRAM: Community Services
AGENCY: Corrections, Department of
(Continuation)

- an increase of \$290,000 the first year and \$613,000 the second year to maintain 50% county probation reimbursement,
- an increase of \$237,000 each year for additional residential programming,
- an increase of \$150,000 each year for additional Intensive Supervised Release agents,
- an increase of \$72,000 each year for an additional Challenge Incarceration agent,
- an increase of \$123,000 the first year and \$83,000 the second year for continuing the Children's Mental Health program, clerical support and travel, and for juvenile facility rulemaking under the facilities planning and inspection activity,
- an increase of \$120,000 in the second year for a local restorative justice program,
- an increase of \$100,000 each year to expand the Sentencing to Service program,
- an increase of \$80,000 in the second year to expand community sex offender treatment,
- an increase of \$100,000 the first year and \$150,000 the second year for work release beds.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$6,372,000 be added to the agency plan for the biennium which incorporates initiatives for the following purposes:

Probation Caseload Reduction - \$3,372,000 to increase statewide probation caseload reduction efforts.

Drug and Night Court Innovation Grants - \$3,000,000 for innovation grants to create drug, night, and family courts as part of the Governor's Anti-Crime Initiative.

The Governor's supplemental budget recommendations reinstate funding of \$235,000 in F.Y. 1998 for the 3rd year of the remote electronic alcohol monitoring pilot program.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS DEPT
PROGRAM: COMMUNITY SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
PROBATION & SUPERVISED RELEASE	9,049	10,946	10,462	11,135	11,135	10,688	11,591	11,591
COMM CORR ACT	34,243	38,346	37,431	38,248	38,248	37,431	38,248	38,248
COMMUNITY CORRECTIONAL ALTS	8,975	17,578	12,851	13,528	15,028	12,634	13,361	14,861
SENTENCING TO SERVICE	4,135	4,743	4,489	4,659	4,659	4,566	4,856	4,856
FACILITIES PLANNING & INSPECTI	1,880	2,538	2,025	2,189	2,189	2,042	2,166	2,166
COMMUNITY SERVICES SUPPORT	7,040	9,095	8,052	8,514	10,200	8,078	8,943	10,629
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	65,322	83,246	75,310	78,273	81,459	75,439	79,165	82,351
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
-----		-----						
PRESERVATION OF CORR SVCS - COMM SVCS		GEN		1,591			1,591	
PROBATION/SUPERVISED RELEASE AGENTS		GEN		300			530	
COUNTY PROBATION REIMBURSEMENT		GEN		290			613	
RESIDENTIAL SERVICES		GEN		237			237	
INTENSIVE SUPVD RELEASE AGENTS		GEN		150			150	
CIP AGENT		GEN		72			72	
FACILITIES PLANNING & INSPECTION		GEN		123			83	
LOCAL RESTORATIVE JUSTICE		GEN					120	
SENTENCING TO SERVICE EXPANSION		GEN		100			100	
COMMUNITY-BASED SEX OFFENDER TREATMENT		GEN					80	
WORK RELEASE EXPANSION		GEN		100			150	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				2,963			3,726	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(P) STATEWIDE PROBATION CASELOAD REDUCTION		GEN			1,686			1,686
(P) DRUG/NIGHT/FAMILY COURT INNOVATION GRNT		GEN			1,500			1,500
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					3,186			3,186
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	63,940	81,513	73,654	76,617	79,803	73,783	77,509	80,695
STATUTORY APPROPRIATIONS:								
GENERAL	24	46	35	35	35	35	35	35
SPECIAL REVENUE	1,054	1,365	1,301	1,301	1,301	1,301	1,301	1,301

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS DEPT
PROGRAM: COMMUNITY SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FEDERAL	11							
AGENCY	293	320	320	320	320	320	320	320
GIFT		2						
TOTAL EXPENDITURES	65,322	83,246	75,310	78,273	81,459	75,439	79,165	82,351
FTE BY EMPLOYMENT TYPE:								
REGULAR	274.0	320.1	317.7	330.1	330.1	317.7	337.6	337.6
TEMP/SEAS/PART_TIME	1.8	.5	.5	.5	.5	.5	.5	.5
OVERTIME	.4	.3	.3	.3	.3	.3	.3	.3
TOTAL FTE	276.2	320.9	318.5	330.9	330.9	318.5	338.4	338.4

