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MINNESOTA BIENNIAL BUDGET

Executive Budget Summary 2000-01

Governor Jesse Ventura

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2000/
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Exec.
Budg.
Summ.



STATE OF MINNESOTA

OFFICE OF GOVERNOR JESSE VENTURA

130 State Capitol ♦ 75 Constitution Avenue ♦ Saint Paul, MN 55155

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To the People of Minnesota and the 1999 Legislature:

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The week after my election this past November, I was told that spending would automatically increase by 3% -- before I even made my first budget decision. I was also told that between November and January I had to make decisions on \$33 billion in spending recommendations for the next two years.

Obviously, this has been a whirlwind few months. Yet despite the short timeline and the steep learning curve on these programs, I believe this budget meets my expectations and I am proud to recommend it to you for your consideration.

First and foremost, this budget proposal focuses on reducing taxes paid by Minnesotans - families and businesses alike. I am recommending that the state reduce general fund tax collections by \$1.372 billion in the 2000-2001 biennium. This includes a recommendation of almost \$600 million a year in permanent tax reductions.

Second, Lieutenant Governor Schunk and I are committed to supporting a quality public education system and one where there is accountability for results. New spending recommended in my budget reflects the priority placed on public education systems.

Third, I wanted to limit all other spending increases to no more than the rate of inflation. I have reprioritized spending to do a better job in the areas where the state role is clear. In other words, I have eliminated some spending that is "nice" to better do what is "necessary."

This budget, then, reflects my policies and priorities.

It is a prudent budget that invests wisely for the future. It is an affordable budget that recognizes the uncertainties of the economy. It is a taxpayer's budget that focuses on essential spending and puts money back into taxpayer pockets.

Yet, this proposal reflects only the initial budget of this administration. The differences in this administration's approach to governing will be even more evident in future budgets when I've had two years, instead of two months, to review programs.

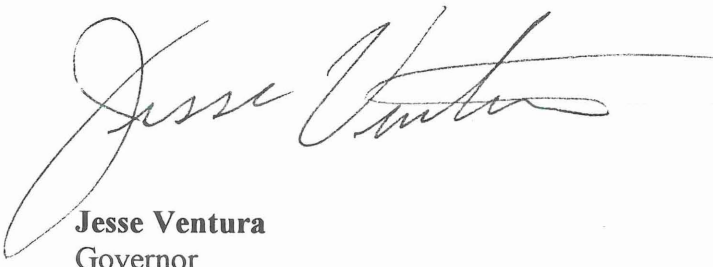
Budget preparation for a new, incoming Governor presents a unique challenge. It does not offer a lot of time to weigh what should and shouldn't be done in government. We have listened, not to lobbyists and special interest groups, but to real people. The range of issues and ideas reflects the diversity of our state. But, again and again, common themes emerge and are reflected in the budget submitted to you today.

There are four conclusions I want to share with you as they illustrate the values by which I intend to govern:

- First, the state has adequate resources - both financial and human. I recognize the talent of our state employees and will draw off their competence and dedication to better meet the needs and expectations of citizens.
- Second, state government should be responsive to the needs of citizens. But the role of government should be limited to doing what is appropriate for government, and should not try to take the place of family and personal responsibility, or the assistance offered by churches, non-profits or employers. Wherever possible, our actions at the state level should act to foster self-sufficiency and personal responsibility. For government to best serve the people of our state it needs to be *accountable, responsive and limited*.
- Third, there is a need for continuous scrutiny of existing programs to ensure that they satisfy a genuine taxpayer need, that the role of government is properly limited, and that appropriate dollars are spent with demonstrated results.
- Finally, I believe that we must ensure that state government is listening to the people and improve the public's understanding of the financial and policy choices we are inevitably faced with and which define our future.

Many of the budget decisions call attention to the important basic values of accountable and limited government, of self-sufficiency and personal responsibility, of citizen involvement -- and of common sense and fairness. I will continue to act on these values in my decision making for the State of Minnesota.

I am proud of what we have accomplished with this budget. I am excited about the opportunities that await all of us over the next four years. Enacting the budget is a cooperative effort with the Legislature. There will likely be differences on some priorities or methods, but with a sense of fairness, a commitment to listening to citizens and a sense of humor -- we can achieve remarkable results for Minnesota.



Jesse Ventura
Governor



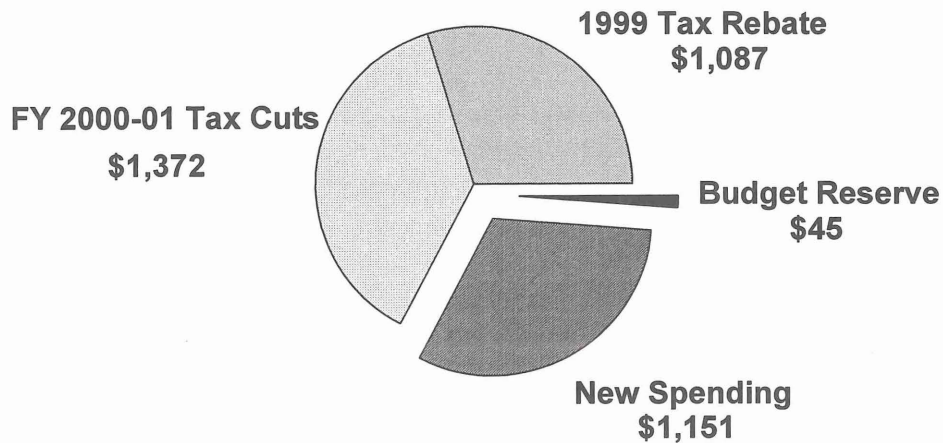
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at: <http://www.finance.state.mn.us>.

\$1.3 billion One-time Tobacco Settlement over 5 Years → Endowments

Two-thirds of available dollars returned to taxpayers



General Fund Budget

\$ millions

	FY 1999	FY 2000-01 Biennium
Beginning Balance	\$2,527	\$1,434
Forecast Revenues	11,497	24,668
Rebate, tax cuts	(1,087)	(1,085)
One-time Tobacco settlement	(461)	(485)
Other revenue changes	9	(31)
Available Resources	\$12,485	\$24,501
Spending - Base	\$11,437	\$21,908
Gov. Spending Initiatives	(386)	1,151
Mtr. Veh. Regis. Tax Cut (transfer)	-0-	\$287
Total Spending	\$11,051	\$23,346 (2.9% average annual increase)*
Cash Flow Account	\$350	\$350
Budget Reserve	\$622	\$667
Dedicated Reserves	\$462	\$133
Unspent Balance	\$ -0-	\$ 5

* Adjusted for Mtr. Veh. Regis. tax cut shown as transfer. Nominal increase is 3.7%.



Highlights: The Governor's 2000-01 Budget

Taxes, Tobacco Settlements

Revenues are forecast to grow \$2.364 billion or an average of 9.3 percent per year in the 2000-01 biennium over the preceding biennium. The Governor recommends tax cuts totaling \$2.459 billion for F.Y. 1999, F.Y. 2000, and F.Y. 2001. Two-thirds of available surplus funds are recommended in tax reductions.

- Deposits \$1.3 billion in one-time tobacco settlement revenues over five years into endowments, that will enable the state to save these funds, while using some of the interest earnings to help families and individuals reduce their reliance on government, improve the health of our citizenry and invest in health professional education and medical research, and medical education and research costs.
- Provides a sales tax rebate of \$1.087 billion to "settle-up" with taxpayers for 1998-99.
- Permanently reduces the Motor Vehicle registration tax, so that no car owner will pay more than \$75 per vehicle for renewals after December 31, 1999.
- Reduces income taxes by eliminating the "marriage penalty," cutting the lower tax bracket rates from 6.0 percent to 5.75 percent, and expanding the lower tax bracket so more taxpayers' income is taxed at the lower rate.

Spending

For the 2000-01 biennium, the General Fund spending will total \$23.346 billion. This is an increase of \$1.151 billion over the base (excluding \$287 million transferred to offset revenue lost from reducing motor vehicle registration taxes) or a 2.9 percent average annual increase over 1999 spending.

- Increases K-12 education funding \$561 million. \$150 million is allocated to reduce K-3 class sizes to improve student achievement, with a goal that no classroom should have greater than a 17 : 1 student/teacher ratio, while \$372 million is provided to ensure adequate operating funds for schools.
- Provides nearly \$248 million more for higher education programs to provide competitive faculty compensation increases, improve student academic and support services, and support workforce training programs.
- Makes key investments that improve services to Minnesota citizens, including \$25 million for a new senior drug subsidy, \$57 million for cost of living adjustments for nursing homes, dentists, and other health care service providers, and substantial funding to support electronic government services and other technology initiatives.
- Sets aside \$60 million for the state share of costs to complete the Hiawatha Avenue light rail transit line, contingent on an appropriate review of the long term transportation policy implications.



Budget Responsibly and Keep Government Affordable

The election of a new Governor and new House of Representatives majority provides Minnesota with tri-partisan political leadership for the first time in history. The Governor is committed to listening carefully to Minnesota citizens, and working in partnership with the Legislature to enact a budget that addresses the state's most critical concerns while minimizing the people's tax burden.

Governor Ventura's budget is grounded in a set of principles that he believes are fundamental to sound public policy. The Governor used these principles in making budget decisions, and commends them to the Legislature as guideposts to use in its deliberations:

Be fiscally conservative and prudent -- NEVER forget it's the people's money

- Do what's necessary . . . not necessarily what's "nice" to do
- Prevent future costs where possible
- Pay close attention to the future costs of policy and budget decisions, and insist that projected budgets are balanced for four years
- Set a responsible budget, live within it, and settle-up any actual surpluses with taxpayers at the end of the biennium

Do the right things and do them well

- Evaluate programs in tangible ways for real, cost effective results
- Reform or eliminate programs if they are redundant or aren't producing desired results
- Include sunset clauses in all new programs so that they receive proper evaluation

Provide incentives for desirable behavior

- Competition works and is even good in government
- Match responsibility and accountability at all levels
- Put decisions at the appropriate level, closest to the people
- Leverage private and non-profit support
- Support fees where users have a voice in the rates and the program results

Following these principles, the Governor has crafted a budget plan for Minnesota that reduces taxes and concentrates new spending on the most critical issues facing state government.

How Did the Governor Make Budget Decisions?

The Governor's initial budget decision was to segregate the one-time tobacco settlement payments (totaling \$1.3 billion over five years) for separate decisions. The Governor and his transition team next reviewed the results of the November 1998 forecast to understand the implications of current law revenues and expenditures.

The Governor then directed that the priority for the F.Y. 2000-01 budget would be on tax relief rather than expenditure increases. Tax relief proposals were constructed considering the impact on revenues four years into the future to ensure that the tax cuts were sustainable. The Governor and Lieutenant Governor also set budget guidelines directing the largest portion of new state spending to K-12 education, and setting a goal that all other state spending be set at or below the rate of inflation.

Finally, the Governor emphasized that spending increases should focus on essential state services, and that some of the funding for those increases should be reallocated by reducing or eliminating funding from other existing state programs or grants.

A New Governor —————> New Priorities

Governor Ventura's budget proposals take advantage of the state's unprecedented financial health to strike out in new directions for state government. The Governor's key budget goals are to:

- Provide Tax Relief - Let People Keep More of Their Money
- Ensure the Best Possible Public Education
- Invest Tobacco Lawsuit Funds Wisely for Future Prosperity
- Seek to Continuously Reform State Government
- Use Technology to Improve Services for Citizens
- Make Limited Investments to Improve our Communities

These goals indicate how the Governor intends to use the state budget to improve the lives of citizens while limiting government to its appropriate roles. The plan is carefully designed to pay for needed state services and preserve the state's economic and fiscal health for the next four years. The indicators provided on the next several pages summarize the budget and illustrate that the Governor's proposals create a prudent plan for Minnesota's financial stability.

The F.Y. 2000-01 Budget at a Glance**General Fund**
(\$ in millions)

	F.Y. 2000	F.Y. 2001	Biennium
Beginning Balance	1,434	1,150	1,434
Forecast Revenues	12,073	12,595	24,668
Tax reductions	(641)	(444)	(1,085)
One-time Tobacco	(242)	(243)	(485)
Other revenue changes	(23)	(8)	(31)
Available Resources	12,601	13,050	24,501
Base Spending	10,855	11,053	21,908
Governor's initiatives	500	651	1,151
Motor vehicle reg. tax transfer	96	191	287
Total Spending	11,451	11,894	23,346
Reserves:			
Cash Flow Account	350	350	350
Budget Reserve	667	667	667
Dedicated Reserves	133	133	133
Ending Balance	-	5	5

The Governor's F.Y. 2000-01 budget reduces taxes by \$1.372 billion, increases spending by \$1.151 billion, and increases the budget reserve by \$45 million.

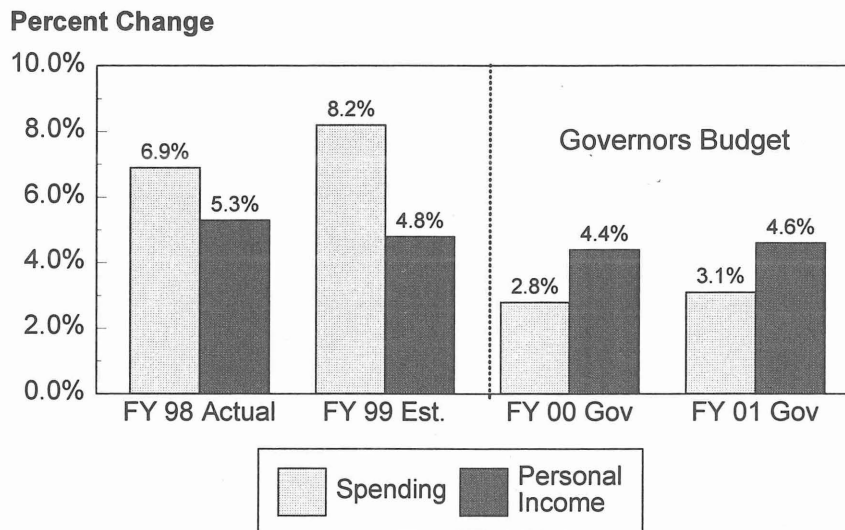
Governor's Tax Cuts
(\$ in millions)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	Biennium Total
Sales Tax Rebate	\$1,087	--	--	--
Permanent Tax Cuts:				
Income Tax Reduction	--	\$492	\$352	\$844
Motor Vehicle Registration	--	96	191	287
One-Time Tax Cuts:				
June Acceleration Buyback		155	6	161
Up-front Capital Equipment		-0-	98	98
All Other Changes	(9)	(6)	(12)	(18)
	\$1,078	\$737	\$635	\$1,372

Reasonable Spending Growth Must be Balanced by Citizens' Ability to Pay

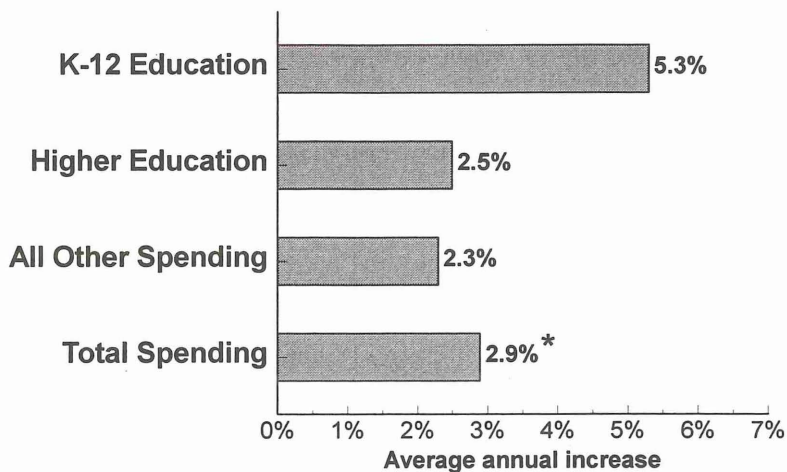
The Governor's proposals will increase state spending by an annual average of 2.9 percent (after adjusting for the motor vehicle registration tax cut transfer). State revenues are currently forecast to increase an average of 9.3 percent each year in F.Y. 2000 and 2001. Inflation is projected to average 2.5 percent per year.

Budget Holds Spending Well Below Personal Income Growth



Growth in state personal income is often used as a benchmark of how well citizens can "afford" increased state spending. The percentage change in personal income measures the change in wages, current production income, and governmental payments to individuals. The proposed budget holds spending below personal income growth for the coming biennium. This means that Minnesota households will have a smaller percentage of their incomes used to pay for state services in the next two years than they did the last two years.

The Governor's budget recommendations also significantly reduce the rate of spending growth below the levels of the last several years. State spending grew by an annual average of 6.4 percent from F.Y. 1992 through F.Y. 1999. The proposed budget reduces that growth rate to 2.9 percent annually.

Spending Increases Targeted to Public Education

* Adjusted for Mtr. Veh. Regis. tax cut shown as transfer. Nominal increase is 3.7%.

K-12 and post-secondary education programs receive the largest share of the growth in state spending proposed in the Governor's budget. All other areas of state spending will increase less than the rate of inflation and personal income growth.

Structural Balances Will Continue into the Future

Common sense dictates that we not make financial decisions today that we cannot sustain in future years. For the state budget, this means that the costs of decisions made for the upcoming biennium should be projected into the future to see if those costs will rise unacceptably fast in later years.

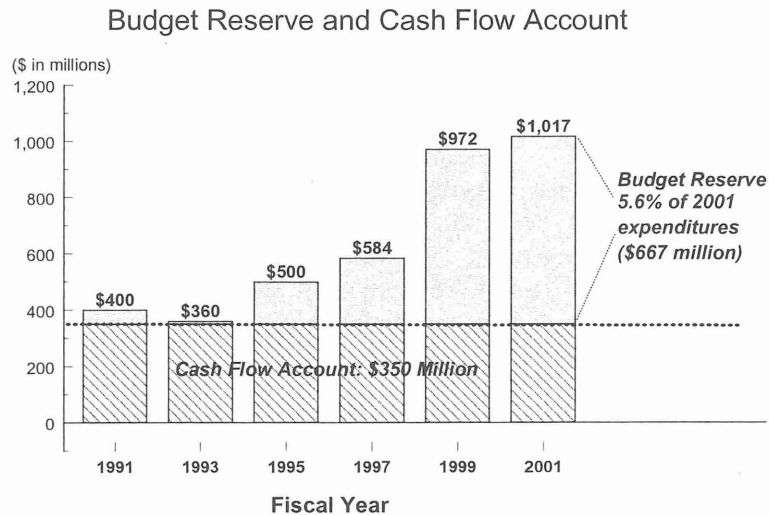
Governor's Budget is Structurally Balanced

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Beginning Balance (Excluding reserves)	285	0	5	22
Revenues	11,167	11,900	12,462	12,999
Expenditures	<u>11,452</u>	<u>11,895</u>	<u>12,445</u>	<u>12,997</u>
<i>Difference</i>	<i>(285)</i>	<i>5</i>	<i>17</i>	<i>2</i>
Ending Balance	0	5	22	24

Governor Ventura's budget proposals ensure that Minnesota's recent history of positive structurally balanced budgets will continue through the budget planning horizon. The budget is structurally balanced in the second year of the biennium, F.Y. 2001, and for both years of the following biennium. Expenditures will exceed revenues in F.Y. 2000 primarily due to one-time tax relief proposals; however, the Governor's ongoing tax proposals were carefully crafted to ensure that they are affordable in succeeding years.

