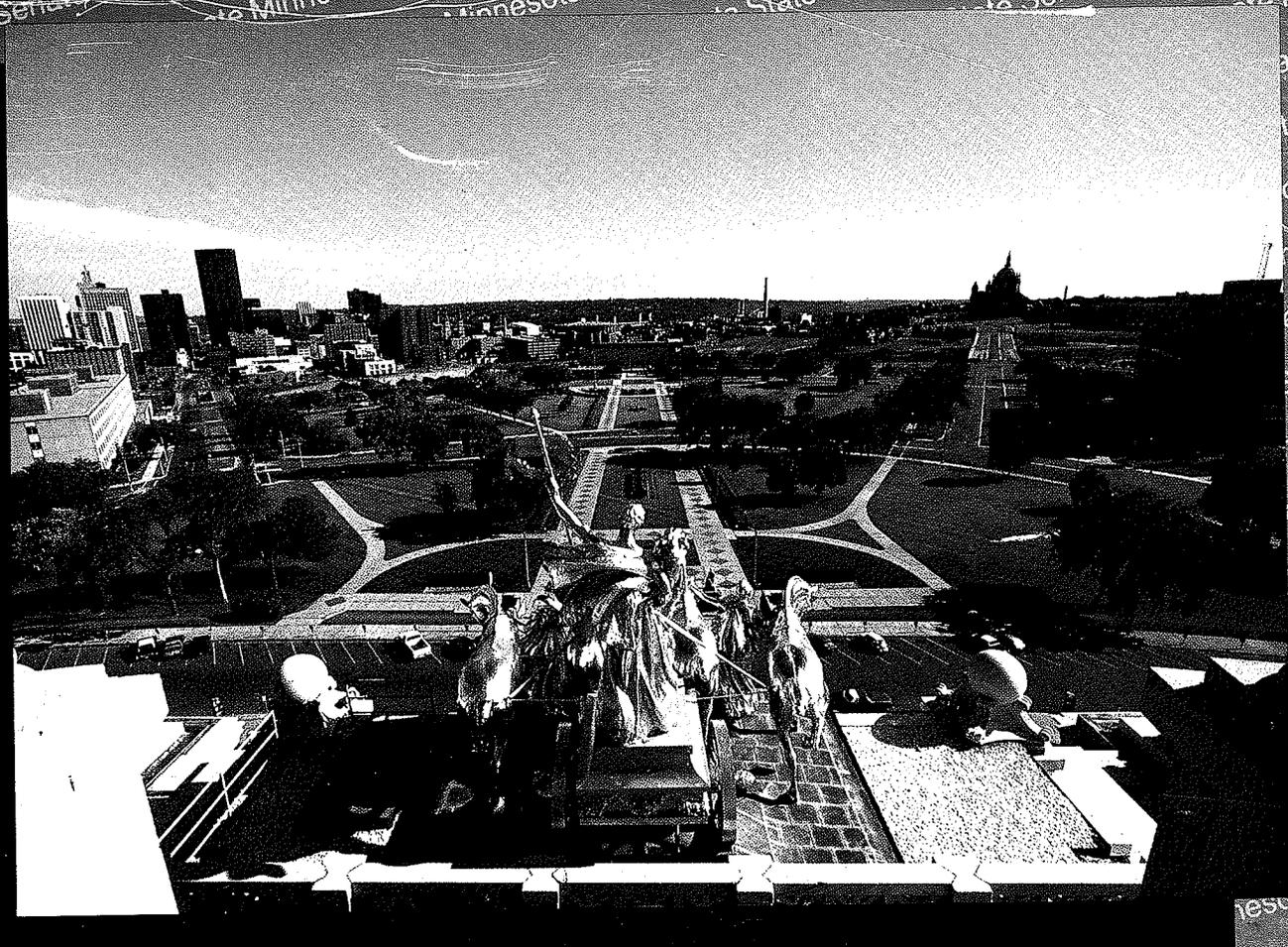


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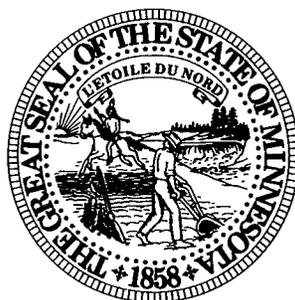
Minnesota
State
Senate

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A
FISCAL REVIEW
of the
1987 LEGISLATIVE SESSIONS

Prepared by: Staff of Senate Counsel and Research
Edited by William Riemerman



Minnesota Senate
Senate Counsel and Research

John E. Post, Director

October, 1987

Foreword

Fiscal Review 1987 continues a series of state appropriation reports that was begun in 1975. This report provides extensive financial information on the 1987 sessions.

This report provides a broad accounting of actions of the Minnesota Legislature which have a substantial fiscal impact. Major programs funded by the Legislature are explained. Programs are grouped by major function so that appropriation trends can be reviewed and evaluated.

The report is designed to be used by State Senators, Representatives, and others in providing a public accounting of legislative actions. Copies are available through the state's public library system or through the Office of Senate Counsel and Research, G-17 State Capitol, St. Paul, Minnesota 55155.