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS DEPT
PROGRAM: COMMUNITY SERVICES
ACTIVITY: COMMUNITY CORRECTIONAL ALTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	627	816	784	832	832	802	850	850
OPERATING EXPENSES	3,548	4,469	3,956	4,419	4,419	3,956	4,469	4,469
SUBTOTAL STATE OPERATIONS	4,175	5,285	4,740	5,251	5,251	4,758	5,319	5,319
PAYMENTS TO INDIVIDUALS	294	320	320	320	320	320	320	320
LOCAL ASSISTANCE	4,506	11,973	7,791	7,957	9,457	7,556	7,722	9,222
TOTAL EXPENDITURES	8,975	17,578	12,851	13,528	15,028	12,634	13,361	14,861
AGENCY PLAN ITEMS:		FUND						
PRESERVATION OF CORR SVCS - COMM SVCS		GEN		268			268	
RESIDENTIAL SERVICES		GEN		237			237	
CIP AGENT		GEN		72			72	
WORK RELEASE EXPANSION		GEN		100			150	
TOTAL AGENCY PLAN ITEMS				677			727	
GOV'S INITIATIVES:		FUND						
(P) DRUG/NIGHT/FAMILY COURT INNOVATION GRNT		GEN			1,500			1,500
TOTAL GOV'S INITIATIVES					1,500			1,500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	8,682	17,198	12,531	13,208	14,708	12,314	13,041	14,541
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE		60						
AGENCY	293	320	320	320	320	320	320	320
TOTAL EXPENDITURES	8,975	17,578	12,851	13,528	15,028	12,634	13,361	14,861

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS DEPT
PROGRAM: COMMUNITY SERVICES
ACTIVITY: COMMUNITY CORRECTIONAL ALTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
REVENUE COLLECTED:								

DEDICATED:								
AGENCY	293	320	320	320	320	320	320	320
=====								
TOTAL REVENUES COLLECTED	293	320	320	320	320	320	320	320
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	13.9	17.0	16.0	17.0	17.0	16.0	17.0	17.0
OVERTIME	.1							
=====								
TOTAL FTE	14.0	17.0	16.0	17.0	17.0	16.0	17.0	17.0
=====								

1998-99 DEPARTMENTAL EARNINGS REPORT

Collecting Agency Name: Agriculture, Dept of	Agency #: B04	Sec./Seq.#: 430	Earnings Group: Agronomy and Plant Protection Serv. - Fert. Insp. Acct.
<p>Agency Remarks (including explanation of agency plan):</p> <p>Fees are based on the tonnage of the product distributed, on product registration, and on facility licensing and permitting to support the regulatory program intended to provide economic protection of purchasers, fair trade practices protection of industry, and to address public concerns of potential adverse effects of fertilizer materials on the environment.</p> <p>Fee Recommendations: The department recommends that fees be increased to generate an additional \$213,000 per year.</p>			

<p>Department of Finance Comments:</p> <p>The Department of Finance concurs with the agency's plan.</p>

Consolidated Summary of Departmental Earnings

Agency: Corrections, Dept of

Agency #: P78

Sec./Seq.#: 840

(Includes All Funds)

Fiscal Information Section (\$1,000,000 = 1,000)			Current Law		Preliminary Agency Plan	
	1996 Actual	1997 Estimated	1998 Estimated	1999 Estimated	1998 Estimated	1999 Estimated
<u>Resources</u>						
Types of Departmental Income						
1. User/Service Charges	\$24,188	\$26,920	\$28,893	\$30,685	\$28,893	\$30,685
2. Occupational Licensure Charges	\$0	\$0	\$0	\$0	\$0	\$0
3. Business/Industrial Regulatory Charges	\$0	\$0	\$0	\$0	\$0	\$0
4. Special Taxes and Assessments	\$207	\$230	\$240	\$250	\$240	\$250
5. Other	\$336	\$429	\$431	\$431	\$431	\$431
Transfers In	\$0	\$0	\$0	\$0	\$0	\$0
Less Refunds	\$0	\$0	\$0	\$0	\$0	\$0
Revenues Collected at Other Agencies	\$0	\$0	\$0	\$0	\$0	\$0
Other Receipts	\$0	\$0	\$0	\$0	\$0	\$0
Total Resources Available	\$24,731	\$27,579	\$29,564	\$31,366	\$29,564	\$31,366
Transfers Out	\$207	\$230	\$240	\$250	\$240	\$250
<u>Expenditures</u>						
Direct Expenditures	\$23,219	\$27,460	\$28,320	\$30,006	\$28,320	\$30,006
Indirect Expenditures	\$980	\$1,130	\$1,247	\$1,252	\$1,247	\$1,252
Total Expenditures	\$24,199	\$28,590	\$29,567	\$31,258	\$29,567	\$31,258
<u>Current Difference</u>	\$325	(\$1,241)	(\$243)	(\$142)	(\$243)	(\$142)