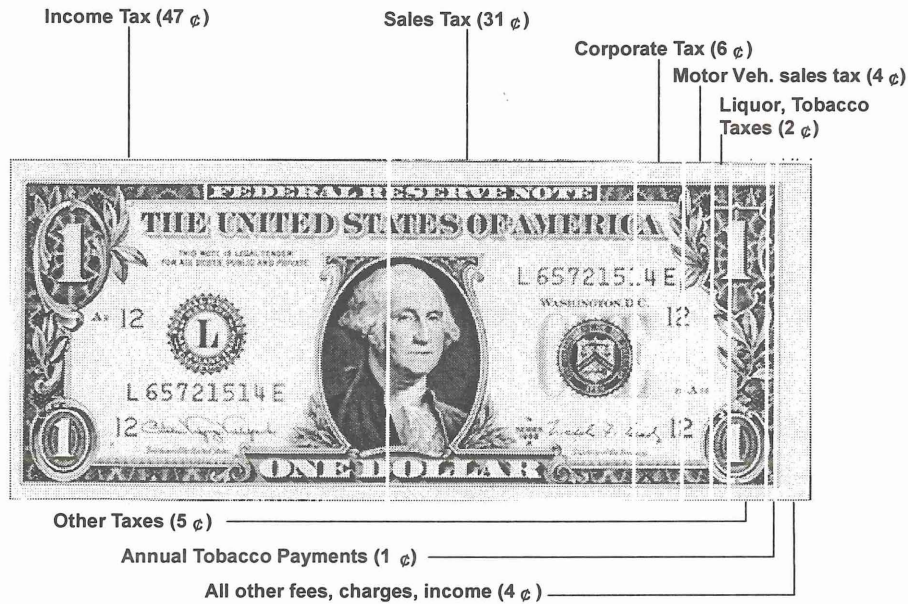
Budget Reserves -- The State Must Save for a "Rainy Day"

Just as a family must maintain savings to carry them through unforeseen financial emergencies, so must the state set aside some funds to help cushion the effects of an economic downturn on state obligations. The state budget contains reserves for this purpose in the form of Cash Flow and Budget Reserve accounts. The Cash Flow account simply provides "float" for the state's financial transactions, balancing out differences in the timing of revenue collections and spending. The Budget Reserve is available for use if forecast revenues turn out to be less than needed to pay for appropriated spending.

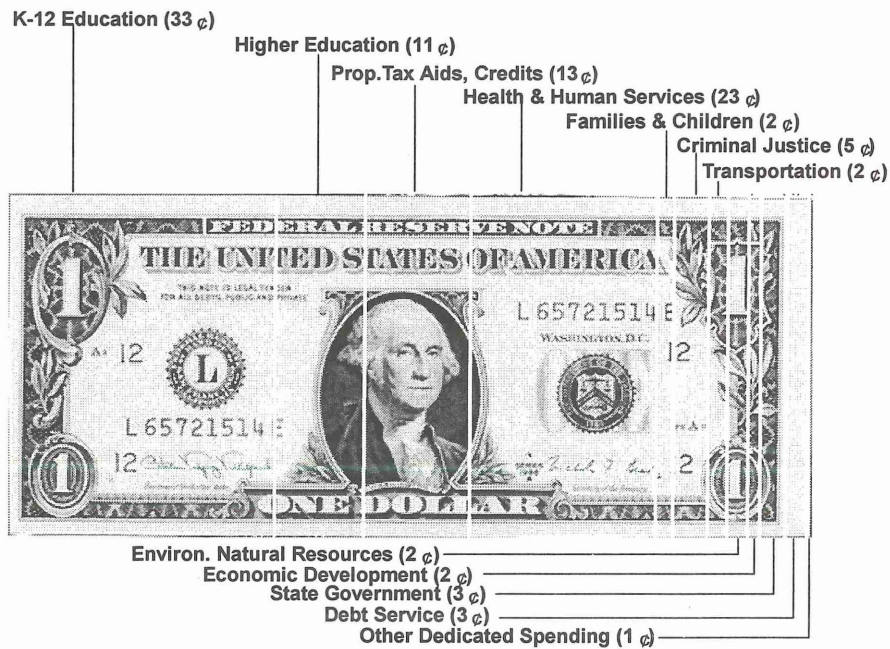


The state's Council of Economic advisors has consistently recommended maintaining a budget reserve equal to 5 percent of projected *biennial* spending. The Governor's budget proposal adds \$45 million to the Budget Reserve, increasing it to \$667 million, which is 5.6 percent of proposed F.Y. 2001 spending.

Where Do General Fund Dollars Come From?



Where Do General Fund Dollars Go?



Where The Dollars Come From

State revenues for the F.Y. 2000-01 biennium under the Governor's budget will total \$23.067 billion, a 9.3 percent average annual increase over F.Y. 1999 (after rebates and permanent tax reductions).

State revenues come primarily (87.6 %) from four major taxes: personal income, sales, corporate income, and motor vehicle sales taxes.

Personal income tax: is the largest source of state tax revenue. The tax is based on Federal taxable income, and has 3 graduated rates based on income levels: 6%, 8%, 8.5%

Sales tax: is set at 6.5 percent of the sales price. The tax base excludes purchases for resale, food, clothing, prescription medications, heating fuels and water, and new capital equipment. A lower rate is in effect for replacement capital equipment.

Corporate income tax: is paid by domestic and foreign corporations, including banks, doing business in Minnesota. The 9.8 percent tax is based on Federal taxable income.

Motor Vehicle Sales tax: is 6.5 percent on the purchase price (less trade-in value) of any vehicle required to be registered in Minnesota.

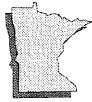
The remaining state general fund tax revenues come from a variety of taxes on alcohol, tobacco, deed and mortgage registration, insurance gross earnings, health care providers, and others. The state also receives non-tax revenues from tobacco lawsuit payments, departmental earnings, and investment income earned on balances in the state treasury, among other sources.

The Governor's budget includes proposals that reduce tax revenues by \$2.459 billion, including a \$1.087 billion sales tax rebate for F.Y. 1999, a reduction in motor vehicle registration taxes of \$287 million (offset by a transfer of general fund resources to the highway funds), and income tax proposals to phase out the "marriage penalty," reduce the lowest tax rate from 6 percent to 5.75 percent, and expand the amount of taxpayer's income taxed at the lowest rate, which reduce revenues by approximately \$844 million.

Where the Dollars Go

State expenditures for the F.Y. 2000-01 biennium under the Governor's budget will total \$23.346 billion, a 2.9 percent average annual increase over F.Y. 1999.

- Education Finance and Family & Early Childhood Education spending finances local school districts and programs supporting child care, family economic self-sufficiency, and school readiness.
- Property Tax Aids & Credits provides general property tax relief to homeowners and renters and support for local government programs.
- Higher Education consists of state support for the operations of the University of Minnesota, the Minnesota State Colleges and Universities, and student financial aid.
- Health and Human Services funding pays for medical care for low-income and chronically ill Minnesotans, for income assistance to families, and other health and social services programs.
- Criminal Justice funding provides for operation of the state's law enforcement, corrections, and court systems.
- The Environment & Natural Resources, Economic Development, Transportation, and State Government appropriations finance state agency operations and grants-in-aid programs for these functional areas, including
 - protection and development of the physical environment
 - development of business, employment, and tourism opportunities
 - provision of transit services statewide
 - consumer protection and supervision of regulated industries such as utilities, banks, and insurance companies.
- Debt Service pays the principal and interest due on state general obligation bonds issued to finance the cost of state capital investment projects.



Provide Tax Relief - Let People Keep More of Their Money

The Governor's budget plan will return all surplus revenues for the current biennium when the fiscal year ends on June 30, 1999. This payment to Minnesotans, in the form of a sales tax rebate, will total \$1.087 billion. Additionally the Governor's budget, while limiting state spending growth, will provide \$1.372 billion in permanent and one-time tax cuts during the two year budget period.

Governor's Tax Rebate and Tax Cuts (\$ in millions)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	Biennium
Sales Tax Rebate	1,087.3	---	---	0.0
Income Tax Reduction	---	492.3	351.4	843.7
One Time Tax Cuts:				
June Acceleration Buyback				
Sales	---	139.5	6.6	146.1
Cigarettes	---	12.0	0.0	12.0
Liquor	---	3.8	0.0	3.8
Upfront Cap. Equip.	---	0.0	98.0	98.0
Subtotal: One-Time	---	155.3	104.6	259.9
Motor Vehicle Registration Cut:				
Max \$75 Registration Fee	---	95.7	191.4	287.1
Itemized Deduction Offset	---	0.0	(8.5)	(8.5)
Sales Tax Exemptions:				
Television Commercials		1.0	1.1	2.1
Vets Homes, State Hospitals		0.6	0.6	1.2
Federal Update / Other	(9.6)	(8.1)	(5.1)	(13.2)
Grand Total	\$1,077.7	\$736.8	\$635.5	\$1,372.3

"Settle Up" Sales Tax Rebate

The Governor recommends rebating \$1.087 billion of sales taxes paid by Minnesota residents during the 1998-99 biennium. All Minnesota residents and part year residents who filed for a 1997 homeowner or renter property tax rebate on or before April 15, 1999 will be eligible under this proposal.

The sales tax rebate will represent approximately 35 percent of consumer sales taxes paid by households during the last two years. The maximum rebate will be \$2,000 for those filing married-joint, qualified widows and head of household; and \$1,000 for those filing single or married-separate returns. *The average rebate will be \$775 if filing joint or head*

of household, and \$390 if filing single. No taxpayer applications or forms will be required. Amounts will be automatically calculated by the Department of Revenue based on existing tax data -- and checks will be mailed to taxpayers in August 1999.

The Governor also proposes that, once the F.Y. 2000-01 and future budgets are enacted, any future general fund surpluses that occur be returned to taxpayers automatically at the end of each biennium. Specifically, if there is a surplus greater than one half of one percent of the general fund revenues for the biennium at the end of the budget period, then the full amount of the surplus will be automatically rebated back to Minnesota taxpayers. The type of rebate will be determined by the Governor and Legislature during the odd-year legislative session.

Permanent Income Tax Reductions

The Governor's plan reduces Minnesota's income taxes by \$844 million in F.Y. 2000-01 and nearly \$1.6 billion over the next four years. The Governor's plan targets the income tax reduction to the middle income, working family in three ways:

- First, the Governor's plan eliminates the "marriage penalty" that exists in Minnesota's tax structure. Under current law the tax brackets for married couples filing joint returns are less than double the brackets for single taxpayers. For most married, working couples this results in more taxes being paid by two spouses when filing a joint return than it would if they could file singly. The Governor's plan eliminates the marriage penalty by increasing the brackets for married joint filers to twice those for single filers.
- Second, the Governor recommends reducing the lowest bracket tax rate from 6 percent to 5.8 percent for 1999 returns and to 5.75 percent in the following year.
- Finally, the Governor's plan increases the upper end of the lowest taxable income bracket so that taxpayers can earn more money before they have to pay a higher marginal tax rate.

When fully implemented, the average income tax reduction will be 6 percent. A middle income, working family earning \$70,000 with two children will realize *tax savings of approximately \$413, or 12.4 percent.*

Cutting Motor Vehicle Registration Taxes

The Governor recommends a reduction in the motor vehicle registration tax for passenger vehicles effective for registration renewals after December 31, 1999.

Currently, the registration tax is based on a combination of value and age. The tax rate is \$10 plus 1.25% of the "base," defined as the manufacturer's suggested retail price (plus destination charge, but excluding optional equipment separately stated). This base is then reduced over a ten-year period down to a flat rate of \$35. All of our neighboring states impose rates that are less than Minnesota's tax rate and some are considerably lower.

The Governor recommends setting a maximum rate of \$75 on yearly renewals following the initial registration at the purchase of a new vehicle. This proposal retains the current rate structure based on value and age, the current depreciation schedule, and the minimum rate of \$35. Approximately 45 percent of the passenger vehicles in Minnesota will see a reduction in registration fees. The plan will save Minnesota passenger vehicle owners nearly *\$200 million annually*.

Since motor vehicle registration taxes are currently deposited to the dedicated highway funds, the Governor's proposal includes a fixed annual general fund transfer to the highway funds. This general fund transfer will compensate the highway funds for lost revenues in the 2000-01 biennium.

How Much Will Taxpayers Benefit?

The sales tax rebate, permanent income tax reductions, and lower motor vehicle registration taxes will benefit individual and Minnesota households differently -- depending on income level, tax filing status, and number and age of automobiles. It is difficult to define an "average" Minnesota family or individual, but all Minnesotans are likely to see significant savings from the Governor's proposals. The following table highlights examples of how citizens will benefit from the proposed rebate and tax reductions.

**Impact of Governor Ventura's Tax Plan
on Minnesota Working Families with
Two Children, Two Cars and Selected Incomes**

	Household Income		
	\$35,000	\$70,000	\$150,000
Sales Tax Rebate	\$ (621)	\$ (884)	\$ (1,396)
Income Tax	\$ (34)	\$ (413)	\$ (479)
Vehicle Registration	\$ (25)	\$ (286)	\$ (489)
Total	\$ (680)	\$ (1,583)	\$ (2,364)

Assumptions:

1. **\$35,000 Family:** Married filing joint return, one spouse earns \$20,000 per year and the other spouse earns \$15,000; the first car is 7 years old with an original value of \$17,995 and the second car is 12 years old subject to minimum fee.
2. **\$70,000 Family:** Married filing joint return, both spouses earn \$35,000 per year, the first car is 2 years old with an original value of \$21,999, second car is 4 years old with an original value of \$17,995.
3. **\$150,000 Family:** Married filing joint return, one spouse earns \$130,000 per year and the other spouse earns \$20,000; the first car is 2 years old with an original value of \$22,995 and the second car is also 2 years old with an original value of \$31,995.

Sales and Use Tax Exemption for Television Commercials

The Governor recommends exempting from sales tax most inputs into the production of television commercials effective for purchases made on or after July 1, 1999. This action will increase Minnesota's competitiveness with other states that do not tax these transactions.

Sales Tax Exemption for State Hospitals and Veteran's Homes

The Governor recommends exempting state hospitals and state veterans' homes from the sales tax effective July 1, 1999. This will ensure comparable treatment with the University of Minnesota Hospitals, non-profit hospitals, and nursing homes which are specifically exempt from the tax.

Up-front Exemption for Capital Equipment

The Governor's plan replaces the capital equipment sales tax refund process with an up-front exemption for purchases made on or after July 1, 2000. The cost is a \$98 million revenue loss in F.Y. 2001. The impact in the succeeding biennium is only about one-third of that amount.

Purchases of capital equipment have been exempt from the sales tax since July 1998. However, the purchaser must still pay tax on the purchase and then file a claim for refund. An up-front exemption will eliminate need to file a refund claim and wait for reimbursement. This is likely to increase participation in the exemption program by small and medium-sized businesses.

Repealing June Accelerated Tax Payments

The Governor's plan repeals the June accelerated tax payments effective for payments due June 2000. This change will result in a revenue loss in F.Y. 2000-01 of \$162 million.

The accelerated June payment was adopted in 1982 as a shift to help balance the state budget. The change moved a large share of sales and excise tax collections from July into June of the previous state fiscal year. The accelerated payment requires large sales taxpayers with annual liabilities of \$120,000 or more to pay 75% of their estimated June liability before the end of June and then file a reconciliation payment in August -- in effect, a forced loan to the state. This process of estimated payments, and reconciliation adds unnecessary complexity to the system for these business taxpayers.

Tax Reform Study is Needed to Simplify Tax System

The Governor recommends the creation of a Tax Reform Study Commission whose goals will be to recommend changes to the state's tax and intergovernmental finance system that will make it:

- Simpler and more understandable to the average citizen;
- More equitable among taxpayers and regions of the state;
- More accountable with clear linkages between taxing and spending authority;
- More reliable and predictable over time; and
- More cost effective and easier to administer.



Ensure the Best Possible Public Education

The Governor believes that a strong education system, from kindergarten on through post-secondary education, holds the key to a sound economy, self-sufficient citizens, and a prosperous state. His budget, with 70 percent of the new spending directed towards K-12 and higher education, reflects that commitment.

K-12 Education

Almost 49 percent of the new spending, more than half a billion dollars, is devoted to improving Minnesota's K-12 schools. The recommended increase of \$560.6 million includes several significant initiatives aimed at providing schools with the resources they need to improve student achievement. K-12 spending will total \$7.735 billion in F.Y. 2000-01, comprising over a third (33.1%) of the state's general fund budget. State spending on schools grows at an average annual rate of 5.3 percent over the budget period.

The Governor's belief in and support for schools rests on three principles:

- (1) that we need to be clear about the job we expect the schools to do;
- (2) that we need to provide the right environment and adequate funds so that they can do their job; and
- (3) that if we've done the first two, we can and should hold schools accountable for the results we're expecting.

The Governor and the Lieutenant Governor believe that through the graduation standards, the state has made great progress in laying out the job that we expect schools to do, and his budget includes an additional \$15 million to support graduation standards at the state and local level.

The Governor's primary emphasis in this budget, however, is on the second principle; providing funding in several major initiatives to ensure that schools, school boards, teachers, parents, and students can focus on the classroom's bottom line -- learning.

Major budget initiatives include:

Class Size Reduction - \$150 million for class size reduction in kindergarten through third grade, with the priority placed on reducing the average K-3 class size from current levels to a target of 17 : 1.

Fast Break to Learning - \$6 million on a sliding fee breakfast program for elementary schools, starting with the poorest schools first.

Extended Day Programs - \$4 million to encourage more "learning year" programs that extend the school day, week, or year for students who need some extra help.

General Education Formula Allowance Increase - \$258 million to increase the formula allowance by 2.5% each year of the budget. *This is the largest real percentage increase since F.Y. 1992, and translates into \$88 per pupil unit in F.Y. 2000, and \$182 per pupil unit in F.Y. 2001.*

Special Education Increase - \$97 million for special education funding, helping to relieve pressure on school districts' general operating budget.

Limited English Proficiency Funding - \$17 million for this rapidly-growing population.

Elimination of Small Grant and Aid Programs - \$24 million in existing grant and aid programs will be eliminated, with the funds redirected to the more flexible and fair aid programs.

Finally, as part of a larger re-evaluation of the state's role in providing a top-notch education to all its students, the Governor and the Lieutenant Governor support changing the name of the state's department to Education, Children & Families to signal their commitment to focusing the energies of the Administration and the Department on the classroom. The Governor will also direct a study of K-12 funding, with an eye towards a performance-based funding system, where achievement is reward and accountability is clear.

Post-Secondary Education

The Governor's 2000-01 budget increases state funding for post-secondary education by \$248 million, increasing spending at an average annual rate of 2.5% for this budget period. In the last budget, both the University of Minnesota and MnSCU received \$58 million in "one-time" funds, even though that money was largely needed for recurring obligations. Governor Ventura's budget more realistically supports the state higher education systems by financing ongoing expenses with ongoing funds. Specifically, the Governor's budget:

- Supports compensation cost inflation for all state-funded employees;
- Improves the competitiveness of University and MnSCU faculty salaries;
- Strengthens the quality of undergraduate education at the University;
- Increases funds to maintain and repair state facilities;

- Advances MnSCU's training partnerships with business and industry;
- Recognizes tuition increases in awarding student aid; and
- Brings new statewide electronic library information systems into service.

The Governor also recommends that \$350 million of the Tobacco Settlement proceeds be transferred to the University to establish an endowment for Health Professional Education and Medical Research. The endowment will be managed by the University's Minnesota Medical Foundation and generate earnings of up to \$39 million in the F.Y. 2000-01 biennium to support the education and research programs of the Academic Health Center and other medical research.

Finally, in keeping with his principle of financing some new spending with money reallocated from other areas of the budget, the Governor recommends that several existing higher education programs be sunset or reduced. About \$2.3 million will be reallocated over the biennium from small programs that are obsolete, over-funded, or do not have a clear state government role, reflecting the Governor's commitment to reviewing the merit of existing programs.



Invest Tobacco Lawsuit Funds Wisely for Future Prosperity

Tobacco Settlement Provides Financial Windfall

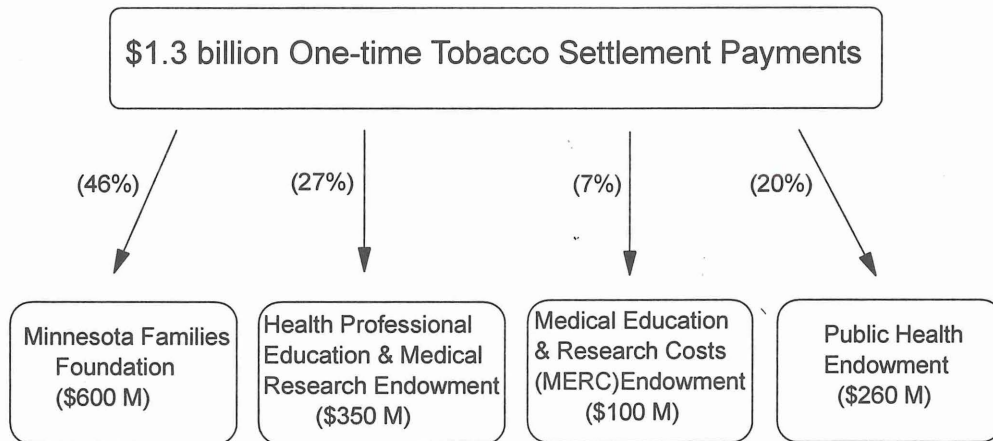
Over the state budget planning period, fiscal years 1998-2003, money expected to be received by the General Fund includes *Settlement Payments* that total \$1.31 billion and *Annual Payments* that total \$574 million. Settlement Payments end after five years. Annual Payments will be on-going revenues to the General Fund, increasing to \$204 million per year in F.Y. 2004 and each year thereafter (before inflation adjustments).