Table of Contents

	Page
HIGHLIGHTS	1
THE TAX LAWS	2
PROPERTY TAX RELIEF AND LOCAL AIDS	6
FUNCTIONS OF STATE GOVERNMENT	7
Education	7
Human Services	11
Jobs and Training	14
Corrections	15
Health	15
Transportation	16
Legislative	17
Judicial	17
Governor and Other Constitutional Officers	17
Agriculture	17
Resource Management	18
Protection of Persons and Property	20
Public Employees' Compensation, Pensions	22
Other Departments, Boards, and Commissions	23
CHANGES IN GENERAL FUND ACCOUNTS	24
STATE DEBT AND CAPITAL EXPENDITURES	25
STATISTICS	26
Table A Summary—Appropriations by Function—All Funds	26
Table A—Summary of Appropriations by Function—All Funds	26
Table B—Itemized Appropriations by Function—All Funds	27
Table C—Summary of Appropriations by Fund—1987 Regular and Special Session, Fiscal Years 1988-89	39
Table D—General Fund Resources and Appropriations, 1987-89 Biennium	39
Table E—Omnibus Appropriation Bills—1987 Legislative Session	41
Table F—Miscellaneous General Fund Appropriation Bills, 1987 Legislative Sessions	42
Table G—Open and Standing Appropriations, Fiscal Years 1988 and 1989	43
Table H—Federal Funds—1987-89 Biennium	43
Table I—Direct Legislative Appropriations, by Fund, by Year	44
Table J—Bonding Authorization, 1987 Sessions	47
APPENDIX	
A. Rates of Principal Taxes	48
B. Selected Appropriations for Human Services and Corrections Activities 1974-89	49
C. General Obligation Debt and Scheduled Interest Payments (1988 through 2007)	50
D. Glossary	52
INDEX	54

Dates of 1987 Sessions

1987 Regular Session	January 6-May 18, 1987
1987 Special Session	June 25, 1987

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HIGHLIGHTS

The 1987 Legislature appropriated \$16,971,330,058 from all funds for a total increase of 6.9 percent over a two-year period.

The most significant bill passed by the 1987 Legislature was the tax bill. It radically changed Minnesota's income tax system, substantially broadened the sales tax, and increased the excise taxes on cigarettes, liquor and beer.

The new income tax system was designed to parallel the federal income tax system. It will result in a three-rate system with the lowest rate at 6 percent of taxable income, a higher rate at 8 percent, and a surtax for portions of extremely high income. The surtax will result in a maximum marginal rate of 8.5 percent. Under the new system the marginal rate will revert to 8 percent when all taxable income reaches an 8 percent effective rate.

Beyond the rate changes, the tax bill made these major income tax changes:

Adopted the federal standard deduction levels of \$3,000 for singles and \$5,000 for marrieds.

Replaced the taxpayer and dependent credits with personal exemptions of \$2,000 (1989). Abolished the double credit for those over 65, but gave the elderly who take the standard deduction an extra \$750 (single) or \$1,200 (married) per return.

Eliminated preferential treatment for capital gains, pension exclusions, military pay exclusions, two-earner deductions, and passive tax shelters, and phased out the use of non-mortgage interest as itemized deductions.

Adopted a piggy-back to the federal elderly and disabled credit. This is a credit for low income elderly and disabled with a maximum of \$300 for singles and \$450 for couples.

Major changes were also made in the corporate income tax. The major changes were rate restructuring, the elimination of the arithmetic option for allocating taxable income to Minnesota, and an alternative minimum tax based on the allocation formula.

Repeal of the formula that gave equal weight to sales, property, and payroll in allocating Minnesota income means that all corporations will now allocate income on the basis of 70 percent Minnesota sales and 15 percent each for Minnesota property and payroll. Generally, this will increase taxes for corporations with proportionally high sales and low property values and employment in Minnesota.

The alternative minimum tax calls for corporations to pay the higher of the minimum or regular tax. The new regular corporate tax rate is 9.5 percent of allocated taxable income. Prior to the passage of the 1987 law, the rate was 6 percent on the first \$25,000 and 12 percent for the remainder of taxable income. The alternative minimum tax will be one mill or one dollar per thousand dollars of Minnesota sales, property, and payroll.

The sales tax changes result in the sales tax being extended to:

Motor vehicles bought by state and local units of government, including school districts; non-prescription drugs; interstate phone calls; admissions to recreational areas, tanning salons, saunas, etc.; pet grooming; car washes and other car services, except repairs; parking lot services; laundry and dry cleaning; lawn care; and building cleaning and maintenance.

The 1987 omnibus tax bill also increased the taxes on cigarettes and liquor.

The tax on cigarettes increased by 15 cents a pack—from 23 cents to 38 cents, and the tax on liquor went from \$4.39 a gallon to \$5.03 a gallon. The beer tax went from \$4 a barrel to \$4.60 a barrel for strong beer and from \$2 to \$2.40 for 3.2 beer, while the tax on wine increased 11 to 20 percent, depending on alcohol content.

Another section of the tax bill reduced the renter credit payments scheduled to be paid in August 1987 by 33 percent as part of the budget balancing effort.

The tax bill also provided that a portion of any projected revenue surplus be appropriated to the newly created Greater Minnesota Corporation (GMC) (up to \$120 million). The new corporation is designed to deal in economic development projects with authority to participate in and help finance cooperative research and development. It is authorized to invest in products and businesses; and to provide and insure loans, and to provide interest subsidies. The GMC provides some development authority for the Twin Cities area, but mandates a preference for rural development.

Other highlights of the 1987 session include:

Education—The Legislature enacted a major restructuring of the foundation aid and levy formula beginning in 1989. The new law will consolidate a number of categorical aids and levies into a general education formula; reduce revenue and tax disparities among districts; and simplify the funding system. Basic per pupil revenue was increased from \$1720 for 1988 to \$2735 for 1989. Compensatory education (formerly AFDC aids) and training and experience funds are provided only for districts where the related problems are most severe. Compensatory education revenue is required to be spent only to provide educational services for children who are significantly behind in their educational achievement.

Welfare—Extended eligibility for Medical Assistance for working parents whose income is below 133 percent of AFDC payments. Created a health insurance program for children and pregnant women with earnings up to 185 percent of federal poverty guidelines. This insurance will include medical services, but not hospitalization. Nominal fees will be charged to the insured.

Transportation—Allocated 5 percent of the motor vehicle excise tax collections for transportation—75 percent of it for highway users and 25 percent of the amount for mass transit.

Judiciary—Authorized 21 new trial judges and one new appeals court judge.

Agriculture—Extended the interest buy-down and mediation programs and continued the Reinvest in Minnesota (RIM) funding to develop fish and wildlife habitat, etc.; and created a beginning farmer finance program through the Rural Finance Authority.