Fi-00396-01

1998-99 DEPARTMENTAL EARNINGS REPORT

Collecting Agency Name: Corrections, Dept of	Agency #: P78	Sec./Seq.#: 840	Earnings Group: Aid to Victims of Crime
Brief Description of Item or Group of Items Reported Below: Inmates are required to pay a portion of the earnings they received from DOC to fund a Crime Victims Fund.			
Fee Set By: Statute <u>No</u> or Agency <u>Yes</u>	Legal Citation: MS 241.26, subd 5		Date Prepared: 12/12/96
Purpose: The purpose of collecting these receipts is to provide funding to programs established by law to aid victims of crime. Receipts are transferred to Public Safety for disbursement.			RSRC(s): 4428
Dedicated <u>Yes</u> or Non-Ded. <u>No</u>	Appr Name: Aid to Victims of Crime (X74)	Fund: 200	Requesting a Fee Change: No

Fiscal Information Section

(\$1,000,000 = 1,000)

	Current Law		Preliminary Agency Plan	
	EST 1996	EST 1997	EST 1998	EST 1999
<u>Resources</u>				
Accumulated Balance Forward	\$0	\$0	\$0	\$0
<u>Type of Departmental Income</u>				
1. User/Service Charges	\$0	\$0	\$0	\$0
2. Occupational Licensure Charges	\$0	\$0	\$0	\$0
3. Business/Industrial Regulatory Charges	\$0	\$0	\$0	\$0
4. Special Taxes and Assessments	\$207	\$230	\$240	\$250
5. Other (Specify)	\$0	\$0	\$0	\$0
Less : Refunds	\$0	\$0	\$0	\$0
Plus : Earnings transferred	\$0	\$0	\$0	\$0
Revenue Collected at Other Agencies	\$0	\$0	\$0	\$0
Other Receipts	\$0	\$0	\$0	\$0
Total Resources Available	\$207	\$230	\$240	\$250
Transfers Out	\$207	\$230	\$240	\$250
Public Safety				
<u>Expenditures (Specify Appr#, Allt Org# and Allt Name)</u>				
Direct Expenditure	\$0	\$0	\$0	\$0
Indirect Expenditure	\$0	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	\$0
Current Difference	\$0	\$0	\$0	\$0
Accumulated Ending Balance	\$0	\$0	\$0	\$0

1998-99 DEPARTMENTAL EARNINGS REPORT

Collecting Agency Name: Corrections, Dept of	Agency #: P78	Sec./Seq.#: 840	Earnings Group: County Probation Reimbursement
Brief Description of Item or Group of Items Reported Below: Counties must reimburse the state for provision of juvenile probation and parole services.			
Fee Set By: Statute <u>Yes</u> or Agency <u>No</u>	Legal Citation: MS 260.311, subd 4		Date Prepared: 12/12/96
Purpose: Receipt of reimbursement for juvenile probation and parole services provided.			RSRC(s): 4444
Dedicated <u>No</u> or Non-Ded. <u>Yes</u>	Appr Name:	Fund: 212	Requesting a Fee Change: No

Fiscal Information Section

(\$1,000,000 = 1,000)

	Current Law		Preliminary Agency Plan	
	EST 1996	EST 1997	EST 1998	EST 1999
<u>Resources</u>				
Accumulated Balance Forward	\$0	\$0	\$0	\$0
<u>Type of Departmental Income</u>				
1. User/Service Charges	\$1,638	\$1,770	\$1,770	\$1,770
2. Occupational Licensure Charges	\$0	\$0	\$0	\$0
3. Business/Industrial Regulatory Charges	\$0	\$0	\$0	\$0
4. Special Taxes and Assessments	\$0	\$0	\$0	\$0
5. Other (Specify)	\$0	\$0	\$0	\$0
Less : Refunds	\$0	\$0	\$0	\$0
Plus : Earnings transferred	\$0	\$0	\$0	\$0
Revenue Collected at Other Agencies	\$0	\$0	\$0	\$0
Other Receipts	\$0	\$0	\$0	\$0
Total Resources Available	\$1,638	\$1,770	\$1,770	\$1,770
Transfers Out	\$0	\$0	\$0	\$0
<u>Expenditures (Specify Appr#, Allt Org# and Allt Name)</u>				
Fund 100 ORG 2600				
Direct Expenditure	\$1,638	\$1,770	\$1,770	\$1,770
Indirect Expenditure	\$0	\$0	\$0	\$0
Total Expenditures	\$1,638	\$1,770	\$1,770	\$1,770
Current Difference	\$0	\$0	\$0	\$0
Accumulated Ending Balance	\$0	\$0	\$0	\$0