One of the Governor's first budget decisions was to set the one-time tobacco settlement payments aside and address those resources separately from the rest of the state budget. There were three primary reasons for this decision:

- 1) the payments represent the proceeds from a consumer fraud lawsuit, which is fundamentally different from the normal tax sources of general fund revenue
- 2) one-time resources should not be considered available to fuel ongoing spending or tax reductions
- 3) the settlement provides an opportunity to save money rather than spending it immediately, investing the proceeds to protect the principal and generate investment income to support key priorities.

The Governor's Proposal for Use of the Tobacco Settlement

The state's settlement with the tobacco industry provides Minnesota with a unique opportunity to make targeted investments in the health of our families, communities, and educational institutions. The Governor proposes that the tobacco settlement payments be invested in new endowment funds, in order to turn a one-time windfall into a continuing and growing stream of revenues to support activities that will benefit all Minnesotans and reduce future costs to taxpayers. The funds will be divided into three separate endowments and will establish one new foundation, with each spending only a portion of the investment income generated each year, so that the funds will be available in perpetuity.

***Minnesota Families Foundation--\$600 million***

The Governor recommends that a non-profit foundation be created to finance activities that help individuals and families become self-sufficient, thereby reducing dependency on government programs. The foundation will be established outside of state government, but be accountable to the taxpayers through its board of directors. The proposal includes a provision to sunset the foundation and return the funds to the state after ten years. Protecting the principal, the foundation will spend only a portion of its earnings to:

- Support activities that are flexible, innovative, and which close the gap between dependence on government and independence from government programs.
- Support working families and individuals' efforts to remain self-sufficient by building assets that promote family stability.
- Ensure that important public sector efforts to encourage self-sufficiency, like the Minnesota Family Investment Plan (MFIP), have every opportunity to succeed, by acting on the margin to remove obstacles or address unmet needs in a way that is either inappropriate to do with public funds, or impossible to do without creating a new public entitlement program.

Health Professional Education & Medical Research Endowment--\$350 million

An endowment will be established to provide a stable funding source to support the University of Minnesota's health professional education programs and to fund medical research. The fund will be managed by the University's Minnesota Medical Foundation. The endowment will:

- Replace patient income from University physician/faculty clinics that has supported medical education but is declining due to managed care cost controls.
- Help close a \$70-\$80 million projected budget gap in the teaching programs of the U of M Academic Health Center (AHC) resulting from rising costs and falling revenue.
- Fund medical research.

Medical Education and Research Costs (MERC) Endowment--\$100 million

Changes in how health care is financed has placed a financial burden on teaching hospitals and clinics, leaving them with fewer resources to support the additional costs of their education and research missions. The MERC endowment will use the existing MERC Trust Fund for distribution of grants to:

- Support Minnesota's graduate medical education system, which consist of teaching hospitals and clinics around the state.
- Support Minnesota's medical research infrastructure, to continue to take advantage of new and experimental techniques and treatments.

Local Public Health Endowment--\$260 million

Minnesota's public health infrastructure relies on the effectiveness of its 49 community health boards. The Local Public Health Endowment will use the existing Community Health Services grant for distribution of its earnings beginning in fiscal year 2002. A separate governor's recommendation will provide local health boards with funding for tobacco prevention in the 2000-01 biennium. The endowment will:

- Strengthen the local public health infrastructure and ensure that the core public health functions are carried out the state and local level.
- Allow community health boards the financial flexibility they need in addressing locally identified needs for smoking prevention or other emerging public health issues.



Seek to Continuously Reform State Government

Governor Ventura believes that it is critical to carefully examine state programs to see whether or not they are delivering results, and perhaps more importantly, whether or not particular activities are in fact proper responsibilities of state government. His instruction to staff-- "There are no dumb questions" --reflects a desire to revisit the basic assumptions underlying all areas of state government to determine if they are still valid. To that end, the Governor invites the Legislature and all Minnesota citizens to weigh in on the debate over the next four years.

The administration's government reform agenda has three parts: specific recommendations to restructure, reform, and re-evaluate specific policies and systems; an aggressive plan for an ongoing program evaluation process within the executive branch; and specific recommendations to cut the base funding for selected programs.

Restructuring, Reform, and Re-evaluation

- The administration will work to refocus the state's K-12 education agency, changing the name to the Department of Education, Children, and Families to reflect a renewed emphasis on educational excellence. Funding for the Office of Drug Policy will be transferred to the Department of Public Safety as an initial step in sorting out what functions are appropriately placed in the agency; further review of other functions will occur over the next year.
- The Labor Interpretive Center will be merged into the Minnesota Historical Society, which will be expected to assume responsibility for developing exhibits in its space to inform the public on the history of labor's contributions in Minnesota.
- The Citizen's Council on Voyageur's National Park and the Board of Government Innovation and Cooperation will be sunset.
- The state will complete the transformation of the Regional Treatment Centers in the Department of Human Services, emphasizing the appropriate placement of clients in community and institutional settings and moving towards fee for service mechanisms for remaining patients.

- **Financial Reforms:** several changes are proposed to set proper incentives in state systems:
 - Agencies will be permitted to carry unspent non-grant operating funds forward at the end of a biennium, eliminating the "use it or lose it" phenomenon in budget management.
 - Agencies with discretionary dedicated fees will be allowed to adjust spending as needed to match program requirements and available funding.
 - Budget policies will require adjusting future operating budgets to cover the cost of repair and replacement of facilities when new construction is authorized in bonding bills. In addition, \$37 million is provided in the budget to partially address the under funding of repair and replacement for current facilities.
- The administration will create mechanisms to receive employee and citizen suggestions for improving state government operations and reducing costs.
- Agencies will be directed to review and improve their accessibility to the public, including designing new methods of electronic access to services, and evaluating and redesigning forms to simplify citizen contacts with state government services.
- Major commissions will be formed to study the state tax structure and K-12 financing mechanisms to recommend fair, efficient, and effective means of raising the necessary revenue to support state and local government operations and distributing aid on behalf of students.

Program Evaluation

State operations must continually measure performance and undergo evaluation if we are to meaningfully set priorities and improve services. The executive branch has little institutionalized capability to perform objective evaluation of state programs. The Governor recommends a modest amount of \$200,000 per year, supplemented by a redirection of the efforts of existing staff in Minnesota Planning to begin building this capability.

The administration envisions identifying an array of programs in several different areas of the budget for review. Cross-functional teams of staff from Minnesota Planning, the Department of Finance, and agencies would evaluate program effectiveness and recommend appropriate changes in operations or financing.

Budget Reductions

Budgeting is about making choices and setting priorities. Governor Ventura believes that new discussions are needed about the proper roles of government; in the administration's view there are certain things that state government does that should not continue. While there are continual pressures on the state budget for more money for worthy purposes, some of these pressures should be addressed by reallocating funds from existing uses. The 2000-01 budget contains reductions to a number of programs in order to help finance higher priority programs that are more clearly identified as state responsibilities.

Some of the criteria applied in identifying reductions were:

- Some new ideas should be financed through reallocation of existing budgets
- Expenditures should reflect functions that are the proper role of state government
- Lower priority spending items should be reduced or eliminated
- Expenditures that benefit only narrow interests, duplicate other efforts, or shift user costs to general taxpayers should be scrutinized

Information on the specific reductions proposed is presented in the summaries of major spending areas later in this book and also in the detailed budget volumes.

A newly elected Governor in Minnesota has only a little over two months to review the state budget and make decisions. Governor Ventura is committed to an ongoing review of state functions and budgets, and intends that the administration will provide additional recommendations to reform state government in the future.



Use Technology to Improve Services for Citizens

Technology is changing every aspect of our lives. Innovations in information and communication technologies are rapidly and profoundly transforming the way we work, learn, play, locate, do business, govern and communicate. To reap the maximum benefits of the digital global society of the 21st century, Minnesota will need to achieve a common vision for information technology. This common vision grows from a commitment to meeting the needs for a well-educated populace, a thriving economy, and a responsive public sector. The vision expressed in the state's *Master Plan for Information Technology in Minnesota* is:

Minnesota citizens, businesses and governments will have the opportunity to use information and communication technologies to improve every facet of our society – our homes, our businesses, our schools and our communities.

The state's IT strategic plan defines 5 goals (with implementation strategies for each) for the use of technology to achieve the vision:

- Technically Literate and Competent Society
- Efficient and Effective Government
- Easy and Affordable Access
- Stimulated Economic Development
- Improved Quality of Life

Individual budget change items appearing in the agencies' detailed operating budgets will indicate one or more goals that each initiative addresses.

State government must continue to improve its use of technology to keep pace with changing business practices and to improve services to citizens. The Governor's 2000-01 budget contains \$85 million in new funding for state agency information technology (IT) initiatives. These initiatives include \$23 million for providing electronic government services to the public, \$40 million for applications improving and integrating agencies' use of data in their daily program operations, and \$22 million to enhance state agencies' basic IT infrastructure. In addition, the Governor's budget proposals for the higher education systems will add another \$10 million for various technology initiatives.

Electronic Government Services

A key objective of state IT efforts is to provide direct electronic means of delivering service, transacting business, and providing access to information for citizens, businesses, and government partners. The Governor recommends a series of initiatives specifically designed to improve customer service to state citizens:

- projects supporting K-12 students and teachers, including an electronic student records exchange, a depository of curriculum supporting the state's new graduation standards, and the Learning Academy, a program educating teachers how to use technology and integrate it into the classroom.
- support for the Minnesota Virtual University, a system to provide common delivery of program offerings and administrative systems among the U of M, MnSCU, and the state's private colleges. Two current initiatives include a common online course catalog, and the Internet System for Employment and Education Knowledge (ISEEK), a system linking educational and training opportunities with information about employment opportunities.
- statewide implementation of the DNR electronic licensing initiative, providing automated, single point-of-contact access to recreational licenses and permits.
- support for an online vehicle registration system.
- components such as directory services, encryption capabilities, and security measures that provide a foundation for additional on-line state services.

Program Data Collection, Management, and Integration

State government programs must increasingly take advantage of emerging technologies to improve services to citizens. Funding is provided in the budget to rethink income tax collection processes and systems, provide direct access to criminal justice system data for law enforcement personnel, improve the management of criminal record information and court case management systems, integrate and expand environmental and natural resources data bases, and to maintain the statewide administrative systems for payroll and human resources.

IT Infrastructure

The state's information technology "infrastructure" consists of the basic computer desktop capabilities for state employees, the network servers and connection apparatuses that make electronic communication and project collaboration possible, World Wide Web site presence to allow the public access to agency information, and the necessary maintenance and staff support to ensure that these components function effectively.

- Funding is provided to ensure basic infrastructure capabilities for the departments of Education, Children & Families, Higher Education Services Office, Health, Pollution Control, Natural Resources, Board of Water and Soil Resources, Agriculture, Labor and Industry, and Corrections.
- A community initiative is recommended in the Office of Technology to support infrastructure needs of small agencies. OT distributed basic infrastructure standards to small agencies and aggregated those needs into a statewide request. The office would receive the appropriation and work with small agencies to help select and manage appropriate hardware, software, and staffing support capabilities.

Managing Information Technology Resources

In F.Y. 1997, the state spent \$346 million on information technology. IT investments are a critical component in the delivery of quality public services. Government is information intensive; the provision of information is itself a primary product. Information technology investments may generate a number of benefits, including quicker and more complete access to information, improved accuracy and security of data and transactions, and improved consistency and reliability of service delivery. It is critical that state government invest dollars available for IT in the most cost-effective manner possible to take advantage of these benefits.

To that end, the state's Office of Technology (OT) is charged to review state agency IT development projects and funding requests, determine whether agencies are managing IT resources appropriately, and recommend projects for inclusion in the Governor's budget. OT has reviewed all information technology requests, and its analysis appears on the individual IT budget change item pages in the detailed budget volumes. The OT analysis evaluated projects on the degree to which they complied with a set of information resource management and project development standards. The Department of Finance used the OT technical recommendations as a starting point in determining which IT projects to include in the budget. While a positive OT recommendation was generally necessary for projects to be included, availability of funds in certain areas and relative budget priorities also played a key role in determining whether or not specific projects were included in the budget.



Make Limited Investments to Improve Our Communities

The Governor's budget deliberations contained much debate about what functions constitute a proper role for government, and the Governor expects that those discussions will continue throughout his term in office. This budget contains selective new spending initiatives that will improve the quality of life for state citizens.

- **Transit:** \$60 million is provided to support the Hiawatha Avenue light-rail transit project. This recommendation is contingent on a final decision by the Governor after review of the overall impacts of this transportation decision. In addition, almost \$15 million is recommended to preserve and improve existing levels of bus service in the metropolitan area, and \$3.7 million is provided to maintain transit services in Greater Minnesota.
- **Highway funding:** The Governor's recommendation provides a \$90 million increase in state road construction.
- **Ongoing repair and betterment of state facilities:** The Governor's budget includes \$37 million to protect the investment taxpayers have already made in buildings and other public facilities. By doing this repair when needed, the state can avoid the cost of replacing these facilities in the future.
- **An additional \$15 million is provided for community corrections programs that provide less costly alternatives to prison.**
- **An additional \$5 million is included to expand tourism advertising efforts, recognizing that tourism is a multi-billion dollar industry in Minnesota.**
- **An increase of \$2.2 million is provided to improve the operations of the state parks.**
- **The Governor's budget provides \$16 million in additional funding to preserve existing housing and leverage non-state funds for the creation of additional housing for low-income citizens, recognizing that a safe, secure home environment is central to self-reliance and escape from poverty.**
- **Over \$3.5 million is provided to assure the quality and safety of our food supply and the agricultural products we export to the rest of the world.**

- The Governor's budget also includes funds to provide property tax relief for those farmers hit particularly hard by the current crisis in animal agriculture. In addition, he has directed his commissioners of Agriculture and Trade and Economic Development to investigate what role the state can play to encourage the development of additional animal processing capacity.
- Nearly \$3 million is provided for various resource recovery strategies, including developing markets for recyclable products and encouraging pollution prevention strategies.
- An increase of \$2 million is provided for Clean Water Partnership grants.
- The Governor's budget provides \$3 million to implement the Red River Basin flood water management initiatives.
- Additional funding of \$1.9 million is provided to improve the service at driver testing facilities.

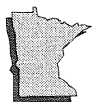


Bill Summaries

The Governor's Budget, once presented to the legislature, is separated into parts that are considered by separate legislative policy and finance committees in both the Minnesota House and Senate. Separate committees specialize in particular areas of the budget.

Each major part of the budget is developed as separate omnibus appropriation bill that proceeds through the legislative hearing and approval process. In addition to the major appropriation, or spending bills, there is generally an omnibus tax bill that deals with state taxes and state and local intergovernment finance issues.

The following sections present financial data and summary information by major legislative omnibus bills.



K-12 Education Finance

With the Governor's recommended increase of \$560.6 million, K-12 spending will increase 7.8% over the F.Y. 2000-01 budget base, to a total of \$7.735 billion in F.Y. 2000-01. Over the budget period, state spending on schools will grow at an average annual rate of 5.3%.

State Share of Education Funding

State spending on schools is only a part of a school's funding picture. In fiscal year 1998, the state provided schools with 61.0% of their revenues, with the other 39.0% coming from property taxes. As the table below shows, the state share of education funding is already set to increase due to major property tax reform enacted in the last two legislative sessions. The Governor's budget increases the state share even further.

**State Share of Education Funding
F.Y. 1999-F.Y. 2001**

	Current Law	Governor's Recommendation
F.Y. 1998	61.0%	n/a
F.Y. 1999	66.0%	66.0%
F.Y. 2000	68.4%	69.6%
F.Y. 2001	68.0%	69.8%

School District Revenues

The recommended increases in state aid, coupled with forecast growth in school levies, are projected to increase school district revenues by 4.2% in F.Y. 2000 and 3.0% in F.Y. 2001. On a per student basis, the growth is 4.1% in F.Y. 2000 and 3.1% in F.Y. 2001. The Governor's budget recommendations do not increase school levies beyond current law.

Total Revenues & Revenues Per Student

	Total Revenue \$ in millions	Annual Increase	Number of Students	Revenue Per Student	Annual Increase Per Student
F.Y. 1995	4,887	8.8%	812,582	6,015	7.1%
F.Y. 1996	5,133	5.0%	827,588	6,202	3.1%
F.Y. 1997	5,258	2.4%	838,336	6,272	1.1%
F.Y. 1998	5,544	5.4%	844,515	6,565	4.7%
F.Y. 1999	5,816	4.9%	847,653	6,861	4.5%
F.Y. 2000	6,059	4.2%	848,258	7,143	4.1%
F.Y. 2001	6,239	3.0%	846,872	7,367	3.1%

Supporting an Environment Where Students Can Learn

- **Class Size Reduction** - The Governor's budget includes \$150 million for class size reduction in grades kindergarten through three, in addition to the \$87 million a year already given to schools under current law. The Governor's first priority is to reduce the average K-3 class size from current levels, with a target of 17:1 in those grades. In order to qualify for the revenue, districts will submit plans to the Department showing how the funds will be used to progress toward the target. Districts already meeting the class size target would be able to apply to use the funds for other strategies to improve student achievement. Waivers will be possible in exceptional circumstances where districts face unavoidable capital constraints or other situations which make class size reduction impossible. In every case, districts would report on their progress toward class size reduction and other strategies to improve student achievement at the end of each fiscal year. \$14 million in extra referendum equalization aid is also included to offset potential property tax increases related to capital needs.
- **Fast Break to Learning** - The Governor recommends spending \$6 million on breakfast programs for elementary schools. Parents would be required to pay to the best of their ability, but breakfast would be provided for all students. This program would cover 38% of the state's public elementary schools.
- **Extended Day Programs** - The Governor also recommends an additional \$4 million to encourage schools to offer more "learning year" programs that provide students with more instructional time in the school day or school year if needed.

Providing Adequate Operating Funds

- **General Education Formula Allowance Increase** - The Governor's budget includes \$258 million to increase the formula allowance by 2.5% each year of the budget, the largest real percentage increase since F.Y. 1992. This translates into an increase of \$88 per pupil unit in F.Y. 2000, and \$182 per pupil unit in F.Y. 2001.
- **Special Education Increase** - Also included in the Governor's budget is \$97 million for special education funding. This proposal does not increase funds for special education students--services are already being provided at the levels required by state and federal law--but these funds will relieve pressure on school districts' general operating budget.
- **Funds for Limited English Proficiency Students** - The Governor also recommends that funds for students who do not speak English as their first language be increased by \$17 million. Funding has not kept pace with annual growth of more than 15% in this population of students.

Other Initiatives

- \$3.8 million for basic support and technology investments at the Lola and Rudy Perpich Minnesota Center for Arts Education and the Residential Academies for the Deaf and the Blind in Faribault.
- \$3.4 million in funding for regional libraries to continue implementation of the Learning Network and \$1.4 million for basic library grants.
- \$2 million for costs related to the state's defense of the St. Paul Schools and NAACP litigation. This is in addition to \$4.2 million requested for the current fiscal year (F.Y. 1999). If the mediation efforts currently underway are successful, some or all of these funds may not be needed.

Eliminating Small Grant Programs in Favor of More Flexible Funds

The Governor's budget also recommends that over \$23 million in existing grant and aid programs be redirected to more flexible and fair funding. While each of these programs may have some merit, they direct funds towards a specific activity or specific recipient. The Governor believes that the state is better served by distributing these funds on a broader basis, and folded into programs that give districts the option of funding these activities, or others which they feel rise to a higher priority.



Family and Early Childhood Education

The Governor's family and early childhood budget largely maintains current level services, reflecting his belief in a limited government role in the lives of families. Total General Fund appropriations for the family, children, community, and self-sufficiency programs administered by the Department of Education, Children & Families will total \$468 million in F.Y.2000-01.