Unemployment Compensation—Reduced the minimum insurance rate for employers, created a new floating maximum benefit, and enacted a stand-by solvency assessment, if the unemployment compensation fund gets too low.

Drug Testing—Passed a law providing regulations for drug testing for employees or job applicants and preventing arbitrary and capricious testing.

Bonding—Passed a \$470 million bonding bill that included authorization for a \$50 million issue for construction of a state history center and a \$32 million issue for a judicial building.

THE TAX LAWS

The 1987 session passed legislation which resulted in state tax increases of \$691 million for the 1987-89 biennium. Sales tax and motor vehicle excise tax (MVE) collections were increased by \$224 million, primarily by extending the tax to certain personal services (\$208 million in sales taxes and \$16 million in MVE taxes). The corporate income tax was increased by \$190 million, primarily through a new minimum tax. The cigarette tax was raised 15 cents per pack resulting in a \$119 million increase in cigarette taxes. The planned phase-out of the telephone gross earnings tax was delayed, giving the state an additional \$98 million in gross earnings taxes. Other tax changes accounted for \$60 million in increased state tax collections in the 1987-89 biennium.

The individual income tax was restructured in response to the federal tax reform. A number of tax preferences were eliminated, and the tax rates were reduced accordingly. The individual income tax changes did not result in any increase or decrease in state revenues.

Income Tax

The individual income tax was completely restructured in response to the federal income tax changes enacted by the Tax Reform Act of 1986. The Tax Reform Act expanded the federal tax base by eliminating many tax preferences and shelters. The federal tax rates were reduced accordingly.

Minnesota followed the federal example by adopting the federal base-broadening provisions and reducing the state tax rates. Beginning in 1988, there will be two state tax rates of 6 and 8 percent. Transitional rates are provided for 1987. The new tax rates on taxable income are as follows:

TAX YEAR 1987 Married Joint

\$ 0 - \$ 4,000	4%
4,000 - 11,000	6%
11,000 - 21,000	8%
21,000 and over	9%

Single and Married Separate

\$ 0 - \$ 3,000	4%
3,000 - 9,000	6%
9,000 - 16,000	8%
16,000 and over	9%

Head of Household

\$ 0 - \$ 3,500	4%
3,500 - 10,000	6%
10,000 - 18,500	8%
18,500 and over	9%

TAX YEAR 1988 Married Joint

\$ 0 - \$19,000	6%
19,000 and over	8%

Single and Married Separate

\$ 0 - \$13,000	6%
13,000 and over	8%

Head of Household

\$ 0 - \$16,000	6%
16,000 and over	8%

Beginning in 1988, the Minnesota tax will include 10 percent of the federal 5 percent surtax on taxpayers above certain income levels. In addition to adopting the provisions of the federal Tax Reform Act, the state also conformed to the federal rules governing taxable income. Beginning in 1987, the state tax computation will start with federal taxable income rather than federal adjusted gross income. By starting with federal taxable income, the state will conform with virtually all of the federal itemized deductions. The state will retain the dependent education expense deduction for taxpayers who itemize

on the federal return. This also means that Individual Retirement Account (IRA) contributions in 1982, 1983, and 1984 will be taxed when withdrawn, although they were taxed when they went into the IRA. The federal government did not tax these IRAs those years, while Minnesota did.

By 1988 the standard deduction will increase from 10 percent of income with a maximum of \$2,500 to a flat \$3,000 single, \$5,000 married joint, and \$4,400 head of household. For 1987 the standard deduction will be \$2,570 for single and head of household and \$3,800 for married joint. Elderly and blind taxpayers will receive the higher 1988 standard deduction in 1987.

Conforming with federal rules also means that the state will replace the state personal credit (\$73 in 1986) with the federal personal exemption (\$1,950 in 1988). The elderly or blind who used to receive an additional personal credit under prior state law will not receive an additional personal exemption under the new federal rules. Married elderly or blind taxpayers will receive an additional \$600 (per individual) standard deduction; single elderly or blind taxpayers will receive an additional \$750 standard deduction.

In conforming to the new federal law, a number of deductions and exclusions were eliminated. These include the capital gains exclusion, pension exclusion, military pay exclusion, unemployment compensation exclusion, two-earner deduction, sales tax deduction, and the federal income tax deduction. Deductions for passive losses and consumer interest are phased out over a period of four years. Deductions for IRA accounts are phased out for single taxpayers having incomes between \$25,000 and \$35,000 and for married couples having incomes between \$40,000 and \$50,000. The new federal rules governing the alternative minimum tax were adopted and the tax rate was increased from four to six percent.

The credit for political contributions was eliminated and the political checkoff was increased from \$2 to \$5. A new credit was enacted equal to 40 percent of the federal credit for the elderly and the disabled.

The restructuring of the individual income tax was designed to be revenue neutral. However, if the Commissioner of Finance forecasts in November, 1988, that revenues will be less than expected and that the budget reserve account will have less than \$150 million at the end of the biennium, the income tax rates must be increased by .25 percent. If the forecast indicates less than a \$50 million reserve, the income tax rates must be increased by .5 percent.

Major changes were enacted in the corporate income tax which will raise an estimated \$190.3 million in the 1987-89 biennium. The tax rate was changed from 6 percent on the first \$25,000 of taxable income and 12 percent on the remainder to a flat rate of 9.5 percent.

The arithmetic apportionment formula was eliminated. With the exception of insurance companies, regulated investment companies, and 100 percent Minnesota mail-order companies which use a 100 percent sales apportionment, all multi-state corporations will now use the 70-15-15 sales-weighted apportionment formula. This means that a corporation which operates both within and outside Minnesota must allocate a portion of its total U.S. income to this state using the percentage of its sales, property, and payroll within Minnesota weighted 70 percent sales, 15 percent property, and 15 percent payroll. This formula tends to allocate more income of a multi-state company headquartered outside Minnesota to this state than the arithmetic apportionment formula.