1998-99 DEPARTMENTAL EARNINGS REPORT

Collecting Agency Name: Corrections, Dept of	Agency #: P78	Sec./Seq.#: 840	Earnings Group: Housing Adult Inmates
Brief Description of Item or Group of Items Reported Below: Receipts from housing inmates are generated when the dept. enters into agreement with state, political subd., or US govt			
Fee Set By: Statute <u>No</u> or Agency <u>Yes</u>	Legal Citation: MS 241.01		Date Prepared: 12/12/96
Purpose: The purpose of generating these receipts is to allow the department to fund various correctional projects.			RSRC(s): 4424-6
Dedicated <u>Yes</u> or Non-Ded. <u>No</u>	Appr Name: See Agency Remarks	Fund: 200	Requesting a Fee Change: No

Fiscal Information Section

(\$1,000,000 = 1,000)

	Current Law		Preliminary Agency Plan	
	ACT	EST	EST	EST
	1996	1997	1998	1999
<u>Resources</u>				
Accumulated Balance Forward	\$5,082	\$5,393	\$4,844	\$4,831
<u>Type of Departmental Income</u>				
1. User/Service Charges	\$1,458	\$1,278	\$1,278	\$1,278
2. Occupational Licensure Charges	\$0	\$0	\$0	\$0
3. Business/Industrial Regulatory Charges	\$0	\$0	\$0	\$0
4. Special Taxes and Assessments	\$0	\$0	\$0	\$0
5. Other (Specify)	\$0	\$0	\$0	\$0
Less : Refunds	\$0	\$0	\$0	\$0
Plus : Earnings transferred	\$0	\$0	\$0	\$0
Revenue Collected at Other Agencies	\$0	\$0	\$0	\$0
Other Receipts	\$0	\$0	\$0	\$0
Total Resources Available	\$6,540	\$6,671	\$6,122	\$6,109
Transfers Out	\$0	\$0	\$0	\$0
<u>Expenditures (Specify Appr#, Allt Org# and Allt Name)</u>				
Direct Expenditure	\$1,134	\$1,810	\$1,200	\$1,200
Indirect Expenditure	\$13	\$17	\$91	\$91
Total Expenditures	\$1,147	\$1,827	\$1,291	\$1,291
Current Difference	\$311	(\$549)	(\$13)	(\$13)
Accumulated Ending Balance	\$5,393	\$4,844	\$4,831	\$4,818

1998-99 DEPARTMENTAL EARNINGS REPORT

Collecting Agency Name: Corrections, Dept of	Agency #: P78	Sec./Seq.#: 840	Earnings Group: Out-of-State Juvenile Facility Certification Fees
Brief Description of Item or Group of Items Reported Below: Guidelines for courts in placing juveniles in a residential or detention facility out side of Minnesota.			
Fee Set By: Statute <u>No</u> or Agency <u>Yes</u>	Legal Citation: MS 260.185		Date Prepared: 12/12/96
Purpose: To recover the costs incurred to certify out-of-state facilities			RSRC(s): 4440
Dedicated <u>Yes</u> or Non-Ded. <u>No</u>	Appr Name: Out-of-State Juvenile Inspection (T71)	Fund: 200	Requesting a Fee Change: No

Fiscal Information Section

(\$1,000,000 = 1,000)

	Current Law		Preliminary Agency Plan	
	EST 1996	EST 1997	EST 1998	EST 1999
<u>Resources</u>				
Accumulated Balance Forward	\$84	\$43	\$64	\$4
Type of Departmental Income				
1. User/Service Charges	\$24	\$105	\$24	\$105
2. Occupational Licensure Charges	\$0	\$0	\$0	\$0
3. Business/Industrial Regulatory Charges	\$0	\$0	\$0	\$0
4. Special Taxes and Assessments	\$0	\$0	\$0	\$0
5. Other (Specify)	\$0	\$0	\$0	\$0
Less : Refunds	\$0	\$0	\$0	\$0
Plus : Earnings transferred	\$0	\$0	\$0	\$0
Revenue Collected at Other Agencies	\$0	\$0	\$0	\$0
Other Receipts	\$0	\$0	\$0	\$0
Total Resources Available	\$108	\$148	\$88	\$109
Transfers Out	\$0	\$0	\$0	\$0
<u>Expenditures (Specify Appr#, Allt Org# and Allt Name)</u>				
Fund 200 Allt T369 Out-of-State Inspection				
Direct Expenditure	\$65	\$79	\$79	\$79
Indirect Expenditure	\$0	\$5	\$5	\$5
Total Expenditures	\$65	\$84	\$84	\$84
Current Difference	(\$41)	\$21	(\$60)	\$21
Accumulated Ending Balance	\$43	\$64	\$4	\$25

HJ 11 .M6425a 1998/99 chan
Minnesota. Office of the
Governor.
Proposed biennial budget

LEGISLATIVE REFERENCE LIBRARY
645 State Office Building
Saint Paul, Minnesota 55155

DEMCO