Early Childhood and Community Services Funding (\$ in millions)

Program	F.Y. 1999		F.Y. 2000		F.Y. 2001		Avg. Annual % Change	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Child Care Assistance	108	155	112	190	114	192	3%	11%
Other Family & Early Childhood Programs	96	196	118	201	124	207	14%	3%
Total Spending	204	351	230	391	238	399	8%	7%

The largest change in the budget for this area occurs through forecast changes and base adjustments, so that even with very limited new spending the average annual rate of growth is 7.9%. The Governor provides \$5 million in additional spending for this area, including:

- Increasing funding for after school programing to encourage local efforts to keep schools open and offer after school activities for youth. (\$2 million)
- Funding a state mandate that requires schools to screen children before they enter kindergarten. (\$3 million)

The F.Y. 2000-01 base increase reflects:

- An anticipated increase in the use of child care by MFIP recipients as recipients continue to move into the workforce, raising the expected level of spending to \$185.2 million for the F.Y.2000-01 biennium. This change was reflected in the November forecast.
- The enactment of levy simplification, which changed the proportion of state aid and levy for certain programs but did not change overall program spending.

- The use of aid formulas in law as the starting point for budget deliberations, increasing accountability for enacted formulas.

In his effort to reform state government, the Governor is examining the “whys, whats and hows” of state government: Why is the government involved? What is the proper role of government? How best can the government carry out that role? The Governor's budget takes the first steps in this process:

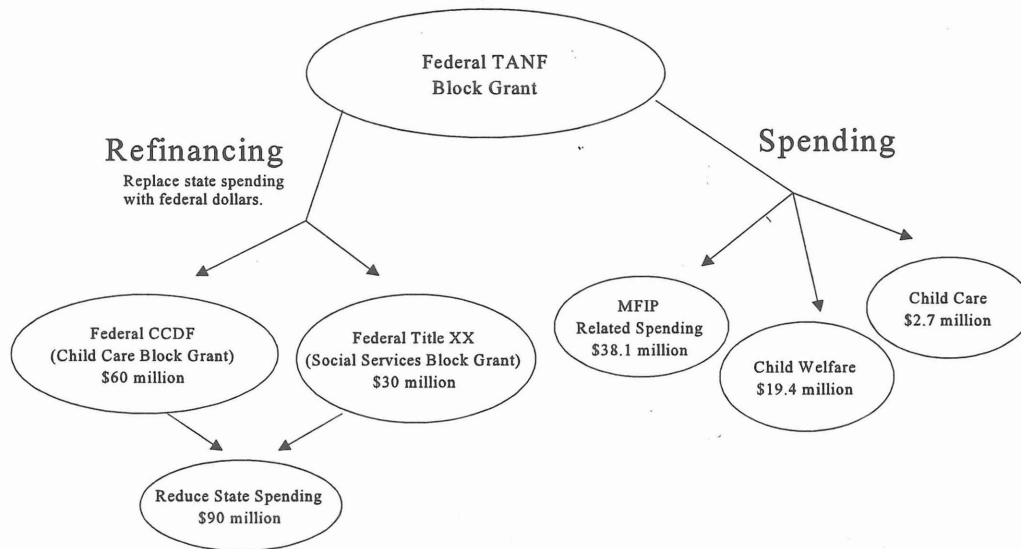
- The name of the department is changed to Education, Children & Families and an evaluation of the department's structure, mission, goals, and operations is planned.
- The Office of Drug Policy will be transferred from the Department of Education, Children & Families to the Department of Public Safety.

The Governor's budget recommends changing the mix of federal and state spending for Basic Sliding Fee child care, while maintaining the overall level of financial support for the program. The Governor proposes to:

- Transfer \$30 million in F.Y. 2000 and \$30 million in F.Y. 2001 from the federal TANF block grant to the federal child care block grant, increasing federal resources for child care.
- Reduce state spending for Basic Sliding Fee child care in corresponding amounts, thus maintaining the overall level of spending in this area.

The refinancing of child care is part of a larger state strategy to maximize state flexibility with federal block grant resources. As noted in the November forecast, the reserve for the Temporary Assistance to Needy Families block grant (TANF), could reach \$230 million by F.Y. 2001. Initiatives in Health and Human Services and Family and Early Childhood Education are proposed to maximize the total draw on this resource, yielding \$45 million for state reserves and another \$45 million to replace state spending. By F.Y. 2001, the total amount remaining in the reserve would be \$78 million. The Governor's plan ensures that the MFIP program will not outstrip the annual TANF grant amount and provides enough funding to help cover the potential impact of a recession on income maintenance costs.

TANF Reserve Budget Recommendation



Key elements of the Governor's TANF strategy are found in several areas of the budget and include both refinancing and spending proposals:

- Transfer \$60 million to the federal child care block grant (CCDF), reducing state spending by \$60 million.
- Transfer \$30 million to the federal social services block grant (Title XX), reducing state spending by \$30 million.
- Increase the General Fund budget reserve by \$45 million.
- Provide employment services for increasingly challenging MFIP caseload.
- Provide funding for dual track child welfare policy.
- Fund targeted benefits for non-citizens and working MFIP recipients.



Higher Education

The Governor's 2000-01 budget increases the state's investment in post-secondary education by \$247.6 million or 10.4% above the base-level budget. The base budget is \$184 million less than if annual spending were to continue at current (F.Y. 1999) levels over the next biennium. Much of the gap between the base budget and F.Y. 1999 spending results from a \$119 million deduction of one-time funds and a \$25 million reduction for enrollment declines at the Minnesota State Colleges and Universities (MnSCU). Compared with spending in F.Y. 1999, the Governor's budget increases spending at an average annual rate of 2.5% over the F.Y. 2000-01 biennium.

Post-Secondary Education Funding General Fund (\$ in millions)

Agency	F.Y. 1999	F.Y. 2000	F.Y. 2001	Avg. Annual % Change
Higher Education Services Office*	160	141	144	-5%
University of Minnesota	571	585	619	4%
Mn State Colleges & Universities*	549	551	582	3%
Mayo Foundation	1	1	2	18%
Total	1,281	1,278	1,347	2.5%

* Note: F.Y. 1999 includes unspent funds carried forward from prior years.

University of Minnesota

The Governor's budget provides \$121.8 million over the biennium to support the University's request.

- **Undergraduate Education.** \$20 million is provided for salary and support costs to hire new faculty to teach freshman seminars; for improved classrooms, library services, and academic advising; and to provide technology-enhanced learning and more opportunities for research and study abroad for undergraduate students.
- **Health Professional Education and Medical Research.** \$5 million is provided to the Academic Health Center (AHC) to adapt health professional education and research programs to community-based care. In addition, \$39 million in earnings from the new Health Professional Education and Medical Research Endowment will provide stable funding for education programs, replacing declining revenue from patient care sources, to help the AHC close its projected budget gap and leverage private and federal research grants.

- **Public Service and Outreach.** \$10.5 million is provided for various programs connecting the University with the community, including \$200,000 for Extension outreach to assist farmers in negotiating contracts with processors; funds for digital library services; a wireless technology pilot; commercialization of technology; and the Minnesota Virtual University/ ISEEK project.
- **Facilities.** \$16.7 million is provided to cover the increased operating costs of new and newly-renovated buildings and to fund repairs and betterments for existing state-financed facilities. The funds for repair and betterment are part of a statewide multi-agency initiative to reduce the state's facility repair needs by at least 5% in each agency.
- **Compensation costs.** \$70 million is provided to help support compensation inflation costs of 3% per year for all state-funded University employees and an additional 2% per year compensation increase above inflation for faculty.

Minnesota State Colleges and Universities (MnSCU)

The Governor's budget recommends an increase of \$121.3 million for the MnSCU system.

- **Workforce Training.** \$8 million is provided to support MnSCU campuses' customized job training programs and training partnerships with businesses and industries experiencing labor and skill shortages. MnSCU must consult with the Job Skills Partnership and Department of Economic Security before these funds are released, to ensure coordination and effectiveness.
- **Student Services.** \$8 million is provided for improvements in student advising services to increase retention and for hearing interpreters to assist deaf students.
- **Compensation.** \$55.6 million is provided for compensation inflation costs of 3% per year for all MnSCU employees, and \$22.1 million for an additional compensation increase of 2% per year above inflation for faculty.
- **Technology.** \$4.7 million is provided to support MnSCU's technology infrastructure and Y2K needs; to implement an on-line Degree Audit Reporting System; and to continue operations of the Minnesota Virtual University / ISEEK project.
- **Enrollment Loss Reprieve.** \$20 million is provided to temporarily suspend statutory budget reductions due to MnSCU's F.Y. 1999 enrollment decline.

- **Facilities.** \$3.9 million is provided for facilities repair and betterment as part of a statewide multi-agency initiative to reduce the state's facility repair needs by at least 5% in each agency.

Higher Education Services Office (HESO)

The Governor recommends a biennial increase of \$3.9 million. Key items include:

- **State Grant Program.** The formula's tuition allowance for both public and private college students is adjusted 3% per year. The cost of this increase is more than covered by reinvesting the savings anticipated from an increase in federal Pell grants, reducing the amount of state funds required by \$350,000 over the biennium.
- **MnLINK Gateway.** \$900,000 is provided to operate this on-line network, which will link together public, school, government and academic library systems statewide.
- **Library Access Center.** \$515,000 is provided to cover one-time moving, furnishing and equipment expenses, plus ongoing staffing costs for this new statewide library archive center, scheduled to open in fall 1999 at the University of Minnesota.
- **Learning Network of Minnesota.** \$1.5 million is provided for telecommunications grants to cover lease increases anticipated by the higher education regional networks that are part of the statewide Learning Network of Minnesota.

Mayo Foundation

The Governor recommends a biennial increase of \$619,000 in grants to Mayo Foundation.

- **Medical School.** \$249,000 is provided to increase the amount of the grant paid to Minnesota residents enrolled in Mayo medical school and to increase the number of grants from 40 to 42.
- **Mayo Family Practice Residency.** \$292,000 is provided to increase the amount of the grant for medical residents' stipends, and to provide one additional grant covering 100% of the stipend for a new rural residency program position.
- **St. Cloud Hospital Residency.** \$78,000 is provided to increase the amount of the grant paid to each of the 12 medical residents enrolled in the St. Cloud family practice residency.



Health and Human Services

The Governor's health and human services budget aims to encourage family self-sufficiency, build realistic expectations of government aid, and deliver services well. To achieve these goals, the Governor recommends initiatives that total \$123 million for the biennium. Total spending is projected to increase at an average annual rate of 6%. Appropriations to the Departments of Human Services, Health, Veterans Homes, and related boards constitute 23% of the General Fund budget in the next biennium.

This area is unique because spending can grow even before the Governor makes a budget request. Entitlement programs make up three-quarters of total spending and can grow quickly in poor economic times. All projected spending increases and decreases are reflected in the November forecast and built into the budget base. Because of this process, the budget's starting point grows at an annual rate of 4% before new initiatives. The effects of forecast changes and budget recommendations are shown below.

Health and Human Services Funding (\$ in millions)

Agency	F.Y. 1999		F.Y. 2000		F.Y. 2001		Avg. Annual % Change	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Human Services	2,361	5,870	2,525	6,495	2,628	6,616	6%	6%
Health Department	69	294	77	287	77	285	6%	-1%
Veterans Homes	22	48	26	51	27	53	10%	5%
Boards & Ombudsman	3	16	3	17	3	18	11%	6%
Total	2,456	6,229	2,631	6,850	2,736	6,972	6%	6%

One-time Tobacco Settlement funds are also used to complement health and human service activities. Endowments proposed by the Governor will support family self-sufficiency, stabilize medical education and research activities, and build capacity in public health. These endowments were discussed earlier in the document.

Department of Human Services (DHS)

The Governor recommends \$94 million of additional spending for Department of Human Services programs during the biennium. Combined with forecast changes, this represents an average annual increase of 6%. DHS delivers a broad array of services, ranging from health care services to income supports. The few new programs in this budget are focused on the challenge of complementing the efforts of families and communities, not replacing them.

The Governor's first objective is to create incentives for self-sufficiency. Government supports need to ensure that the right incentives are in place so that government services can truly help those who want to help themselves. This budget will help to build the promise of welfare reform - work will always make an individual or family better off.

- enhanced employment services for MFIP enrollees. Program benefits will soon expire for many families. The Governor recommends \$30.2 million from federal TANF funds to get the "hard to employ" back into the economy;
- create new work incentives for persons with disabilities. Budget changes costing a net \$370 thousand will remove the financial penalties that prevent disabled persons from seeking employment;
- adjust the MFIP exit level. Changes will be made to preserve the program's anti-poverty mission and ensure that adults are always better off by seeking employment, costing \$830 thousand in the general fund, and using \$6 million in TANF funds.

The Governor's second objective is to build realistic expectations of government aid. The state role should be limited and its budget must steer people to fewer - not more - government supports.

- fund senior drug benefits. This \$24.5 million initiative will help low-income seniors maintain independence and avoid self-defeating strategies such as scrimping on prescription drugs;
- expanded investment in Family Support Grants. This \$3 million in new funding helps families with disabled children remain intact and avoid more costly options such as Medical Assistance.

The Governor's third objective is to deliver services well. When programs are passed into law, the state must do all it can to fulfill those promises and deliver a quality product.

- increased wages for health care providers. The \$83.2 million proposal is intended to maintain and increase access to health care services for individuals enrolled in state programs. Funds will be focused on staff salaries to ensure that Minnesotans receive quality service.
- shift state operated services to enterprise activities. Many services that are bought and delivered by government can be improved by moving to a more independent, fee-supported operation. This initiative is expected to yield budget savings in future bienniums.

- added support for MinnesotaCare staffing and eligibility determination, costing \$2.4 million from the Health Care Access Fund. Administrative changes will ensure that applications are simpler and processed more quickly.

Department of Health (MDH)

The Governor recommends \$24 million for the Department of Health, an average annual increase of 6%. The Department is the lead public health agency and performs this mission by providing community grants, public education, and regulatory services. The Governor's budget includes initiatives that bolster this mission, including:

- one-time funding for tobacco prevention. Initial funding of \$15 million will be provided for a community led anti-smoking campaign. On-going funding will rely on proceeds from the tobacco settlement if local public health agencies determine that this is a priority health issue in their communities.
- expansion of the Office of Health Care Assistance (\$1.375 million). The office is a one-stop resource that can help Minnesotans obtain information, identify service options, resolve problems with their health plans, and navigate through an increasingly complex health care system;

Veterans Homes

The Governor recommends an additional \$4 million for Veterans Nursing Homes during the biennium, an average annual increase of 10%. The budget includes funding for infrastructure improvements to ensure that these programs continue to provide quality services.



Criminal Justice

The criminal justice system in Minnesota is composed of many federal, state and local agencies working together to investigate crime, apprehend suspects, adjudicate criminal cases, assist crime victims, and sanction offenders to reduce the future risk of crime. This section of the budget includes many of the significant state agencies involved in the criminal justice system, including the Department of Corrections, the courts, the Board of Public Defense, and the Crime Victim Services Center. The Governor's general fund budget for these agencies provides an 8% average annual increase each year of the biennium. His budget recommendations address cost pressures in the criminal justice area due to caseload increases, and also provide for technology improvements and improved services to citizens.

Criminal Justice Funding General Fund (\$ in millions)

Agency	F.Y. 1999	F.Y. 2000	F.Y. 2001	Avg. Annual % Change
Supreme Court	25	25	26	3%
Court of Appeals	6	7	7	2%
Trial Courts	76	78	83	5%
Public Defender	43	46	49	6%
Corrections	315	338	361	7%
Crime Victims Services Ctr.	13	13	31	54%
All Other	9	7	8	(2%)
Total	487	514	565	8%

Corrections Department

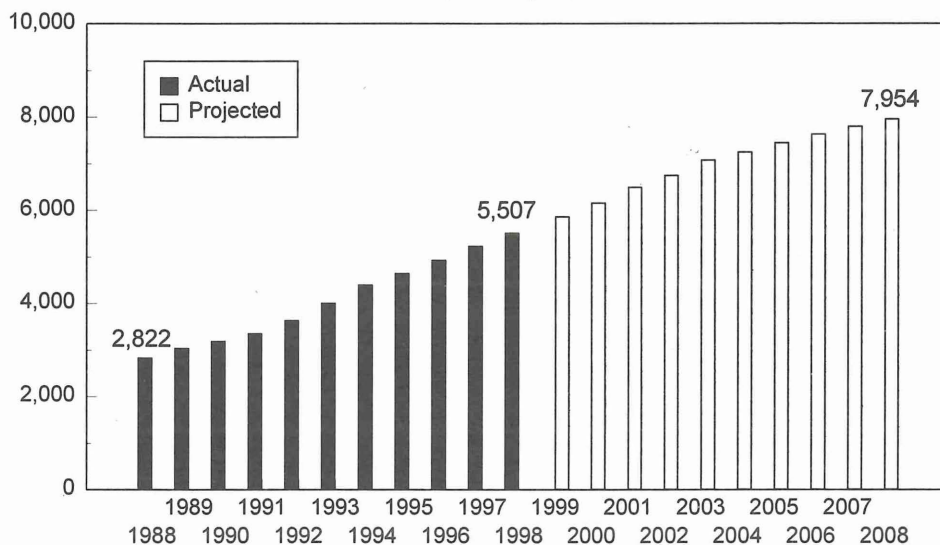
The Governor recommends funding of \$698 million for the Department of Corrections -- a \$30 million increase over the base. The most significant issues facing this department include increasing caseloads of adult inmates, additional offenders under probation or other community services programs, and dealing with more difficult juvenile offender populations. The Governor's budget recommendations address these major issues and provide funding for enhanced information systems to plan and manage these programs.

Budget Provides Funding for Increased Prison Population

Minnesota's prison population continues to grow due to increased numbers of offenders and longer prison terms. The total number of inmates has grown to nearly 5,500, an increase of 73% over 1990 levels and 145% over 1985 levels. The Department of Corrections has dealt with current increases by expanding capacities at existing prison facilities and contracting for beds at county and privately operated facilities. In January 2000 the Department plans to open the new Rush City prison facility, which will eventually house over 950 adult male inmates.

Minnesota State Prison Populations

(as of July 1 each year)



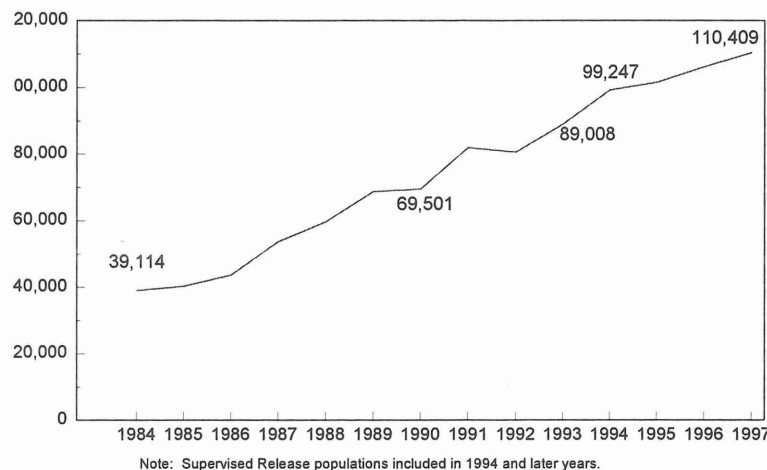
The costs of projected inmate population increases for the 2000-01 biennium were included in the November, 1998 forecast based on Sentencing Guidelines Commission and Department of Corrections estimates. The Governor's budget funds the latest estimate of inmate populations under current sentencing laws, including salary funding increases for correctional employees in the same manner as those provided for other state agencies. The Governor's budget also funds operating costs of \$4.6 million for the expansion of the mental health and infirmary units at the Oak Park Heights facility, which were approved in the 1998 capital budget. Finally, the Governor has included \$3.4 million for Corrections as part of his statewide asset preservation and repair initiative.

Probation and Community Services Program Caseload Increases Funded

The number of offenders on probation and other community services programs also continues to grow, now at over 115,000. The Governor's budget includes \$15 million in

additional funding for the increasing caseloads under these programs, which provide less costly alternatives to jails or prisons for offenders who have completed their institution sentences or who are considered at low-risk for serious re-offenses. Funding of \$3.6 million is eliminated for two programs, judicial district grants and the productive day initiative, as part of the Governor's initiative to reprioritize state spending.

Minnesota Probation/Supervised Release Caseloads



Juvenile Offenders; Technology Improvements

Services provided to juvenile offenders by the state have undergone significant changes over the last two years, primarily to provide additional options for the state and counties to deal with more difficult offenders. The Governor's budget includes \$5.6 million in new funding for programs at the Red Wing and Sauk Centre facilities and for aftercare services when the juveniles leave those facilities. More than half of this funding would be recovered from counties that must pay for a portion of these services.

The Governor also recommends \$4.6 million for technology improvements to provide better information for agency operations and management, criminal justice planning, and public reporting.