The corporate tax was changed from a direct income tax to a franchise tax measured by net income. The bank excise tax was eliminated and financial institutions will now be taxed under the corporate franchise tax. The tax base of the corporate franchise tax is the corporation's federal taxable income allocated to Minnesota with the required modifications.

Corporations will be allowed to use the full accelerated cost recovery system (ACRS) depreciation deduction starting with tax year 1988. For property placed in service after July 31, 1986, but before January 1, 1988, which is depreciated under the new federal rules, 15 percent of the federal ACRS deduction is disallowed. The net operating loss (NOL) carryback was eliminated and the NOL carryforward was extended to 15 years. The general dividend received deduction was reduced from 85 to 80 percent. The special 100 percent deduction for foreign dividends was eliminated. The foreign royalty deduction was reduced from 100 percent to 35 percent. The technology transfer credit and the small business assistance office credit were repealed. The research and development credit percentages were reduced from 12.5 to 5 percent and from 6.25 to 2.5 percent of qualifying expenditures.

A new alternative minimum tax was enacted for corporations. The tax rate is one mill applied to the sum of a corporation's sales, property, and payroll factors within Minnesota. Corporations pay the alternative minimum tax to the extent that it exceeds their regular franchise tax liability. Any minimum tax paid by a corporation can be carried forward as a credit against the regular franchise tax up to five subsequent years when the corporation's regular tax exceeds its alternative minimum tax. A \$5 million exemption is provided for small companies which phases out between \$10 million and \$20 million of total Minnesota factors. New companies starting out in Minnesota are exempt on their property and payroll factors for five years after they first become subject to the corporate franchise tax.

Similar to the individual income tax, the corporate franchise tax rate will be increased if the Commissioner of Finance forecasts in November, 1988, that there will be substantially reduced revenues for the biennium. If the budget reserve is forecast at less than \$150 million at the end of the biennium, the corporate tax rate will be increased by .4 percent. If the budget reserve is forecast at less than \$50 million, the corporate tax rate will be increased by .8 percent.

Sales and Use Tax

The sales and use tax base was broadened significantly during the legislative session, resulting in an estimated revenue increase of \$208 million during the 1987-89 biennium. Previously exempt sales which became taxable June 1, 1987, include the following:

Nonprescription medications—except that insulin, hypodermic syringes and needles, baby formula and disposable diapers, diagnostic items, feminine hygiene products, and crutches and similar devices remain exempt;

Interstate telephone calls—except that incoming WATS calls made from outside the state remain exempt;

Meals sold in hospital, nursing home or senior citizen home cafeterias or provided to employees at less than market value;

Admissions to recreational areas and charges for access to tanning facilities, reducing salons, steam baths and massage parlors;

Railroad rolling stock; and

State government purchases.

The sales and use tax was also extended to a variety of services. Services which became taxable July 1, 1987, include the following:

Vehicle parking other than at meters;

Automotive services, other than repair services, including washing, waxing, rustproofing and towing;

Pet grooming services.

Services which become taxable October 1, 1987, include:

Laundry and dry cleaning services (except coin operated), including clothing repair and alteration, linen supply, and carpet, drapery and upholstery cleaning;

Building cleaning and maintenance including exterminating and disinfecting;

Lawn care and landscaping services including fertilizing, mowing, tree planting and pruning;

Security, detective or armored car services, and burglar or fire alarm services.

The sales tax was eliminated for food stamp purchases, and the two percent rate on farm machinery was specifically extended to farm machinery installed by the seller, previously considered an improvement to real property and taxed at six percent, and to machinery used in sod production.

Excise Taxes

Changes in the base of the motor vehicle excise tax and rate increases in the excise taxes on cigarettes, tobacco products, liquor, wine, and malt beverages will result in a general fund revenue increase of slightly more than \$127 million during the biennium. The motor vehicle excise tax was extended to vehicle purchases of state and local government entities and nonprofit organizations, raising nearly \$16 million in additional revenue. The excise tax rate on intoxicating liquor was increased 15 percent, from \$4.39 per gallon to \$5.03 per gallon. The rate on strong beer was increased from \$4.00 to \$4.60 per barrel, while the rate on 3.2 beer went from \$2.00 to \$2.40. Wine rate increases varied from 11 percent to 20 percent, depending on alcohol content. Excise tax increases on alcoholic beverages are expected to total \$15.5 million for the biennium.

The tax on cigarettes was increased 15 cents per pack to a total of 38 cents per pack. The general fund portion of this increase is an estimated \$72.1 million for the biennium. The tax on other tobacco products was increased from 25 percent of retail price to 35 percent, and the exemption for sales in correctional facilities is eliminated.

All revenue from the excise taxes on cigarettes and other tobacco products will be credited to a special "tobacco tax revenue fund." The highest priority of payments from this fund will be the payment of principal and interest on bonds payable from cigarette tax revenues. Distributions to all other funds are made after the obligation for debt service has been satisfied.

Gross Earnings Taxes

The phase-out of the telephone gross earnings tax was delayed for two years, resulting in a revenue increase of nearly \$98 million in fiscal years 1988 and 1989, and a phase-out of the telegraph gross earnings tax was enacted. The telephone gross earnings tax phase-out will begin in 1989 and will be completed in 1992. Telephone companies will become subject to the property tax for taxes payable in 1990 rather than taxes payable in 1988. Long-distance access charges will also be included as gross earnings. The phase-out of the telegraph gross earnings tax will begin in 1990 and will be complete in 1993.

The two percent gross premiums tax is extended to domestic mutual insurance companies, and the credit against the premiums tax for contributions to the Minnesota Comprehensive Health Association is eliminated. Nonprofit health service plans and health maintenance organizations will also be required to contribute to the comprehensive health plan. These changes will result in an estimated revenue gain of \$24.5 million.

Property Tax

Payable 1988

A state-paid small-business transition credit was created to be effective for taxes payable in 1988 only. The credit will be available only to properties which qualify for the 28 percent classification rate and will be equal to 50 percent of the property

tax amount attributable to the first \$120,000 of market value which exceeds an effective rate of three percent.