Crime Victims Agencies

The Governor recommends \$500 thousand to improve customer service and caseload tracking systems for the Minnesota Center for Crime Victim Services and the Ombudsman for Crime Victims. The transfer of battered women's shelter per diem funding from the Department of Human Services, originally planned for FY 2000, has been postponed for one year to give the agencies and affected parties more time to plan for its implementation, due to other changes brought about by the reorganization of crime victims services agencies last year.

The Courts and the Public Defender

In respect for the separate constitutional status of the courts and the Public Defender, the Governor reaffirms the past practice of not making specific recommendation on the budget requests of these offices. However, the Governor does recognize that caseloads continue to grow in the judicial branch of government, over 40% in the last decade, and he has recommended a 4% increase per year over the adjusted base totaling \$18.5 million for these agencies.



Environment and Natural Resources

The agencies included in this program area of the budget protect and enhance the quality of the environment, our great natural treasure. Balance and sustainability are their common goals as they work with communities, local governments, private business, recreational organizations, and individual citizens to facilitate multiple uses of resources while guarding against resource degradation. For the 2000-01 biennium, the Governor recommends general fund appropriations of \$524 million, and \$1,126 million in all funds.

Environment and Natural Resources Funding

(\$ in millions)

Agency	F.Y. 1999		F.Y. 2000		F.Y. 2001		Avg. Annual % Change	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Pollution Control Agency	\$16	\$111	\$17	\$132	\$18	\$110	7%	1%
Office of Envir Assistance	20	25	21	24	21	24	2%	-2%
Natural Resources	116	268	117	271	115	261	-1%	-1%
Natural Resource Open	22	26	20	22	20	22	-4%	-8%
Agriculture	27	85	22	85	22	79	-10%	-4%
Ethanol production subsidy	28	0	33	0	30	0	-5%	0%
Board of Water and Soil	18	19	18	21	18	20	0%	1%
Minn Zoological Garden	6	18	7	17	8	18	19%	1%
All Other Agencies	8	10	9	11	8	10	0%	0%
Total	\$260	\$563	\$264	\$582	\$260	\$543	0%	-2%

- **Motor Vehicle Emissions.** The Governor recommends eliminating the Metropolitan area Vehicle Emission Inspection Program effective August 1, 1999, contingent upon EPA approval. This recommendation repeals an \$8 inspection fee saving taxpayers almost \$8 million per year. To help ensure continued progress towards cleaner air, the Governor provides funding for a public/private task force to study strategies for reducing toxic emissions from motor vehicles. The Governor would consider a voluntary "green fuel" (less polluting gasoline) if such a program is deemed cost effective.
- **Ethanol.** Based on the Ethanol producer payments forecast, the budget contains a statutory appropriation estimate of \$63.6 million to honor financial commitments to the ethanol industry. This budget also recommends canceling the current balance of \$1.5 million and future receipts in the Ethanol Loan Development Fund to the General Fund.

- **Re-directing State Spending.** The Governor recommends the Minnesota Wisconsin Boundary Area Commission, and the Citizen's Council on Voyageur's National Park be sunset.
- **Technology Infrastructure.** The Governor proposes \$3.5 million for the Department of Agriculture, \$1.6 million for the PCA, \$5.0 million for the DNR, and \$1.0 million for the Board of Water and Soil Resources for investments in technology to bring business practices up to modern standards.

Pollution Control Agency

- An additional \$2 million for the Clean Water Partnership Program bringing total funding to \$3.9 million for the biennium.
- \$1.5 million to conduct Total Maximum Daily Load (TMDL) studies on impaired bodies of water to determine maximum pollutant loads on lakes and rivers and still meet acceptable water quality standards.
- \$3.1 million to build state and local feedlot program management capacity.
- \$800 thousand to continue research into the cause of malformed frogs.

Office of Environmental Assistance

- An additional \$2.2 million to partner with private and public organizations to develop greater materials recovery capacity to meet the challenges of waste generation, and to encourage the development of pollution prevention strategies.
- \$740 thousand to advance environmental education goals statewide, by providing regional support for environmental education to organizations, communities and schools.

Department of Natural Resources

- Additional funding of \$2.1 million for operation and maintenance of state parks, \$1.5 million to build Off Highway Vehicle trails, and \$2.0 million for public boat access development.
- \$3.0 million for the flood mitigation practices agreed to in the Red River mediation process.
- An additional \$5 million to address deferred maintenance and protect the public investment in existing recreational, maintenance, and office facilities.

Department of Agriculture

- Funding of \$1 million to continue research into odor control and manure management and to provide training and education to producer groups and the public.
- An additional \$3.4 million to increase food safety by changing the focus of inspections from end-products, to vulnerable points in the food process.
- \$1.5 million for export certification and control of exotic pests.
- \$1.1 to continue feedlot odor and animal waste research to develop environmentally sound management practices, and provide information and education to producers and the public.

Minnesota Zoological Garden

- A change in the organizational structure of the Zoo, converting it from a state agency to a private non-profit, or local government entity in order to increase private fund raising capacity and to ensure clearer accountability in governance. The Governor recommends increasing the state appropriation to \$7.4 million in F.Y. 2000 and \$7.9 million in F.Y. 2001. This is an amount that is approximately equal to the cost of facility repair and maintenance and the cost of lost revenue from free admission of school groups and other qualifying individuals.



Economic Development

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

Agencies included are Commerce, Economic Security, Housing Finance, Trade and Economic Development, and the Minnesota Historical Society as well as many small agencies and boards. Together their budgets constitute less than 2 percent of the total general fund. However, their total budgets from all funds amount to \$1.6 billion, primarily from special funds such as Workers Compensation, Petroleum Tank Release Cleanup, Housing Finance, and IRRRB, as well as special revenues and federal funds.

Economic Development Funding General Fund (\$ in millions)

Agency	F.Y. 1999	F.Y. 2000	F.Y. 2001	Avg. Annual % Change
Trade/Economic Development	55	37	36	(19%)
Economic Security	37	37	36	(2%)
Housing Finance Agency	39	45	45	8%
Commerce	15	18	16	2%
Public Service	9	10	11	6%
Historical Society	24	25	25	2%
Other Agencies	25	22	22	(4%)
Total	204	194	191	(3%)

The Governor's budget proposes slightly more than \$31 million in new general fund expenditures for the biennium. These expenditures would be offset by approximately \$4 million in additional fee revenues, reallocations of more than \$13 million, and transfers to the general fund of \$22 million.

Strengthening the Economy

The 2000-01 budget includes four strategic initiatives to foster continued economic growth in Minnesota.

- An increase of \$5 million to the Minnesota Office of Tourism to increase its advertising reach and marketing efforts.

- An additional \$10 million for the Housing Finance Agency to retain affordable rental housing that promotes economic development and allows the progression toward self-sufficiency.
- An investment of \$6 million for the Housing Finance Agency for the production of new affordable housing in partnership with the private and non-profit sector.
- A one-time appropriation of \$10 million from the federal TANF reserve account to the Department of Human Services for transfer to the Department of Economic Security to supplement and increase the flexibility of the new Welfare-to-Work program.

Protecting Public Investment

The Governor also proposes two initiatives that protect existing investments and services:

- An increase of \$1.6 million to the appropriation to the Workforce Services of the Blind to continue to counsel and train blind people.
- An additional investment of \$1.9 million in the Minnesota Historical Society to support operations and improve the society's capacity to interpret the state's general and labor history.

Improving Customer Service

The Governor proposes several initiatives that will significantly improve customer service to agency clients through one-time investments in technology.

- An investment of \$1.4 million for the upgrade of the Workforce Services of the Blind's Radio Talking Book program, to be matched by foundation resources.
- A one-time appropriation of \$874 thousand to the Office of Tourism to upgrade their Journey travel information system, also to be matched by private resources.
- An appropriation of \$90 thousand to the Department of Commerce to create on-line licensing capacity through its web site.
- A technology investment of \$2 million for the Department of Commerce to efficiently process and access information on all regulated industries.

Reallocation

The Governor recommends reallocating \$36 million from Economic Development bill programs to address more important priorities within this spending area and other areas of the budget.

- An additional \$22 million will be transferred from the Dislocated Worker Fund to the General Fund to help pay for other services that benefit dislocated workers, recognizing a broader range of workforce development needs.
- Pass through grants from DTED and Minnesota Technology to 15 recipients will be reduced by \$10 million.
- The sunset of statutory appropriations to DTED and DES for incentive grants will reduce state spending by \$1.8 million.
- End state regulation of apprenticeships, yielding general fund reductions of \$1.4 million.



Transportation

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

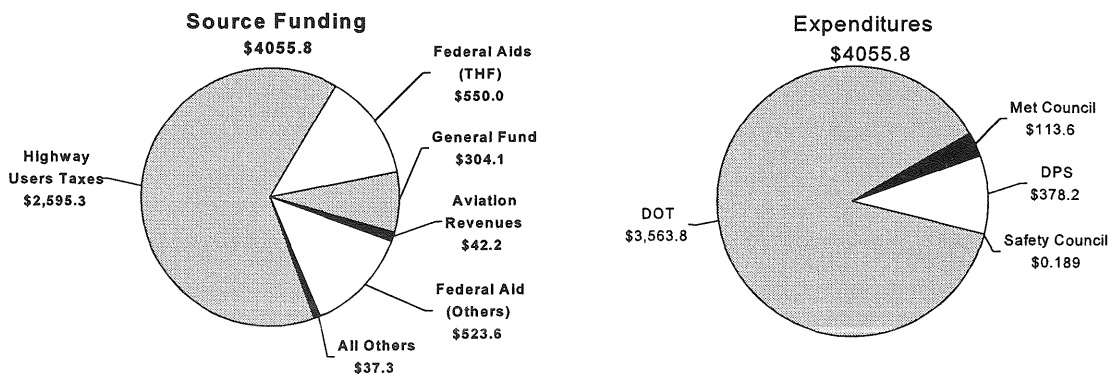
On an all funds basis, the 2000-01 budget exceeds \$4 billion, an increase of \$316 million over the current biennium, and includes the largest state road construction program in history.

TRANSPORTATION FUNDING

(\$ in millions)

Agency	F.Y. 1999		F.Y. 2000		F.Y. 2001		Avg. Annual % Change	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Transportation	17	1,640	78	1,801	16	1,762	N/M	4%
Metro Council Transit	51	51	57	57	57	57	5%	5%
Public Safety	50	221	49	189	47	189	-2%	-7%
Total	118	1,912	184	2,047	120	2,008	10%	3%

ALL TRANSPORTATION FUNDS

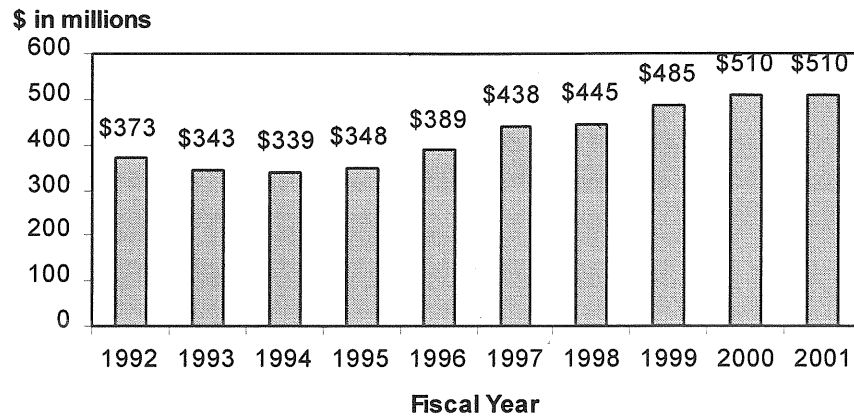


State Road Construction

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

The Governor provides an increase of \$90 million over the 1998-99 biennium for state road construction, increasing the development program to \$510 million each year.

State Road Construction



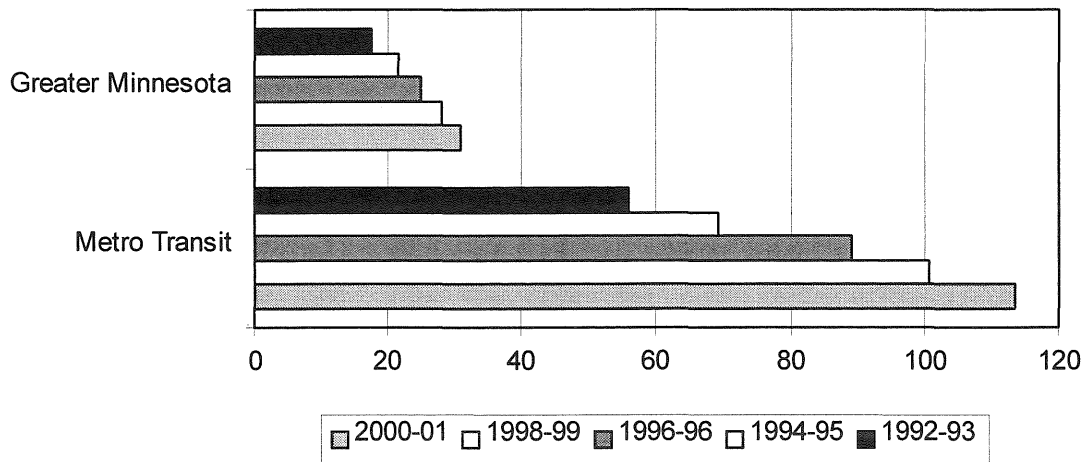
State Aids for Transit Increase \$78.6 million

Greater Minnesota Transit

These funds provide operating and capital assistance to transit service in Greater Minnesota communities. The additional funds will preserve the diverse mobility needs of transit users outside the metropolitan area.

Metropolitan Transit Assistance

These resources fund regular route service improvements and Metro Mobility operations. The additional funds will preserve current service levels, increase service reliability, and provide incentives for business, job seekers and reverse commuters.

State Aid for Transit Operations**Metropolitan Rail Transit**

The Governor's budget reserves \$60 million for the Hiawatha light rail transit (LRT) project pending a decision to proceed. The legislature made a partial commitment to the Hiawatha LRT project by appropriating \$40 million in 1998. An additional commitment of \$60 million from the state would be required to fully fund this development. The Governor is continuing to evaluate the long term financial impacts of this project as well as other commuter rail proposals, development impacts in and adjacent to fixed rail corridors, operating impacts on the current bus transit system, and other societal impacts of the decision to proceed with rail transit in the metropolitan area. He will make his final recommendations to the legislature in early March.

Department of Public Safety

The Governor's budget recommendations recognize the need to continue strong law enforcement efforts in the state and the value of improving service to customers. General Fund resources have been earmarked for improving the Criminal Justice Data Network used and shared by all levels of law enforcement from local municipalities to federal agencies. Additionally, the investigation capabilities of the Bureau of Criminal Apprehension will be enhanced with an improved 800-MHZ communication system and additional data analysis tools. The Governor's budget proposal also recommends that the Office of Drug Policy and Violence Prevention be transferred from the Department of Education, Children and Families to the Department of Public Safety, for allocation of that funding to high priority drug and violence prevention programs including gang-related law enforcement activities.

From the Trunk Highway Fund, the Governor recommends that the State Patrol replace one fleet helicopter, continue to replace aging mobile communication facilities and establish a funding mechanism to provide regular Trooper Recruit Training Academies. Driver and Vehicle Services' customers will experience an improvement in response time in taking driver exams and funding is provided to pay the increased legal costs incurred by the agency while litigating driving while intoxicated implied consent appeals.

The Governor's budget proposal provided resources in the Highway User Tax Distribution Fund to offer new and easier ways to register vehicles using credit cards and the Internet.



State Government

The State Government program area provides basic policy and business operations for the state. It is composed of the legislature, constitutional offices, the staff departments of Administration, Revenue, Finance, Employee Relations, Minnesota Planning, and other medium and small agencies. It accounts for about 3% of the total General Fund budget. The 2000-01 budget includes major new initiatives that improve customer service and help build a technological infrastructure to keep state government efficient and responsive.

State Government Funding General Fund (\$ in millions)

Agency	F.Y. 1999	F.Y. 2000	F.Y. 2001	Avg. Annual % Change
Legislature	65	58	60	-4%
Governor/Lt Governor	4	4	4	0%
State Auditor	9	8	8	-1%
State Treasurer	4	2	2	-18%
Attorney General	30	25	26	-7%
Secretary of State	6	6	6	0%
Administration	40	26	25	-24%
Revenue	87	94	88	-1%
Finance	25	24	24	-2%
Employee Relations	9	22	14	62%
Pension Funds	35	36	36	0%
Strategic Planning	6	7	5	-2%
MN Office of Technology	5	5	4	-5%
Military Affairs	12	11	12	0%
Veterans Affairs	17	9	4	-48%
All Other Agencies, Items	42	24	29	-6%
Total	396	363	347	-6%

Protecting Public Investments

Direct appropriation of \$2 million is included for repair and replacement of state assets and facilities. Additionally, \$9.3 million of state agency building rent payments historically transferred to the General Fund for depreciation of state-owned assets will be retained in the Plant Management Fund for reducing the "capital iceberg." These amounts reflect a portion of the amount determined to be needed to protect public investments in buildings and facilities in a recent study conducted by the Statewide Facilities Managers Group.

Improving Customer Service

A series of technological initiatives are designed to help improve direct service to customers and to build back-room infrastructures that make government's business operations more efficient. Several projects are funded that will provide electronic channels to deliver state services, transact business, enable one-stop licensing and provide information for citizens, the business community and government partners, using a variety of technologies. These Electronic Government Services initiatives are multi-agency collaborative projects reviewed and approved by the Minnesota Office of Technology.

Small Agency Infrastructure

Despite recent investments in information technology made by many Minnesota state agencies, several of the state's small agencies do not have the basic network and desktop infrastructure capability to support daily business functions or future Electronic Government Services. This budget provides funding to the Minnesota Office of Technology to work in collaboration with small agencies to develop and maintain this capacity.

Income Tax Re-engineering

The Individual Income Tax System, which serves three million taxpayers and generates over \$5 billion in annual receipts, is built upon business processes and computer systems that are obsolete. The Governor recommends an Income Tax Re-engineering project which will be a total redesign of all tax system business processes with the related replacement of computer hardware and software.

State Employee Insurance Programs

The Governor's budget provides funding to establish the necessary contingency reserves to self-insure all medical coverage provided through the State Employee Group Insurance

Program. This will allow the state to increase control over medical plans by managing all participants as a single population, thereby helping to manage costs and ensure a competitive market position with health plan providers. It also proposes to implement an optional, participant-paid long-term care insurance program to be available to state employees, retirees, dependents and selected public employer groups.

Constitutional Officers and the Legislature

The Governor respects the separation of power and the desire of other elected state officials to independently present their budget requests directly to the legislature without his specific recommendation. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget. The Governor has recommended funding to maintain existing levels of appropriations established by the legislature, and recommends increasing that level for salary and non-salary inflation. In addition, the Governor recognizes that demands for services have increased throughout the legal system and has included additional funding for caseload management in the Office of the Attorney General.



State and Local Finance Summary

Local Aids and Credits Programs

Minnesota's system of local aids and credits accounts for \$3.065 billion in spending, or 13% of the general fund budget. It is also probably the area of state spending least understood by the general public.

This area of the budget includes payments made directly to local units of government including school districts, counties, cities, townships and special districts. The largest portion of these local aid and credit programs represent general purpose aid that is intended to lower property taxes and provide state funding for certain locally-provided services. Within the total there are several aid payments that are more directly tied to specific functions, such as criminal justice. Property tax relief is also provided both by direct refund payments to individuals and by these general aid payments to localities.

Property Tax Aids and Credits Funding

General Fund

(\$ in millions)

	F.Y. 2000	F.Y. 2001	Total
Property Tax Refunds	192	195	387
Local Government Aid	386	391	777
Homestead Agricultural Credit	495	485	980
Education Homestead Credit	284	317	601
Criminal Justice Aid	29	30	59
Family Preservation Aid	1	12	13
Local Performance Aid	10	10	20
Aid to Police and Fire	60	63	123
All Other	54	51	105
Total	1,511	1,554	3,065

Abatement Aid to Counties will Provide Emergency Relief to Farmers

The Governor's budget provides \$10 million in F.Y. 1999 for emergency assistance to aid farmers. That funding will be distributed as abatement aid counties to help them abate all or a portion of farm property tax payments for those in need of financial assistance.

Many farmers are experiencing difficult economic times due to low commodity and livestock prices. Minnesota's economy is dependent upon a strong agricultural base and it is in the state's best interest to protect that sector of our state's economy.

Under this proposal, county boards will receive expanded abatement authority to provide tax relief to qualifying farmers. The state will provide a limited, fixed amount of funding to each county to defray the cost to local budgets of property tax abatements.

Redesigning the Property Tax Relief and Local Government Aid System

Unfortunately, there is general agreement that Minnesota's property tax and local aid system is overly complex and that it makes localities less accountable for their local revenue raising and spending decisions. State payments in local aid programs help shield taxpayers from the true cost of local spending. Too much aid is distributed without understandable rationale - without regard to either a jurisdiction's relative wealth or need.

The Governor recommends that the state's current system of local government aid and property tax relief be redesigned. As a way to help accomplish this objective, the Governor recommends, effective for F.Y. 2003, that all major local government aid and property tax relief programs be eliminated and the resources be transferred to a new Transitional Aid Reform Account. Major programs affected, but not limited to, include Homestead Agricultural Credit Aid (HACA); City and Township Local Government Aid (LGA); Education Homestead Credit; Property Tax Refunds; Criminal Justice Aid; and Family Preservation Aid.

The Governor's objective is to adopt recommendations from the Tax Reform Study Commission that:

- 1) better targets assistance to individuals who need property tax relief;
- 2) reallocates local government aids so that property tax burdens are more fairly distributed among different types of property and regions of the state; and,
- 3) better targets aid to local governments based on program needs and local revenue capacity. Plan implementation would be included in the Governor's F.Y. 2002-03 budget.

The Governor also recommends continuing levy limits on cities and counties until a new and reformed local government finance system is implemented.

Family Preservation Aid

The Governor recommends delaying an increase in funding for the Family Preservation Aid formula (M.S. 477A.0122). Specifically, the governor recommends withholding the \$20 million increase specifically appropriated, under current law, for Family Preservation Aid (FPA) in F.Y. 2001. The Governor also recommends delaying the current law increase for F.Y. 2002, including the inflation adjustment to F.Y. 2003. The Governor recommends that the FPA program be studied, along with other major aid programs, by the Tax Study Reform Commission.

The Governor also recommends not transferring \$10 million of county Homestead Agricultural Credit Aid to the FPA program. This transfer was scheduled to take effect in F.Y. 2001.



Debt Service, Capital Projects

The Governor's budget recommends a General Fund appropriation of \$578.7 million in F.Y. 2000-01 for debt service on bonds sold for existing authorizations, bonds authorized but not yet issued, and new bonds anticipated to be authorized in the 2000 legislative session. This amount represents 2.5 percent of total General Fund spending.

The 1998 tax bill, as amended by the Revisor's bill, directed the Commissioner of Finance to convert the payment of \$400 million in capital projects in the 1998 bonding bill from state general obligation bonds to General Fund cash appropriations if a sufficient unobligated balance was projected in the November 1998 forecast. The Governor's budget and sales tax rebate plan restores financing for these projects to bonding. The Governor's debt service recommendation includes \$52.4 million in F.Y. 2000-01 that results from his cash-to-bonding proposal.

Recent capital budget reforms provide for consideration of major capital budgets and accompanying bonding bills in legislative sessions of even-numbered years. Consequently, the Governor will not recommend a bonding bill to the 1999 Legislature. In addition, the Governor strongly believes that on-going capital budgets in the even-numbered years should be reduced to more prudent sizes that limit debt responsibilities to future taxpayers. Therefore, the Governor recommends planning estimates for future bonding bills of \$400 million in 2000, \$50 million in 2000 for emergency projects only, and \$400 million in 2002.

The Governor's budget also provides increased funding to state agencies and higher education institutions for asset preservation and repair. A statewide, multi-agency initiative of \$35.8 million is included to reduce facility repair and replacement needs by at least 5% in each agency.

As part of this initiative, the Governor is instituting a policy that agencies will receive operating budget base adjustments for repair and replacement expenditures associated with new capital projects authorized in future bonding bills. The Governor further suggests that legislative appropriations be written in a way that identify and separate funding for asset preservation in agency budgets. This will protect facility repair funding and allow for proper accounting and legislative oversight.

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Financial Summaries

The following section provides additional detail on the historical and recommended level of revenue and spending for the F.Y. 2000-01 budget. The graphics and tables are presented to provide commonly requested information and additional financial data.

■ Total F.Y. 2000-01 Operating Budget (All Funds)	A-1
■ Where the General Fund Dollars Come From	A-2
■ Where the General Fund Dollars Go	A-3
■ F.Y. 2000-01 Budget: New Spending over Base	A-4
■ General Fund Spending: F.Y. 1988 - F.Y. 2001	A-4

Other tables present the current biennium and proposed General Fund budget for the F.Y. 2000-01 biennium displayed by major legislative spending bills.

■ Recommendations by Year	A-5
■ Annual Percent Change	A-6
■ Percent of Total	A-7
■ Comparison: F.Y. 1999 November 1998 Forecast - Proposed 1999 Budget	A-8
■ Comparison: Increase over Current Biennium	A-9
■ Comparison: November 1998 Forecast - Proposed 2000-01 Budget	A-10
■ F.Y. 2002-03 Planning Estimates	A-11

The General Fund statement details recommended General Fund spending by agency in omnibus bill format beginning on page A-12.

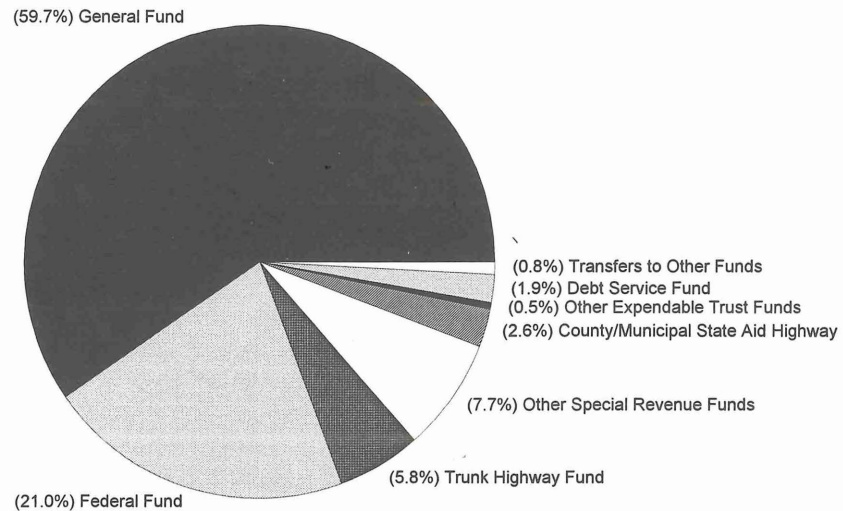
Complete detailed budget information on individual program recommendations can be found in companion Detailed Budget volumes prepared for each omnibus appropriations bill.

Additional information on the economic and revenue forecast can be found in the November 1998 Forecast report. This and other state finance materials can be viewed on the World Wide Web at: <http://www.finance.state.mn.us>. An update to the economic forecast and planning estimates for fiscal years 1999-2003 will be released on or about February 26, 1999.

Total State 2000-01 Operating Budget

All Operating Funds

2000-01 Budget
\$37.240 Billion Spending



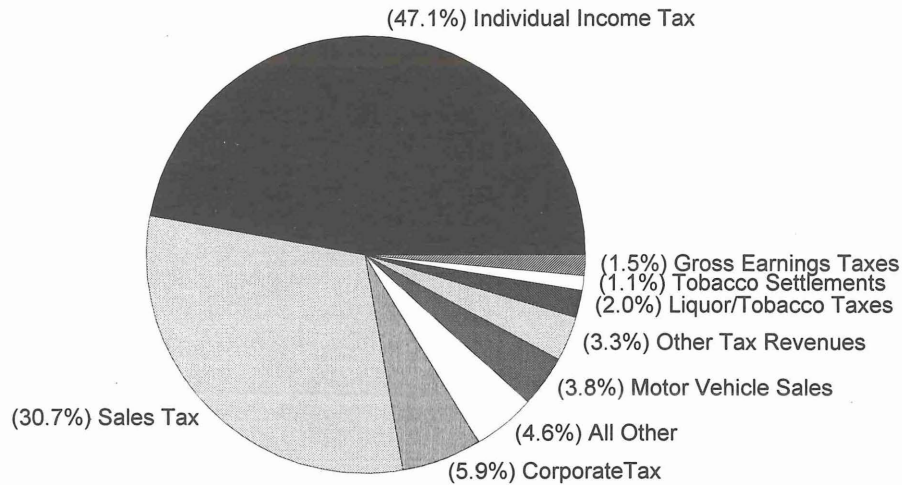
	1998-99 Forecast	2000-01 Budget
Actual and Estimated Uses		
General Fund *	\$19,858	\$22,228
Special Revenue Funds:		
Federal Fund	7,177	7,824
Trunk Highway Fund	2,013	2,146
All Other Special Revenue Funds	2,211	2,883
Expendable Trust Funds:		
County/Municipal State Aid Highway	841	967
All Other Expendable Trust Funds	179	171
Debt Service Fund	643	712
Transfers to Other Funds	622	310
Total Expenditures	\$33,545	\$37,240

(\$ in Millions)

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

2000-01 Biennium
Where the General Fund Dollars Come From
Governor's Recommendation

2000-01 BIENNIUM
\$24,501 Million



	(\$ in Millions)
Balance Forward 6-30-99	\$1,434
Non-Dedicated Revenues:	
Individual Income Tax	10,868
Sales Tax	7,074
Corporate Tax	1,362
Motor Vehicle Sales Tax	883
Gross Earnings Taxes	351
Liquor, Wine, Beer Taxes	111
Cigarette & Tobacco Taxes	349
Other Tax Revenues	763
Tobacco Settlements	249
All Other Revenues	362
Subtotal Non-Dedicated Revenues	22,373
Dedicated Revenue	229
Transfers From Other Funds	445
Prior Year Adjustments	20
SUBTOTAL CURRENT RESOURCES	23,067
TOTAL AVAILABLE RESOURCES, F.Y. 2000-01	\$24,501
Less: Estimated Expenditures	(23,346)
Cash Flow Account	(350)
Budget Reserve	(667)
Dedicated Reserves	(133)
Projected General Fund Balance 6-30-01	
January 1999 Governor's Recommendation	<u><u>\$5</u></u>

2000-01 Biennium

Where the General Fund Dollars Go

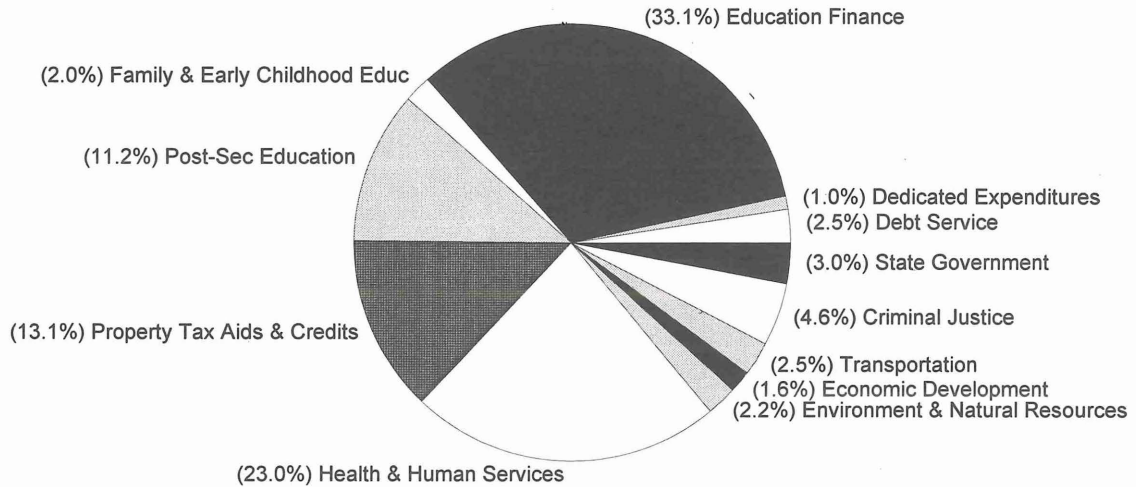
Governor's Recommendation

2000-01 BIENNIUM

\$23,346 Million Spending

\$350 Million Cash Flow Account

\$667 Million Budget Reserve



(\$ in Millions)

TOTAL AVAILABLE RESOURCES, F.Y. 2000-01

\$24,501

Major Spending Items:

Education Finance	\$7,735
Family & Early Childhood Education	468
Post-Secondary Education	2,626
Property Tax Aids & Credits	3,065
Health & Human Services	5,367
Environment & Natural Resources	524
Economic Development	385
Transportation	591
Criminal Justice	1,079
State Government	710
Debt Service	579
Estimated Cancellations	(12)

Subtotal-Major Spending Items

\$23,117

Dedicated Expenditures

229

TOTAL ESTIMATED EXPENDITURES, F.Y. 2000-01

\$23,346

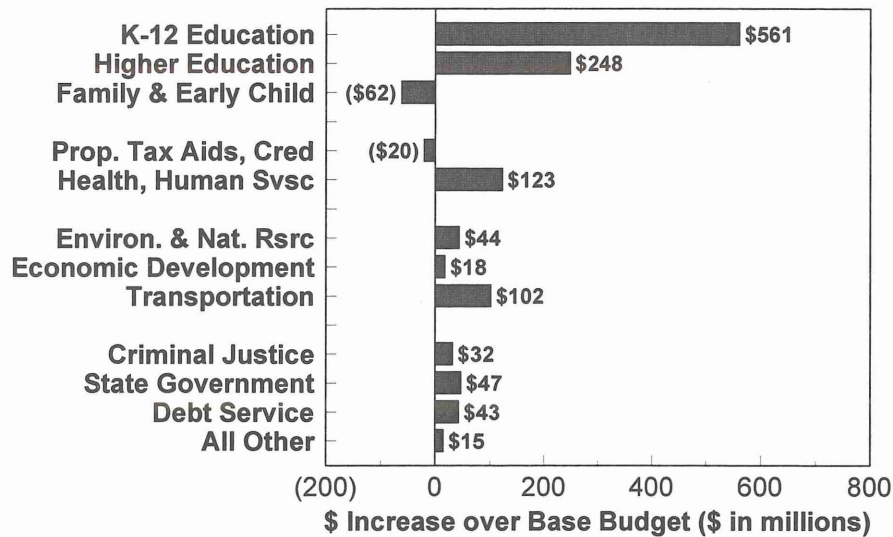
Cash Flow Account	350
Budget Reserve	667
Dedicated Reserves	133

Projected General Fund Balance 6-30-01

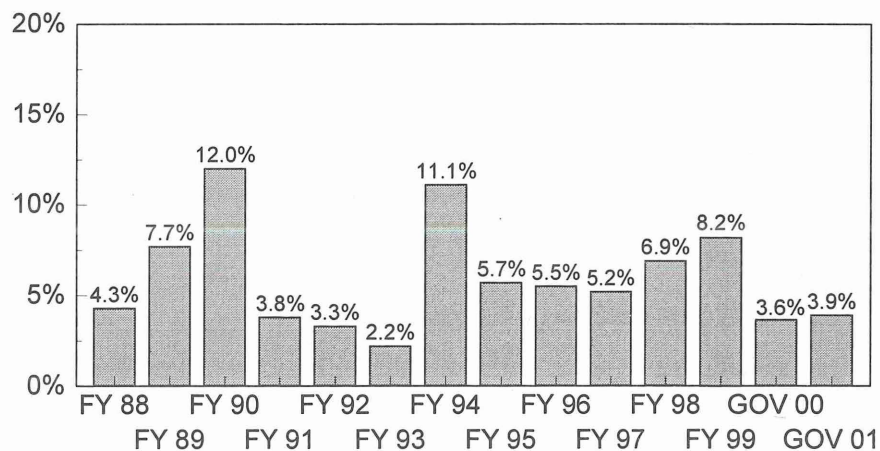
January 1999 Governor's Recommendation

\$5

70% of new spending will go to Education



Increase in total spending is well below average of recent years



*Percentages reflect actual, unadjusted spending.

When the motor vehicle registration transfer is excluded, FY 2000-01 increases are 2.8% and 3.1%

Governor's Proposed Budget

Recommendations by Year

General Fund
(\$ in Thousands)

	Gov's Rec F.Y. 2000	Gov's Rec F.Y. 2001	Biennial Total
Actual & Estimated Resources			
Balance Forward From Prior Year	1,433,941	1,149,773	1,433,941
Current Resources:			
Tax Revenues	11,143,406	11,703,444	22,846,850
Non-Tax Revenues	579,429	555,561	1,134,990
Dedicated Revenue	124,647	112,673	237,320
Transfers In	216,187	212,684	428,871
Prior Year Adjustments	10,100	10,100	20,200
Budget Changes - Taxes	(641,065)	(444,115)	(1,085,180)
Budget Changes - Tobacco Settlements	(242,550)	(242,550)	(485,100)
Budget Changes - Non-Taxes	(22,768)	(8,026)	(30,794)
Subtotal-Current Resources	11,167,386	11,899,771	23,067,157
Total Resources Available	12,601,327	13,049,544	24,501,098
Actual & Estimated Spending			
Motor Vehicle Registr Tax Cut Transfer	95,700	191,400	287,100
Education Finance	3,795,747	3,939,431	7,735,178
Family & Early Childhood Education	230,043	237,626	467,669
Property Tax Aids & Credits	1,511,227	1,554,060	3,065,287
Higher Education	1,278,407	1,347,241	2,625,648
Health & Human Services	2,631,171	2,735,567	5,366,738
Environment & Natural Resources	263,930	260,151	524,081
Economic Development	194,055	190,963	385,018
Transportation	183,425	120,723	304,148
Criminal Justice	514,060	565,104	1,079,164
State Government	363,222	347,167	710,389
Debt Service & Borrowing	281,165	297,513	578,678
Cancellation Adjustment	(5,000)	(7,000)	(12,000)
Subtotal Expenditures & Transfers	11,337,152	11,779,946	23,117,098
Dedicated Expenditures	114,402	114,403	228,805
Total Expenditures & Transfers	11,451,554	11,894,349	23,345,903
Balance Before Reserves	1,149,773	1,155,195	1,155,195
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	667,000	667,000	667,000
Dedicated Reserves	132,523	133,105	133,105
Budgetary Balance	250	5,090	5,090

Governor's Proposed Budget

Annual Percent Change

General Fund
(\$ in Thousands)

	Gov's Rec F.Y. 1999	Gov's Rec F.Y. 2000	Percent Change	Gov's Rec F.Y. 2001	Percent Change
Actual & Estimated Resources					
Balance Forward From Prior Year	2,527,216	1,433,941	-43.3%	1,149,773	-19.8%
Current Resources:					
Tax Revenues	10,332,874	11,143,406	7.8%	11,703,444	5.0%
Non-Tax Revenues	724,536	579,429	-20.0%	555,561	-4.1%
Dedicated Revenue	139,237	124,647	-10.5%	112,673	-9.6%
Transfers In	289,954	216,187	-25.4%	212,684	-1.6%
Prior Year Adjustments	10,100	10,100	0.0%	10,100	0.0%
Budget Changes - Taxes	(1,077,724)	(641,065)	na	(444,115)	na
Budget Changes - Tobacco Settlements	(460,800)	(242,550)	na	(242,550)	na
Budget Changes - Non-Taxes	0	(22,768)	na	(8,026)	na
Subtotal-Current Resources	9,958,177	11,167,386	12.1%	11,899,771	6.6%
Total Resources Available	12,485,393	12,601,327	0.9%	13,049,544	3.6%
Actual & Estimated Spending					
Motor Vehicle Registr Tax Cut Transfer	0	95,700	na	191,400	na
Capital Projects	200,659	0	na	0	na
Education Finance	3,549,574	3,795,747	6.9%	3,939,431	3.8%
Property Tax Recognition	90,200	0	na	0	na
Family & Early Childhood Education	204,249	230,043	12.6%	237,626	3.3%
Property Tax Aids & Credits	1,384,544	1,511,227	9.1%	1,554,060	2.8%
Higher Education	1,281,239	1,278,407	-0.2%	1,347,241	5.4%
Health & Human Services	2,455,578	2,631,171	7.2%	2,735,567	4.0%
Environment & Natural Resources	260,271	263,930	1.4%	260,151	-1.4%
Economic Development	203,752	194,055	-4.8%	190,963	-1.6%
Transportation	118,673	183,425	54.6%	120,723	-34.2%
Criminal Justice	487,451	514,060	5.5%	565,104	9.9%
State Government	395,919	363,222	-8.3%	347,167	-4.4%
Debt Service & Borrowing	299,565	281,165	-6.1%	297,513	5.8%
Deficiencies/Unallotted	8,639	0	na	0	na
Cancellation Adjustment	(15,643)	(5,000)	na	(7,000)	na
Subtotal Expenditures & Transfers	10,924,670	11,337,152	3.8%	11,779,946	3.9%
Dedicated Expenditures	126,782	114,402	-9.8%	114,403	0.0%
Total Expenditures & Transfers	11,051,452	11,451,554	3.6% *	11,894,349	3.9% *
Balance Before Reserves	1,433,941	1,149,773		1,155,195	
Cash Flow Account	350,000	350,000		350,000	
Budget Reserve	622,000	667,000		667,000	
Property Tax Reserve Account	330,181	0		0	
Dedicated Reserves	131,760	132,523		133,105	
Budgetary Balance	0	250		5,090	

* Annual percent changes adjusted to exclude motor vehicle registration tax cut transfer are 2.8% and 3.1%.