The income maintenance tax disparity aid was also established for counties. If the county's cost for General Assistance, General Assistance Medical Care, and Work Readiness assistance (exclusive of administrative costs) exceeds the value of one-half of one equalized mill, the county will receive the amount of the excess. The aid may not, however, exceed 95 percent of the county's cost. The aid is effective for taxes payable in 1988 and subsequent years.

Classification percentages for non-agricultural homestead property were reduced from 18 percent to 17 percent on the homestead base value and from 28 percent to 27 percent on the excess. The homestead base value for non-agricultural homesteads was increased from \$66,000 to \$68,000. Agricultural homesteads were left unchanged.

Payable 1989

The omnibus tax bill provided for significant revisions in the property tax system effective for taxes payable in 1989 and subsequent years. The number of property classes will be reduced and the assessment percentages will be revised as follows:

Class	Description	Percent
1	Residential Homestead Base: Amount-Percentage 1st \$68,000-37% Excess: Percentage 60% (includes blind, paraplegic, veterans, and totally disabled residential homestead in excess of \$34,000 market)	
2A	Agricultural Homestead Base: Amount-Percentage 1st \$66,000-30% Excess: Percentage 40%	
2B	Agricultural Non-Homestead Land 40% Timberland 40%	
3A	Commercial-Industrial Land & Buildings Base: Amount-Percentage 1st \$80,000-60% Excess: Percentage 96%	
3B	Employment Property Competitive City or Zone 1st \$50,000-45% Excess: Percentage 50% Border City 1st \$80,000-60% Excess: Percentage 86%	
4A	Residential Non-Homestead A. Apartments with 4 or more units Not Title II 70% B. Apartment Land* 70% C. Private for Profit Hospitals 70% Type I & II Apartments (Structures) Five or more stories 70%	
4B	Agricultural Non-Homestead House, garage & 1 acre 60% Residential Non-homestead 60% 3 or less units (includes fraternity and sorority houses)	
4C	Seasonal Recreational Residential A. Commercial, under 200 days 50% B. Non-Commercial (cabins) 50% Non-Profit Community Service Oriented Organizations Title II National Housing (structures) 50% Section 8 (structures) 50% Neighborhood Real Estate Trust 50%	
4D	Blind, Paraplegic, Veterans, and Totally Disabled Homestead Base: Ag: Amount-Percentage 1st \$34,000-30% Non-Ag: Amount-Percentage 1st \$34,000-30% Commercial Seasonal Recreational Residential not used for more than 200 days per year which includes a portion used as a homestead by the owner 30% Farmers Home Administration 30% (Municipalities under 10,000 Population-Structures)	

5	Vacant Land 96%
	Public Utility
	Land and Buildings
	Base: Amount-Percentage 96%
	Excess: Percentage 96%
	Machinery 96%
	Unmined Iron Ore 96%
	"Low Recovery" Iron Ore 96%
	All Property Not Included in 96%
	Any Other Class

Mobile homes are classified as personal property but receive the same classification percentages that would apply if they were classified as real property.

*Apartment land includes land of Type I & II apartments (5 or more stories), Title II, FHA and Section 8.

The homestead credit and agricultural credit will be replaced by exemptions on property which had previously received the credits, and local governments will be reimbursed for revenue lost as a result of the exemption.

The homestead exemption will be extended to 52 percent of the assessed value of the home up to a maximum market value of \$68,000. As a result, there will be no dollar limit on the property tax relief, but the percentage at which the amount of the exemption is computed, 52 percent, is reduced from that of the current credit, 54 percent.

The agricultural credit will be replaced by an exemption equal to 36 percent of the assessed value on the first 320 acres of agricultural homesteads. The remainder of homesteads in excess of 320 acres, non-homestead farms and timberland will receive an exemption equal to 26 percent of the assessed value, and seasonal recreational residential property will receive an exemption on 15 percent of the assessed value up to a maximum market value of \$31,000.

The omnibus tax bill also provided for a new tax base adjustment aid which reduces shifts in the tax base that result from adoption of the new classification percentages. Taxing districts which lose tax base receive an aid equal to the base loss multiplied by the district's payable 1988 mill rate. If a district gains tax base, the amount determined in the same manner is subtracted from the district's homestead or agricultural credit replacement aid.

Minerals Tax

Beginning in 1987, the occupation tax on all minerals other than iron ore and taconite will be calculated in the same manner and at the same rate as the corporate franchise tax. Ore reserves in the ground will not be subject to the property tax. Beginning in 1990, iron ore and taconite mining will be taxed in the same way.

The copper-nickel taxes are eliminated, and copper-nickel mining will be taxed as all other minerals are taxed. The taconite railroads gross earnings tax is eliminated, and the taconite railroads will be taxed under the same provisions as other railroads. The royalty tax is repealed, and mining royalties will be subject to the same withholding provisions as other royalties.

Beginning in 1987, a new 2 percent net proceeds tax is imposed on the mining of all minerals other than iron ore and taconite.

Miscellaneous

Airport property owned by a county, city or town and leased to a "for-profit" business will become subject to local property taxes beginning with taxes payable in 1988. Passenger check-in, ticket sales, boarding and luggage claims areas at Minneapolis/St. Paul International Airport will also become subject to the property tax. Rural electric power lines supplying electricity to farmers at retail will be exempted from the property tax.

Airflight property taxes, currently computed using the state-wide average mill rate, will be computed to yield a specific

dollar amount set by the Legislature. A minimum aircraft registration fee of \$50 was enacted, and the leasing of aircraft to flying clubs became subject to sales tax. Railroad and barge fuel will become subject to the fuel excise tax.