Governor's Proposed Budget

Percent of Total

General Fund
(\$ in Thousands)

	Gov's Rec F.Y. 1998-99	Percent of Total	Gov's Rec F.Y. 2000-01	Percent of Total
Actual & Estimated Resources				
Balance Forward From Prior Year	1,994,720	8.8%	1,433,941	5.9%
Current Resources:				
Tax Revenues	20,306,159	89.5%	22,846,850	93.2%
Non-Tax Revenues	1,009,659	4.4%	1,134,990	4.6%
Dedicated Revenue	345,052	1.5%	237,320	1.0%
Transfers In	544,023	2.4%	428,871	1.8%
Prior Year Adjustments	36,550	0.2%	20,200	0.1%
Budget Changes - Taxes	(1,077,724)	-4.7%	(1,085,180)	-4.4%
Budget Changes - Tobacco Settlements	(460,800)	-2.0%	(485,100)	-2.0%
Budget Changes - Non-Taxes	0	0.0%	(30,794)	-0.1%
Subtotal-Current Resources	20,702,919	91.2%	23,067,157	94.1%
Total Resources Available	22,697,639	100.0%	24,501,098	100.0%
Actual & Estimated Spending				
Motor Vehicle Registr Tax Cut Transfer	0	0.0%	287,100	1.2%
Capital Projects	500,690	2.4%	0	0.0%
Education Finance	6,805,426	32.0%	7,735,178	33.1%
Property Tax Recognition	108,900	0.5%	0	0.0%
Family & Early Childhood Education	377,338	1.8%	467,669	2.0%
Property Tax Aids & Credits	2,608,269	12.3%	3,065,287	13.1%
Higher Education	2,444,134	11.5%	2,625,648	11.2%
Health & Human Services	4,782,378	22.5%	5,366,738	23.0%
Environment & Natural Resources	486,443	2.3%	524,081	2.2%
Economic Development	416,155	2.0%	385,018	1.6%
Transportation	228,351	1.1%	304,148	1.3%
Criminal Justice	925,558	4.4%	1,079,164	4.6%
State Government	753,091	3.5%	710,389	3.0%
Debt Service & Borrowing	545,202	2.6%	578,678	2.5%
Deficiencies/Unallotted	14,084	0.1%	0	0.0%
Cancellation Adjustment	(15,643)	-0.1%	(12,000)	-0.1%
Subtotal Expenditures & Transfers	20,980,376	98.7%	23,117,098	99.0%
Dedicated Expenditures	283,322	1.3%	228,805	1.0%
Total Expenditures & Transfers	21,263,698	100.0%	23,345,903	100.0%
Balance Before Reserves	1,433,941		1,155,195	
Cash Flow Account	350,000		350,000	
Budget Reserve	622,000		667,000	
Property Tax Reserve Account	330,181		0	
Dedicated Reserves	131,760		133,105	
Budgetary Balance	0		5,090	

Governor's Proposed Budget
F.Y. 1999 Comparison to November 1998 Forecast

General Fund
(\$ in Thousands)

	11-98 Fcst F.Y. 1999	Gov's Rec F.Y. 1999	Difference
Actual & Estimated Resources			
Balance Forward From Prior Year	2,527,216	2,527,216	0
Current Resources:			
Tax Revenues	10,332,874	10,332,874	0
Non-Tax Revenues	724,536	724,536	0
Dedicated Revenue	139,237	139,237	0
Transfers In	289,954	289,954	0
Prior Year Adjustments	10,100	10,100	0
Budget Changes - Taxes	0	(1,077,724)	(1,077,724)
Budget Changes - Tobacco Settlements	0	(460,800)	(460,800)
Subtotal-Current Resources	11,496,701	9,958,177	(1,538,524)
Total Resources Available	14,023,917	12,485,393	(1,538,524)
Actual & Estimated Spending			
Capital Projects	600,659	200,659	(400,000)
Education Finance	3,553,193	3,549,574	(3,619)
Property Tax Recognition	90,200	90,200	0
Family & Early Childhood Education	204,249	204,249	0
Property Tax Aids & Credits	1,374,544	1,384,544	10,000
Higher Education	1,281,239	1,281,239	0
Health & Human Services	2,455,578	2,455,578	0
Environment & Natural Resources	260,271	260,271	0
Economic Development	203,752	203,752	0
Transportation	118,673	118,673	0
Criminal Justice	487,451	487,451	0
State Government	396,726	395,919	(807)
Debt Service & Borrowing	299,565	299,565	0
Deficiencies/Unallotted	0	8,639	8,639
Cancellation Adjustment	(15,643)	(15,643)	0
Subtotal Expenditures & Transfers	11,310,457	10,924,670	(385,787)
Dedicated Expenditures	126,782	126,782	0
Total Expenditures & Transfers	11,437,239	11,051,452	(385,787)
Balance Before Reserves	2,586,678	1,433,941	(1,152,737)
Cash Flow Account	350,000	350,000	0
Budget Reserve	622,000	622,000	0
Property Tax Reserve Account	330,181	330,181	0
Tax Reform & Reduction Account	200,000	0	(200,000)
Dedicated Reserves	131,760	131,760	0
Budgetary Balance	952,737	0	(952,737)

Governor's Proposed Budget

Increase Over Current Biennium

General Fund
(\$ in Thousands)

	Gov's Rec F.Y. 1998-99	Gov's Rec F.Y. 2000-01	\$ Difference	% Change
Actual & Estimated Resources				
Balance Forward From Prior Year	1,994,720	1,433,941	(560,779)	-28.1%
Current Resources:				
Tax Revenues	20,306,159	22,846,850	2,540,691	12.5%
Non-Tax Revenues	1,009,659	1,134,990	125,331	12.4%
Dedicated Revenue	345,052	237,320	(107,732)	-31.2%
Transfers In	544,023	428,871	(115,152)	-21.2%
Prior Year Adjustments	36,550	20,200	(16,350)	-44.7%
Budget Changes - Taxes	(1,077,724)	(1,085,180)	(7,456)	0.7%
Budget Changes - Tobacco Settlements	(460,800)	(485,100)	(24,300)	5.3%
Budget Changes - Non-Taxes	0	(30,794)	(30,794)	na
Subtotal-Current Resources	20,702,919	23,067,157	2,364,238	11.4%
Total Resources Available	22,697,639	24,501,098	1,803,459	7.9%
Actual & Estimated Spending				
Motor Vehicle Registr Tax Cut Transfer	0	287,100	287,100	na
Capital Projects	500,690	0	(500,690)	na
Education Finance	6,805,426	7,735,178	929,752	13.7%
Property Tax Recognition	108,900	0	(108,900)	na
Family & Early Childhood Education	377,338	467,669	90,331	23.9%
Property Tax Aids & Credits	2,608,269	3,065,287	457,018	17.5%
Higher Education	2,444,134	2,625,648	181,514	7.4%
Health & Human Services	4,782,378	5,366,738	584,360	12.2%
Environment & Natural Resources	486,443	524,081	37,638	7.7%
Economic Development	416,155	385,018	(31,137)	-7.5%
Transportation	228,351	304,148	75,797	33.2%
Criminal Justice	925,558	1,079,164	153,606	16.6%
State Government	753,091	710,389	(42,702)	-5.7%
Debt Service & Borrowing	545,202	578,678	33,476	6.1%
Deficiencies/Unallotted	14,084	0	(14,084)	na
Cancellation Adjustment	(15,643)	(12,000)	3,643	-23.3%
Subtotal Expenditures & Transfers	20,980,376	23,117,098	2,136,722	10.2%
Dedicated Expenditures	283,322	228,805	(54,517)	-19.2%
Total Expenditures & Transfers	21,263,698	23,345,903	2,082,205	9.8% *
Balance Before Reserves	1,433,941	1,155,195	(278,746)	
Cash Flow Account	350,000	350,000	0	
Budget Reserve	622,000	667,000	45,000	
Property Tax Reserve Account	330,181	0	(330,181)	
Dedicated Reserves	131,760	133,105	1,345	
Budgetary Balance	0	5,090	5,090	

* Increase over current biennium adjusted to exclude motor vehicle registration tax cut transfer is 8.4%

Governor's Proposed Budget

November 1998 Forecast* - Proposed 2000-01 Budget

General Fund
(\$ in Thousands)

	11-98 Plng Est* F.Y. 2000-01	Gov's Rec F.Y. 2000-01	Difference
Actual & Estimated Resources			
Balance Forward From Prior Year	2,986,678	1,433,941	(1,552,737)
Current Resources:			
Tax Revenues	22,846,850	22,846,850	0
Non-Tax Revenues	1,127,722	1,134,990	7,268
Dedicated Revenue	237,320	237,320	0
Transfers In	405,901	428,871	22,970
Prior Year Adjustments	20,200	20,200	0
Budget Changes - Taxes	0	(1,085,180)	(1,085,180)
Budget Changes - Tobacco Settlements	0	(485,100)	(485,100)
Budget Changes - Non-Taxes	0	(30,794)	(30,794)
Subtotal-Current Resources	24,637,993	23,067,157	(1,570,836)
Total Resources Available	27,624,671	24,501,098	(3,123,573)
Actual & Estimated Spending			
Motor Vehicle Registr Tax Cut Transfer	0	287,100	287,100
Education Finance	7,459,162	7,735,178	276,016
Family & Early Childhood Education	540,027	467,669	(72,358)
Property Tax Aids & Credits	3,202,754	3,065,287	(137,467)
Higher Education	2,466,476	2,625,648	159,172
Health & Human Services	5,402,518	5,366,738	(35,780)
Environment & Natural Resources	488,677	524,081	35,404
Economic Development	373,185	385,018	11,833
Transportation	207,160	304,148	96,988
Criminal Justice	1,057,957	1,079,164	21,207
State Government	660,552	710,389	49,837
Debt Service & Borrowing	587,915	578,678	(9,237)
Cancellation Adjustment	(20,000)	(12,000)	8,000
Subtotal Expenditures & Transfers	22,426,383	23,117,098	690,715
Dedicated Expenditures	221,551	228,805	7,254
Total Expenditures & Transfers	22,647,934	23,345,903	697,969
Balance Before Reserves	4,976,737	1,155,195	(3,821,542)
Cash Flow Account	350,000	350,000	0
Budget Reserve	613,200	667,000	53,800
Dedicated Reserves	133,105	133,105	0
Budgetary Balance	3,880,432	5,090	(3,875,342)

* November forecast reflects estimates before current law allocations of \$400 million to capital projects, \$200 million to the tax reform & reduction account, and \$8.8 million to the budget reserve.

Governor's Proposed Budget

F.Y. 1998 - F.Y. 2003 Planning Horizon

General Fund
(\$ in Thousands)

	Gov's Rec F.Y. 1998-99	Gov's Rec F.Y. 2000-01	1-99 Plng Est F.Y. 2002-03
Actual & Estimated Resources			
Balance Forward From Prior Year	1,994,720	1,433,941	1,155,195
Current Resources:			
Tax Revenues	20,306,159	22,846,850	24,855,096
Non-Tax Revenues	1,009,659	1,134,990	1,037,918
Dedicated Revenue	345,052	237,320	221,552
Transfers In	544,023	428,871	492,489
Prior Year Adjustments	36,550	20,200	20,200
Budget Changes - Taxes	(1,077,724)	(1,085,180)	(817,955)
Budget Changes - Tobacco Settlements	(460,800)	(485,100)	(364,100)
Budget Changes - Non-Taxes	0	(30,794)	15,935
Subtotal-Current Resources	20,702,919	23,067,157	25,461,135
Total Resources Available	22,697,639	24,501,098	26,616,330
Actual & Estimated Spending			
Motor Vehicle Registr Tax Cut Transfer	0	287,100	382,800
Capital Projects	500,690	0	0
Education Finance	6,805,426	7,735,178	8,247,654
Property Tax Recognition	108,900	0	0
Family & Early Childhood Education	377,338	467,669	578,633
Property Tax Aids & Credits	2,608,269	3,065,287	3,356,042
Higher Education	2,444,134	2,625,648	2,787,600
Health & Human Services	4,782,378	5,366,738	6,216,897
Environment & Natural Resources	486,443	524,081	533,843
Economic Development	416,155	385,018	396,501
Transportation	228,351	304,148	247,218
Criminal Justice	925,558	1,079,164	1,181,756
State Government	753,091	710,389	705,598
Debt Service & Borrowing	545,202	578,678	590,723
Deficiencies/Unallotted	14,084	0	0
Cancellation Adjustment	(15,643)	(12,000)	(12,000)
Subtotal Expenditures & Transfers	20,980,376	23,117,098	25,213,266
Dedicated Expenditures	283,322	228,805	228,806
Total Expenditures & Transfers	21,263,698	23,345,903	25,442,072
Balance Before Reserves	1,433,941	1,155,195	1,174,258
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	622,000	667,000	667,000
Property Tax Reserve Account	330,181	0	0
Dedicated Reserves	131,760	133,105	133,105
Budgetary Balance	0	5,090	24,153

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
Actual & Estimated Resources						
Balance Forward From Prior Year	\$1,994,720	\$2,527,216	\$1,994,720	\$1,433,941	\$1,149,773	\$1,433,941
Current Resources:						
Tax Revenues	9,973,285	10,332,874	20,306,159	11,143,406	11,703,444	22,846,850
Tobacco Settlements	297	460,800	461,097	360,693	373,825	734,518
Other Non-Dedicated Revenues	284,826	263,736	548,562	218,736	181,736	400,472
Dedicated Revenue	205,815	139,237	345,052	124,647	112,673	237,320
Transfers From Other Funds	254,069	289,954	544,023	216,187	212,684	428,871
Prior Year Adjustments	26,450	10,100	36,550	10,100	10,100	20,200
Budget Changes - Taxes	0	(1,077,724)	(1,077,724)	(641,065)	(444,115)	(1,085,180)
Budget Changes - Tobacco Settlements	0	(460,800)	(460,800)	(242,550)	(242,550)	(485,100)
Budget Changes - Non-Taxes	0	0	0	(22,768)	(8,026)	(30,794)
Subtotal Current Resources	10,744,742	9,958,177	20,702,919	11,167,386	11,899,771	23,067,157
Total Resources Available	\$12,739,462	\$12,485,393	\$22,697,639	\$12,601,327	\$13,049,544	\$24,501,098
Actual & Estimated Expenditures						
Capital Projects	300,031	200,659	500,690	0	0	0
Education Finance	3,274,552	3,639,774	6,914,326	3,795,747	3,939,431	7,735,178
Family & Early Childhood Education	173,089	204,249	377,338	230,043	237,626	467,669
Post-Secondary Education	1,162,895	1,281,239	2,444,134	1,278,407	1,347,241	2,625,648
Health & Human Services	2,326,800	2,455,578	4,782,378	2,631,171	2,735,567	5,366,738
Environment & Natural Resources	226,172	260,271	486,443	263,930	260,151	524,081
Economic Development	212,403	203,752	416,155	194,055	190,963	385,018
Transportation	109,678	118,673	228,351	279,125	312,123	591,248
Criminal Justice	438,107	487,451	925,558	514,060	565,104	1,079,164
State Government	357,172	395,919	753,091	363,222	347,167	710,389
Debt Service & Other	245,637	299,565	545,202	281,165	297,513	578,678
Property Tax Aids & Credits	1,223,725	1,384,544	2,608,269	1,511,227	1,554,060	3,065,287
Deficiencies	0	8,639	8,639	0	0	0
Unallotted/Other	5,445	0	5,445	0	0	0
Cancellation Adjustment	0	(15,643)	(15,643)	(5,000)	(7,000)	(12,000)
Subtotal by Appropriation Bill	10,055,706	10,924,670	20,980,376	11,337,152	11,779,946	23,117,098
Dedicated Revenue Expenditures	156,540	126,782	283,322	114,402	114,403	228,805
Total Expenditures & Transfers	\$10,212,246	\$11,051,452	\$21,263,698	\$11,451,554	\$11,894,349	\$23,345,903
Balance Before Reserves	\$2,527,216	\$1,433,941	\$1,433,941	\$1,149,773	\$1,155,195	\$1,155,195
Budget Reserve	513,200	622,000	622,000	667,000	667,000	667,000
Cash Flow Account	350,000	350,000	350,000	350,000	350,000	350,000
Property Tax Reserve Account	550,802	330,181	330,181	0	0	0
Appropriations Carried Forward	433,206	131,760	131,760	132,523	133,105	133,105
Budgetary Balance	\$680,008	\$0	\$0	\$250	\$5,090	\$5,090

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
NON-DEDICATED REVENUE						
Tax Revenues:						
Individual Income Tax	4,746,569	4,996,100	9,742,669	5,680,600	6,018,800	11,699,400
Corporate Income Tax	752,061	707,400	1,459,461	660,900	691,000	1,351,900
Sales Tax	3,251,685	3,413,654	6,665,339	3,576,101	3,745,438	7,321,539
Motor Vehicle Excise	444,976	435,000	879,976	433,600	449,400	883,000
Inheritance, Estate & Gift	62,366	50,000	112,366	50,000	50,000	100,000
Liquor, Wine & Beer	57,455	57,601	115,056	57,545	57,554	115,099
Cigarette & Tobacco Products	175,854	182,803	358,657	180,854	180,033	360,887
Iron Ore Occupation	213	200	413	150	150	300
Taconite Occupation	2,512	2,500	5,012	2,000	2,000	4,000
Deed & Mortgage Registration	120,212	128,800	249,012	126,000	126,500	252,500
Insurance Gross Earnings	163,187	166,000	329,187	173,000	178,300	351,300
Controlled Substance Tax	107	140	247	150	150	300
Other Gross Earnings	43	45	88	45	45	90
Legalized Gambling Taxes	64,913	63,116	128,029	62,771	62,771	125,542
Health Care Provider Tax	122,367	120,376	242,743	121,908	122,706	244,614
Income Tax Reciprocity	37,872	30,968	68,840	39,537	40,302	79,839
Illegal Sports Bookmaking Tax	5	10	15	10	10	20
Motor Vehicle Registration Tax	853	850	1,703	850	900	1,750
Other Excise Tax & All Other	(23)	0	(23)	0	0	0
Other Tax Refunds	(29,942)	(22,689)	(52,631)	(22,615)	(22,615)	(45,230)
Subtotal-Tax Revenues	9,973,285	10,332,874	20,306,159	11,143,406	11,703,444	22,846,850
Non-Tax Revenues:						
Investment Income	163,338	170,000	333,338	125,000	90,000	215,000
DHS RTC Collections	35,450	20,836	56,286	20,836	20,836	41,672
Tobacco Settlements	297	460,800	461,097	360,693	373,825	734,518
Other Non-Dedicated Revenue	86,128	73,000	159,128	73,000	71,000	144,000
Other Agencies' Refunds	(90)	(100)	(190)	(100)	(100)	(200)
Subtotal-Non-Tax Revenues	285,123	724,536	1,009,659	579,429	555,561	1,134,990
Total Non-Dedicated Revenue	10,258,408	11,057,410	21,315,818	11,722,835	12,259,005	23,981,840
DEDICATED REVENUES						
MN State Colleges & Universities	[241,171]	[236,141]	[477,312]	[243,461]	[249,061]	[492,522]
University of Minnesota	[221,976]	[229,740]	[451,716]	[225,055]	[226,722]	[451,777]
Contamination Tax-DTED	299	240	539	233	234	467
All Other	185,621	123,000	308,621	107,000	107,000	214,000
Property Tax Reserve Acct Interest	16,353	12,455	28,808	13,872	1,897	15,769
MnSCU Investment Income	3,542	3,542	7,084	3,542	3,542	7,084
Total Dedicated Revenue	205,815	139,237	345,052	124,647	112,673	237,320