The omnibus tax bill contained several appropriations, including \$2 million for additional enterprise zone credits in border cities which are not cities of the first class; \$3.9 million for grants to aid counties in the development of property tax data processing systems; \$630,000 for taxpayer services and revenue operations programs; \$300,000 for creation of a legislative tax study commission; \$100,000 to reimburse counties for the cost of requiring senior accreditation for county assessors; and \$30,000 for improving and updating the individual income tax sample maintained by the Department of Revenue for research and analysis.

Property Tax Refund

The property tax refund program was significantly reduced and restructured. Claims based on rent paid in 1986 or property taxes payable in 1987 will be reduced by 33 percent. The appropriation for 1988 claims will be limited to \$125 million and all refunds will be reduced, if necessary, to remain within the appropriated amount.

Claims based on rent paid in 1987 or property taxes payable in 1988 will reflect revised property tax refund schedules. The \$2,000 income exclusion for senior citizen and disabled claimants is eliminated, and a separate schedule is established for these groups and any other claimants who have dependents. A second less preferential schedule is established for all other claimants. In both schedules the maximum refund is reduced; the percentage of income which the property tax must exceed is increased; the coinsurance payment is increased; and the maximum income limitation is reduced from \$40,000 to \$35,000.

Aid and Levy Limits

County governments will receive the same amount of local government aid in 1988 and subsequent years as they did in 1987. Cities will receive the aid amount certified in 1987, and towns which levied at least one mill will receive the greater of 60 percent of the amount received in 1983 or the amount certified in 1987.

Levy limits for all cities and counties will be superseded for taxes payable in 1988. The revised levy limit base for counties will equal the 1987 levy, reduced by levies for bonded debt, unfunded accrued pension liability, income maintenance (except administrative costs), and social services, plus state aids and reimbursements. This amount will be increased by the greater of any percentage increase in population or households in the previous 12 months and by the lesser of three percent or the growth in the implicit price deflator. The result is reduced by the aids and reimbursements certified for 1988 to arrive at the 1988 overall levy limitation. The aids and reimbursements include local government aid, wetlands and native

prairie reimbursements, taconite production and road and bridge aids, Department of Natural Resources payments in lieu of property taxes, and any distributions of the new mining net proceeds tax.

Cities, regardless of size, will compute their 1988 levy limitation in a similar manner, but will reduce their 1987 levy by the levy amounts for bonded debt and unfunded accrued pension liability only. Special levies authorized outside of the overall levy limitations for 1988 are limited to the following:

1. Levies for the principal and interest on bonds and certificates of indebtedness.
2. The amount levied to reduce the unfunded accrued liability of public pension funds to the extent of the increase over 106% of the amount levied for the same purpose for the taxes-payable year 1977.
3. A county levy for income maintenance (public assistance) programs, excluding administrative costs and excluding the new county income maintenance tax disparity aid.
4. A county levy for social services programs and social services administration.

Levy limitations for taxes payable in 1989 and subsequent years will be in effect for counties, cities, and towns receiving taconite municipal aid. Counties, cities of 5,000 population or more, and the taconite towns will adjust their 1987 levy limit base to reflect two years of inflation (limited to three percent annually), population growth, and other specified factors. Cities under 5,000 population will use their 1988 levy limit base adjusted for the same factors, but for only one year.

Budget and Cash Flow Reserve

The omnibus tax bill also contained provisions reestablishing the budget and cash flow reserve at \$250 million for the 1987-89 biennium. If at any time the Commissioner of Finance projects a general fund surplus, he is required to allocate the surplus funds as follows:

- (1) the amount necessary to reduce the school district property tax levy recognition shift to 24 percent must be allocated first;
- (2) one-half of any remaining surplus would be allocated to the Greater Minnesota fund, up to \$120 million, and the other half to the budget and cash flow reserve account until it totaled \$550 million.

The commissioner is also required to prepare a forecast of revenues and expenditures in November of 1988 to determine whether the trigger tax for individuals and corporations will go into effect. If receipts are projected to be less than originally estimated and the budget and cash flow reserve account is estimated at less than \$150 million at the end of the biennium, individual income tax rates will increase by .25 percent and corporate rates by .4 percent. If the reserve account is estimated at less than \$50 million, individual rates will increase by .5 percent and corporate rates by .8 percent. The new rates will become effective for the 1988 and subsequent tax years.

PROPERTY TAX RELIEF AND LOCAL AIDS

The 1987 session of the Legislature passed a 1987-89 biennial general fund budget of more than \$10.4 billion, of which more than \$7.2 billion was for aids to local units of government and individual taxpayers.

The budget adjusted for dedicated revenues for tuition, Medical Assistance (MA) payments reimbursed to the state by the counties, and the MA revolving fund is \$10,443,320,800. Aids, credits and property tax relief programs make up \$7,207,165,948 or 69 percent of the total general fund appropriation.

Another \$682,115,000 in such aids was appropriated from non-general fund sources.

This data is not directly comparable to last year's data because of a change in the financing of Aid to Families with Dependent Children (AFDC) adopted by the 1987 Legislature. The AFDC change involved enactment of a tax increase in locally collected mortgage and registry taxes dedicated to offsetting general fund costs for this program. This change is estimated to save the state general fund \$45,500,000 over last biennium's law. All in all, the non-general fund portion of the AFDC state funding responsibility will be \$128,700,000 for the 1987-89 biennium. The general fund portion of AFDC aids is \$112,408,200. Thus, more than half the state's share of AFDC costs will be paid by non-general fund moneys generated from the deed and mortgage registry tax.

Property tax relief to individuals totaled \$1,696,235,000, most of it paid to the local governmental units but credited to individual property tax bills.

Relief to individuals included \$1,211,154,000 for homestead credit; \$221,294,000 for agricultural school credits to farm and seasonal recreational property owners; \$74,800,000 to homeowners under the circuit breaker program; \$165,400,000 in renter credits; and \$23,587,000 for a newly enacted small business property tax credit.

Aids to local governments include general tax aids as well as categorical aids for human services, education, the court system, mass transit, and public employee pensions.