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
<i>TRANSFERS FROM OTHER FUNDS</i>						
Other Special Revenue Funds	9,267	4,406	13,673	5,426	5,521	10,947
Transfer from Cambridge Bank Fund	207,100	226,949	434,049	165,639	160,796	326,435
All Other Transfers	10,538	13,525	24,063	14,492	14,011	28,503
Repay of Revolving Fund Loans	9,865	6,000	15,865	6,000	6,000	12,000
Laws 1993, Transfers In	2,424	1,699	4,123	3,199	3,699	6,898
Laws 1995, Transfers In	35	1,267	1,302	1,058	1,146	2,204
Laws 1997, Transfers In	14,840	36,108	50,948	9,698	9,698	19,396
Laws 1998, Transfers In	0	0	0	10,675	11,813	22,488
Total Transfers Frm Oth Funds	254,069	289,954	544,023	216,187	212,684	428,871
<i>PRIOR YEAR ADJUSTMENTS</i>						
Cancel Of Prior Year Encumbrances	6,084	10,000	16,084	10,000	10,000	20,000
Income	0	100	100	100	100	200
Other	20,366	0	20,366	0	0	0
Total Prior Year Adjustments	26,450	10,100	36,550	10,100	10,100	20,200

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
NEW LEGISLATION REVENUES						
Tax Revenues:						
Indiv-Reduce Tax Rate	0	0	0	(492,300)	(351,400)	(843,700)
Indiv-Federal Update	0	1,570	1,570	2,585	900	3,485
Indiv-Motor Vehicle Registr Deduction	0	0	0	0	8,500	8,500
Corp-Federal Update	0	8,040	8,040	5,785	4,455	10,240
Sales-Tax Rebate	0	(1,087,334)	(1,087,334)	0	0	0
Sales-June Acceleration	0	0	0	(139,500)	(6,600)	(146,100)
Sales-Up front Capital Equipment	0	0	0	0	(98,000)	(98,000)
Sales-Vet's Homes & State Hosp Exempt	0	0	0	(600)	(600)	(1,200)
Sales-TV Commercial Exemption	0	0	0	(1,000)	(1,100)	(2,100)
Cigarette Tax-June Acceleration	0	0	0	(12,000)	0	(12,000)
Liquor Tax-June Acceleration	0	0	0	(3,800)	0	(3,800)
Solid Waste Mgmt Tax	0	0	0	(200)	(200)	(400)
Insurance Premium Tax	0	0	0	(35)	(70)	(105)
Subtotal - Tax Revenues	0	(1,077,724)	(1,077,724)	(641,065)	(444,115)	(1,085,180)
Non-Tax Revenues:						
One-Time Tobacco Settlements	0	(460,800)	(460,800)	(242,550)	(242,550)	(485,100)
Other Non-Dedicated Revenues	0	0	0	4,694	712	5,406
Investment Income	0	0	0	(31,660)	(12,500)	(44,160)
Assest Preservation (TR IN)	0	0	0	(4,697)	(4,761)	(9,458)
Dislocated Workers Fund (TR IN)	0	0	0	16,000	6,000	22,000
MN Conservation Fund (TR IN)	0	0	0	2,000	0	2,000
Cambridge Fund Fee Changes (TR IN)	0	0	0	1,140	793	1,933
Dedicated Revenues:						
Finance Dept-Statewide System Billings	0	0	0	3,867	3,867	7,734
DTED-Incentive Grant Sunset	0	0	0	(240)	(240)	(480)
Property Tax Reserve Acct Interest	0	0	0	(13,872)	(1,897)	(15,769)
Subtotal - Non-Tax Revenues	0	(460,800)	(460,800)	(265,318)	(250,576)	(515,894)
Total New Legislation Revenues	0	(1,538,524)	(1,538,524)	(906,383)	(694,691)	(1,601,074)

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
<u>CAPITAL PROJECTS</u>						
98, CH404 Capital Projects	300,031	200,659	500,690	0	0	0
98, CH389 State Building Projects	0	400,000	400,000	0	0	0
1-99 Gov's Rec-Capital Projects	0	(400,000)	(400,000)	0	0	0
Total Capital Projects	300,031	200,659	500,690	0	0	0
<u>EDUCATION FINANCE</u>						
General Education	2,547,488	2,791,661	5,339,149	2,921,237	3,028,361	5,949,598
Other General Educ Programs	39,490	11,504	50,994	77,433	79,384	156,817
Property Tax Recognition	18,700	90,200	108,900	0	0	0
Special Programs	342,229	454,482	796,711	572,743	617,123	1,189,866
Life Work Development	17,527	22,267	39,794	16,611	12,219	28,830
Facilities & Technology	55,481	71,590	127,071	73,956	72,193	146,149
Education Excellence	9,189	12,196	21,385	21,934	19,706	41,640
Other Programs	25,347	35,281	60,628	39,299	39,856	79,155
Nutrition Programs	7,890	8,406	16,296	10,891	10,891	21,782
Libraries	9,099	9,217	18,316	11,098	11,173	22,271
Discontinued/Nonrecurring	161,155	84,068	245,223	0	0	0
Subtotal Education Aids	3,233,595	3,590,872	6,824,467	3,745,202	3,890,906	7,636,108
Dept of Education, Children & Families	26,599	32,886	59,485	33,246	30,846	64,092
Faribault Schools	9,182	9,704	18,886	10,110	10,329	20,439
Arts School/Resource Center	5,176	6,312	11,488	7,189	7,350	14,539
Total Education Finance	3,274,552	3,639,774	6,914,326	3,795,747	3,939,431	7,735,178
<u>FAMILY & EARLY CHILDHOOD EDUCATION</u>						
Family & Early Childhood Education	173,089	204,249	377,338	230,043	237,626	467,669
			0			0
Total Family & Early Childhood Educ	173,089	204,249	377,338	230,043	237,626	467,669
<u>POST-SECONDARY EDUCATION</u>						
Higher Educ Services Office	118,511	160,037	278,548	141,036	144,442	285,478
University Of Minnesota	540,769	570,923	1,111,692	584,998	618,841	1,203,839
MN State Colleges & Universities	502,484	549,101	1,051,585	550,827	582,321	1,133,148
Mayo Medical School	1,131	1,178	2,309	1,546	1,637	3,183
Total Post-Sec Education	1,162,895	1,281,239	2,444,134	1,278,407	1,347,241	2,625,648

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
HEALTH & HUMAN SERVICES						
Human Services, Dept of	2,253,627	2,361,115	4,614,742	2,524,903	2,627,769	5,152,672
Health, Department of	48,695	68,917	117,612	76,783	76,634	153,417
Emergency Medical Services Bd	954	1,005	1,959	1,303	1,704	3,007
Vets Affairs-Nursing Homes	21,489	22,272	43,761	25,902	27,114	53,016
Council on Disability	545	730	1,275	651	672	1,323
MH/MR Ombudsman	1,337	1,374	2,711	1,433	1,473	2,906
Ombudsperson for Families	153	165	318	196	201	397
Total Health & Human Services	2,326,800	2,455,578	4,782,378	2,631,171	2,735,567	5,366,738
ENVIRONMENT & NATURAL RESOURCES						
Pollution Control Agency	12,111	15,524	27,635	17,482	17,649	35,131
Office of Environmental Asst	18,332	20,148	38,480	20,840	20,923	41,763
Zoological Garden	6,769	5,626	12,395	7,449	7,929	15,378
Natural Resources, Dept of	121,610	137,475	259,085	136,123	134,204	270,327
Board of Water & Soil Resources	15,964	18,064	34,028	18,278	18,338	36,616
Agriculture, Dept of	21,467	27,482	48,949	21,959	22,481	44,440
Ethanol Subsidy/Open Appr	22,035	27,616	49,651	33,392	30,225	63,617
Board of Animal Health	2,213	2,698	4,911	2,860	2,914	5,774
Mn/Visc Boundary Area Commission	140	146	286	70	0	70
Voyageurs Nat'L Park Adv Comm	52	75	127	25	0	25
Science Museum of Minnesota	1,136	1,164	2,300	1,199	1,235	2,434
Academy of Science	41	41	82	41	41	82
Horticulture Society	82	82	164	82	82	164
Agric Util Research Inst	4,220	4,130	8,350	4,130	4,130	8,260
Total Env & Nat Resources	226,172	260,271	486,443	263,930	260,151	524,081
ECONOMIC DEVELOPMENT						
Trade & Economic Development	57,330	55,273	112,603	36,558	35,981	72,539
Minnesota Technology, Inc. (TR OUT)	9,537	10,037	19,574	8,105	8,105	16,210
World Trade Center Corp	230	0	230	0	0	0
Economic Security, Dept of	42,309	37,092	79,401	37,165	35,896	73,061
Housing Finance Agency	44,330	38,826	83,156	45,307	45,307	90,614
Commerce, Department of	13,685	15,091	28,776	17,845	15,831	33,676
Board of Accountancy	488	671	1,159	607	624	1,231
Board of Architectural/Eng	729	701	1,430	770	794	1,564
Board of Barbers Examiners	130	146	276	144	149	293
Board of Boxing	73	88	161	84	87	171
Labor & Industry, Dept of	3,850	4,108	7,958	3,901	3,913	7,814
Mediation Services	2,023	2,108	4,131	2,130	2,180	4,310
Labor Interpretive Center	174	247	421	0	0	0
Public Utilities Commission	3,718	3,816	7,534	3,781	3,880	7,661
Public Service, Dept of	8,189	8,844	17,033	10,340	10,734	21,074
Historical Society	23,312	24,121	47,433	25,026	25,308	50,334
Minnesota Municipal Board	291	331	622	162	0	162
Council on Black Minnesotans	276	291	567	320	329	649
Council for Chicano Latino Affairs	262	343	605	314	324	638

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
Council on Asian-Pacific Minn	245	296	541	277	286	563
Council on Indian Affairs	554	654	1,208	551	567	1,118
Region 3-Occupation Tax	668	668	1,336	668	668	1,336
Total Economic Development	212,403	203,752	416,155	194,055	190,963	385,018
TRANSPORTATION						
Transportation, Dept of	13,556	17,872	31,428	78,087	16,485	94,572
Metropolitan Transit Council	49,351	51,351	100,702	56,801	56,801	113,602
Public Safety, Dept of	46,771	49,450	96,221	48,525	47,424	95,949
Minnesota Safety Council	0	0	0	12	13	25
1-99 Gov's Rec-Motor Veh Regis (TR OUT)	0	0	0	95,700	191,400	287,100
Total Transportation	109,678	118,673	228,351	279,125	312,123	591,248
CRIMINAL JUSTICE						
Supreme Court	22,564	25,038	47,602	24,868	26,391	51,259
Court of Appeals	6,057	6,410	12,467	6,508	6,666	13,174
District Courts	69,191	75,525	144,716	78,078	83,249	161,327
Judicial Standards, Bd of	292	269	561	235	241	476
Judges Retirement (OPEN)	1,683	1,745	3,428	1,745	1,745	3,490
Tax Court of Appeals	624	995	1,619	664	680	1,344
Private Detective Board	97	165	262	136	141	277
Peace Officer Stnd Trng Bd	148	0	148	0	0	0
Board of Public Defense	41,375	43,288	84,663	45,575	48,718	94,293
Human Rights, Dept of	3,570	4,075	7,645	3,889	3,980	7,869
Corrections, Dept of	288,971	315,324	604,295	337,818	360,654	698,472
Ombudsman for Corrections	562	601	1,163	617	636	1,253
Crime Victim Services Center	2,192	13,097	15,289	12,841	30,968	43,809
Sentencing Guidelines Comm	415	465	880	596	561	1,157
Crime Victim Ombudsman	335	414	749	453	436	889
Uniform Laws Commission	31	40	71	37	38	75
Total Criminal Justice	438,107	487,451	925,558	514,060	565,104	1,079,164

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
STATE GOVERNMENT						
Legislature	52,927	64,979	117,906	58,039	59,856	117,895
Legislative Rent	5,187	5,249	10,436	5,447	5,460	10,907
Governor/Lt Gov Office	3,550	4,150	7,700	4,052	4,171	8,223
State Auditor Office	6,791	8,827	15,618	8,171	8,401	16,572
State Treasurer Office	2,180	3,634	5,814	2,210	2,283	4,493
Attorney General Office	26,593	30,291	56,884	25,100	26,032	51,132
Secretary of State	5,421	6,440	11,861	6,014	6,282	12,296
Bd of Govt Innov & Coop	1,299	1,022	2,321	0	0	0
Board of Public Disclosure	552	524	1,076	712	707	1,419
Campaign Financing (TR OUT)	99	3,957	4,056	147	3,957	4,104
Political Contribution Refunds (OPEN)	3,885	5,362	9,247	3,448	4,342	7,790
Income Tax Refunds Interest (OPEN)	13,878	15,000	28,878	15,000	15,000	30,000
Investment Board	2,072	2,338	4,410	2,310	2,376	4,686
Office of Strategic Planning	4,578	5,648	10,226	6,828	5,194	12,022
Administration, Dept of	36,122	40,104	76,226	26,450	24,781	51,231
Capitol Area Arch & Plng Bd	392	479	871	302	306	608
Public Broadcasting	5,107	3,189	8,296	3,126	2,404	5,530
Finance, Dept of	22,984	24,988	47,972	23,704	23,915	47,619
Indirect Cost Receipts Offset	(25,505)	(20,902)	(46,407)	(23,439)	(24,526)	(47,965)
Finance Non-Operating	5,848	2,297	8,145	0	0	0
Employee Relations, Dept of	7,813	8,706	16,519	22,215	14,157	36,372
MN Office of Technology	4,714	4,702	9,416	4,653	4,256	8,909
Revenue, Dept of	81,143	86,981	168,124	93,926	87,777	181,703
Amateur Sports Commission	4,748	3,876	8,624	1,369	1,389	2,758
Military Affairs, Dept of	10,565	11,787	22,352	11,461	11,606	23,067
MN Humanities Commission	886	886	1,772	897	909	1,806
Arts Board	13,035	13,167	26,202	13,064	13,094	26,158
Veteran Affairs, Dept of	9,266	16,508	25,774	9,492	4,420	13,912
Veterans of Foreign Wars	41	41	82	41	41	82
Military Order of Purple Hearts	20	20	40	20	20	40
Disabled American Veterans	13	13	26	13	13	26
Lawful Gambling Control Bd	2,018	2,432	4,450	2,183	2,241	4,424
MN Racing Commission	363	379	742	390	402	792
Contingent Accounts (TR OUT)	0	2,855	2,855	100	100	200
Tort Claims	49	501	550	275	275	550
Legislators Retirement (OPEN)	5,480	2,197	7,677	3,800	3,800	7,600
Constitutional Officers Retirement	171	182	353	198	214	412
Mpls/St Paul TRA (OPEN)	2,482	2,500	4,982	2,500	2,500	5,000
Pension Uniformity-TRA	23,267	16,267	39,534	16,267	16,267	32,534
PERA	0	10	10	0	0	0
Pre-1973 Retire Adjustments-MERF	550	550	1,100	550	550	1,100
Mpls Pension Reimbursement	10,455	8,174	18,629	5,892	5,892	11,784
Local Police/Fire Amortization	6,133	5,609	11,742	6,295	6,303	12,598
Total State Government	357,172	395,919	753,091	363,222	347,167	710,389

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
DEBT SERVICE & OTHER						
Debt Service	242,053	286,495	528,548	281,138	297,513	578,651
Arbitrage Rebate (OPEN)	27	27	54	27	0	27
Cash Payment-Cambr Bank Jdgmnt	3,557	13,043	16,600	0	0	0
Total Debt Service & Other	245,637	299,565	545,202	281,165	297,513	578,678
PROPERTY TAX AIDS & CREDITS						
Property Tax Refunds	173,678	182,963	356,641	192,135	194,769	386,904
Aid to Local Government (LGA)	362,180	377,396	739,576	386,549	390,787	777,336
Disparity Reduction Aid	28,194	26,066	54,260	23,841	23,741	47,582
Border City Disparity Aid	5,452	4,268	9,720	4,875	4,899	9,774
Attached Machinery Aid	3,218	3,218	6,436	3,218	3,218	6,436
Homestead Agric Credit Aid	536,155	506,717	1,042,872	487,132	477,474	964,606
HACA Mobile Home	6,611	7,075	13,686	7,554	7,612	15,166
HACA Prior Year Adjustment	10	75	85	78	78	156
TIF HACA	24	24	48	0	0	0
Local Performance Aid	9,293	10,525	19,818	9,768	10,012	19,780
Taconite Aid Reimbursement	561	561	1,122	561	561	1,122
Suppl Hmstd Prop Tax Relief	482	517	999	544	544	1,088
Aid to Police & Fire	57,101	60,527	117,628	60,447	62,797	123,244
Regional Transit Bd Levy Reduction	2,170	2,243	4,413	1,762	1,762	3,524
Disaster Credit	33	988	1,021	810	34	844
Enterprise Zone Credit	19	19	38	19	19	38
Criminal Justice Aid	27,777	28,449	56,226	29,085	29,809	58,894
Family Perservation Aid	1,598	1,638	3,236	1,679	11,721	13,400
Education Homestead Credit	0	144,812	144,812	284,220	317,255	601,475
County Aid Truth-in-Taxation	1,000	0	1,000	0	0	0
TIF Deficit Aid	0	0	0	1,000	1,000	2,000
Senior Property Tax Deferral	0	0	0	2	20	22
Low Income Housing Aid	0	17	17	200	200	400
Counties with Indian Casinos	498	798	1,296	798	798	1,596
97, SS2, CH2 Flood Relief	196	198	394	0	0	0
PERA Pension Aid	7,475	14,950	22,425	14,950	14,950	29,900
98, CH383 Tornado Relief-Pr Tx Abate Aid	0	500	500	0	0	0
1-99 Gov's Rec-Farm Aid Abatement	0	10,000	10,000	0	0	0
Total Tax Aids & Credits	1,223,725	1,384,544	2,608,269	1,511,227	1,554,060	3,065,287

GENERAL FUND

(\$ in Thousands)

	Actual F.Y. 1998	Forecast F.Y. 1999	Forecast F.Y. 1998-99	Gov Rec F.Y. 2000	Gov Rec F.Y. 2001	Gov Rec F.Y. 2000-01
DEFICIENCIES						
Education, Children & Families	0	4,200	4,200	0	0	0
Veterans Home Board	0	229	229	0	0	0
Ombudsman for MH & MR	0	36	36	0	0	0
Zoological Garden	0	1,000	1,000	0	0	0
Natural Resources, Dept of	0	515	515	0	0	0
Economic Security, Dept of	0	370	370	0	0	0
Public Safety, Dept of	0	2,274	2,274	0	0	0
Board of Public Disclosure	0	15	15	0	0	0
Total Deficiencies	0	8,639	8,639	0	0	0
UNALLOTTED / OTHER						
Exp. Under Closing-All Other	5,445	0	5,445	0	0	0
Total Unallotted / Other	5,445	0	5,445	0	0	0
Total Cancellation Adjustment	0	(15,643)	(15,643)	(5,000)	(7,000)	(12,000)
DEDICATED EXPENDITURES						
MN State Colleges & Universities	[241,171]	[236,141]	[477,312]	[243,461]	[249,061]	[492,522]
University of Minnesota	[221,976]	[229,740]	[451,716]	[225,055]	[226,722]	[451,777]
Contamination Tax-DTED	0	240	240	233	234	467
MnSCU Investment Income	3,542	3,542	7,084	3,542	3,542	7,084
All Other	152,998	123,000	275,998	107,000	107,000	214,000
1-99 Gov's Rec-Dedicated Exp	0	0	0	3,627	3,627	7,254
Total Dedicated Expenditure	156,540	126,782	283,322	114,402	114,403	228,805
RESERVE / APPROP CARRIED FWD						
Budget Reserve	513,200	622,000	622,000	622,000	622,000	622,000
1-99 Gov's Rec-Budget Reserve	0	0	0	45,000	45,000	45,000
Cash Flow Account	350,000	350,000	350,000	350,000	350,000	350,000
Property Tax Reserve Account	550,802	330,181	330,181	143,856	0	0
1-99 Gov's Rec-Property Tax Res Acct	0	0	0	(143,856)	0	0
Tax Reform & Reduction Account	0	200,000	200,000	0	0	0
1-99 Gov's Rec-Tax Reform & Red Acct	0	(200,000)	(200,000)	0	0	0
Appropriations Carried Forward	433,206	131,760	131,760	132,523	133,105	133,105
Total Reserve/Approp Crd Fwd	1,847,208	1,433,941	1,433,941	1,149,523	1,150,105	1,150,105