All but about \$667 million of the nearly \$6 billion in local governmental aids are categorical. The non-categorical aids are \$648,890,000 in local government and a number of other tax aids for wetlands, enterprise zones, etc. The other \$5.3 billion are categorical aids.

The largest categorical aid is aid to elementary and secondary education which totals \$2,927,528,800 in general fund appropriations. This does not include \$58 million appropriated from the permanent school fund and does not count the money received by school districts through the homestead credit and agricultural school credit reimbursement system. These aids include formula payments for the employer's share of teacher retirement and Social Security. These costs were formerly paid in total by the state. This obligation was converted to a formula aid by the 1985 session of the Legislature.

Human services include aids appropriated in several categories. The largest aid program is in the income maintenance category (state shares of MA, AFDC, GA, GAMC, etc.). The appropriation for these shares totals \$1,524,430,600 in general fund money. Another \$128.5 million goes for the state share of AFDC from the collections of the mortgage registry and deed tax. This biennium's aids also include a newly enacted program for fiscal year 1989—a \$12,444,000 property tax aid program for GA, GAMC and Work Readiness. The aid will be the amount that the county's costs for these programs exceed a half mill (equalized). The total of the new aid cannot exceed 95 percent of the county's costs.

Other human services categorical aids are \$113,876,900 for social services; \$34,207,000 for mental health grants; \$4,600,000 for administrative aids; \$29,392,000 for community corrections; and \$23,656,000 for community health programs.

The income maintenance aids include \$312,104,300 carried in a dedicated revenue revolving account and in the state hospital appropriations for MA and GAMC recipients who are state hospital patients.

The state also pays a number of pension cost items for local governmental unit employees. These aids total \$105,377,348. These specific aids are \$54,490,000 to police and fire departments from the fire insurance tax revenue; \$15,074,000 local police and fire amortization aid; \$22,029,000 in pension reimbursements for the unfunded liability of the Minneapolis Employee Retirement Fund; and \$8,259,000 for the funding of benefits of pre-1973 retirees under PERA and teacher retirement funds.

In the transportation area the state general fund appropriated \$34,870,000 for transit assistance.

The Legislature also appropriated \$36,179,000 for operations of the county trial court system.

The most significant portion of non-general fund aid went to transportation with \$368,465,000 of the dedicated trunk highway fund going to county state aids and \$118,000,000 going to municipal road aids. These apportionments are constitutionally mandated. Other non-general fund appropriations were \$128,700,000 AFDC money from the mortgage registry and deeds tax; \$58,000,000 to the public schools from the permanent school fund; and \$8,950,000 for the Regional Transit Board from the Transit Assistance fund.

The non-general fund aids are also not directly comparable to last biennium's numbers. The change was the elimination of a partial cigarette tax dedication for local aid for storm sewer separation and other local pollution control projects. Last biennium's appropriation for those purposes was about \$38 million. The 1987 session of the Legislature bonded for these aids. Thus the cost would show up in the bond retirement payments after they are sold.

PROPERTY TAX RELIEF AND LOCAL AIDS 1987-89 General Fund

Aids and Credits	\$2,373,048,300
Elementary and Secondary Education Aids (including Teacher Retirement)	2,927,528,800
Income Maintenance	1,524,430,600
Social Services	113,876,900
Mental Health Grants	34,207,000
Human Services Administrative Aids	4,600,000
Community Corrections Aids	29,392,000
Community Health Aids	23,656,000
Pension Aids	105,377,348
Aid to Mass Transit	34,870,000
Trial Courts	36,179,000
Total	\$7,207,165,948
Non-General Funds	
Highway County State Aids	\$368,465,000
Highway Municipal State Aids	118,000,000
Mortgage Registry and Deed Revenue Fund for AFDC	128,700,000
Permanent School Fund	58,000,000
Transit Assistance Fund	8,950,000
Total	\$682,115,000

FUNCTIONS OF STATE GOVERNMENT

EDUCATION

Elementary and Secondary Education

The 1987 Legislature appropriated \$3.03 billion for elementary and secondary education in the 1988 and 1989 fiscal years. This represents an increase of \$412 million, or 15.7 percent, over the appropriations for the previous biennium (\$2.618 billion).

The table below summarizes the appropriations for the two bienniums. The largest category—foundation, general education, and retirement aid—accounted for approximately three-fourths of all appropriations for elementary-secondary education in both bienniums. The greatest percentage increases were in appropriations for community and adult education and “other” education aids; both of these categories increased by more than 50 percent.

APPROPRIATIONS FOR ELEMENTARY AND SECONDARY EDUCATION
1985-87 and 1987-89 Bienniums
(all amounts are in thousands of dollars)

	Fiscal Years 1986-87	Fiscal Years 1988-89	% Change
Department of Education and Arts School	\$ 36,316	\$ 43,166	18.9%
Foundation, General Education, and Retirement Aid	1,950,223	2,279,493*	16.9
Transportation Aid	171,716	183,196	6.7
Special Programs	310,108	336,256	8.4
Secondary Vocational Education	41,197	32,441	-21.3
Community and Adult Education	19,057	29,242	53.4
Technology and Educational Improvement	12,101	10,692	-11.6
Other Educational Aids	76,806	115,255	50.1
Total	\$2,617,523	\$3,029,741	15.7

*Includes Fiscal Year 1989 funds for interdistrict cooperation aid, chemical dependency aid, gifted and talented aid, art education aid, and programs of excellence grants which are included under other educational aids in Fiscal Year 1988 and for the previous biennium.

Department of Education and Arts School

The 1987 Legislature appropriated \$38.3 million for administration of the state Department of Education (including the Faribault residential academies) in fiscal years 1988 and 1989. This was an increase of \$4.5 million, or 13.4 percent, over the previous biennium. An additional \$4.9 million was appropriated for the school and resource center for the arts, up from \$2.5 million in the previous biennium.

Foundation, General Education, and Retirement Aid

Foundation aid has been the largest category of aid to school districts. Unlike “categorical” aids, foundation aid may be used to pay for virtually any of a district’s current expenses. Foundation revenue includes a series of complicated aid and levy formulas which have been modified many times. For fiscal years 1985 through 1988 it includes basic foundation aid and levy, which guarantees every district a specified amount of revenue per pupil unit, and five “tiers” of discretionary aid and levy, which provide districts with varying amounts of revenue. This system will remain in effect for fiscal year 1988. The Legislature

increased the formula allowance, or basic revenue per total pupil unit, from \$1,690 in fiscal year 1987 to \$1,720 in 1988.

For fiscal year 1989, the Legislature enacted a new “general education aid and levy” formula, which will replace foundation aid and the corresponding property tax levies, teacher retirement aid, and the following categorical aids and levies: summer program aid and levy, interdistrict cooperation aid and levy, liability insurance levy, chemical dependency aid, gifted and talented education aid, arts education aid, and programs of excellence grants.

The new formula is intended to simplify the state’s education finance system and to reduce disparities among districts in revenue and tax rates.

General education revenue consists of four separate components:

1. *Basic revenue* is \$2,735 per actual pupil unit for all school districts. The 1987 Legislature also changed the weighting of secondary pupil units from 1.4 to 1.35 for each pupil.
2. *Compensatory education revenue* is additional revenue for districts in which the number of children receiving AFDC is greater than six percent of the actual pupil units. This revenue may be used only to provide services for children whose achievement is below the age-appropriate level.
3. *Training and experience revenue* is provided to districts in which the teachers have, on average, high levels of education and experience. It is intended to partially compensate for the relatively high salaries in these districts.
4. *Sparsity revenue* is provided to districts which are both small (fewer than 400 secondary pupils) and geographically isolated, to compensate for higher per-pupil costs in small schools.

To receive general education revenue, each district must levy property taxes equal to a specified mill rate times the district’s adjusted assessed valuation. The mill rate for fiscal year 1989 will be approximately 35.9 mills. State aid will make up the difference between the district’s total general education revenue and the proceeds of the levy.

The general education revenue formula has two additional features. First, there is a *supplemental revenue* provision, which guarantees that every district’s 1989 revenue per pupil unit will at least equal its 1988 revenue per pupil unit (for all of the revenue categories which will be replaced by general education revenue) plus \$40. If a district’s general education revenue is less than this guaranteed minimum, the district receives supplemental revenue equal to the difference. The second provision is a *fund balance reduction* provision. If a district’s operating fund balance exceeds \$600 per pupil unit, the district’s general education revenue will be reduced by the amount of the excess, up to a maximum reduction of \$150 per pupil unit.

The 1987 Legislature also enacted a *levy equity* provision, which will cause tax increases in approximately ten districts with high property values per pupil unit. Currently, these districts levy a lower “basic maintenance” mill rate than other districts; this provision will eventually require all districts to levy the same general education mill rate.

One effect of all of these changes will be property tax increases in many school districts. To cushion the blow to taxpayers, the Legislature established *mill rate adjustment aid* for fiscal year 1989. This aid will go to reduce property taxes in districts which are facing tax increases greater than two mills.

Transportation Aid

The 1987 Legislature appropriated \$178 million for transportation aid in fiscal years 1988 and 1989, up \$3.6 million from the prior two years. In addition, \$5.2 million was appropriated for grants to Minneapolis and St. Paul school districts to reimburse for desegregation transportation costs in fiscal years 1987 and 1988. The following four types of transportation were changed from the "regular" to the "non-regular" categories: transportation between schools; noon kindergarten; late activity buses; and desegregation transportation. In addition, the non-regular transportation formula was simplified. Beginning with fiscal year 1989, districts will receive aid of 60 percent of the cost above \$30 per pupil unit. The remainder of non-regular transportation costs may be financed through an equalized tax levy.

Special Programs

The 1987 Legislature modified the funding formulas for special education, limited English proficiency, and secondary vocational handicapped students, reducing the state's share of funding for these programs. The special education and secondary vocational handicapped formulas were changed from 70 percent of salary up to \$19,500 per teacher to 66 percent of salary up to \$18,400 per teacher. The limited English proficiency formula was changed from 65 percent of salary up to \$18,100 per teacher to 61 percent up to \$17,000. Despite these formula reductions, the amounts appropriated for these programs increased from \$304.8 million for fiscal years 1986 and 1987 to \$329.8 million for fiscal years 1988 and 1989. Several policy changes were also enacted. Beginning with the 1988-1989 school year, districts will be required to provide special education services beginning at birth. Current law requires services beginning at age three. A statewide resource center for hearing impaired, visually impaired, and multiply handicapped children was established at the Faribault residential academies. A total of \$6.5 million was appropriated for various Indian education programs in fiscal years 1988 and 1989; \$5.3 million was appropriated for these programs in the previous biennium.

Secondary Vocational Education

Appropriations for secondary vocational education were reduced from \$41.2 million for fiscal years 1986 and 1987 to \$32.4 million for fiscal years 1988 and 1989. For fiscal year 1988, aid will continue to be paid as a percentage of teachers' salaries, but will be reduced from 41.5 to 39 percent. For fiscal year 1989, a new "excess cost" formula was enacted; this will substantially reduce the aid to most districts.

Community and Adult Education

The 1987 Legislature appropriated \$29.2 million for community and adult education programs in fiscal years 1988 and 1989. This was an increase of \$10.2 million, or 53.4 percent, over the total for the previous biennium. Appropriations for general community education, early childhood family education, and handicapped adult programs were increased, due to both formula increases and increasing participation. Appropriations for adult education aid were nearly doubled, from \$3.7 million for fiscal years 1986 and 1987 to \$7.3 million for fiscal years 1988 and 1989. These programs provide basic literacy education for adults.

Technology and Educational Improvement

The 1987 Legislature appropriated \$10.7 million for a variety of educational technology and educational improvement programs in fiscal years 1988 and 1989. This was a reduction from the \$12.1 million appropriated for similar programs in fiscal years 1986 and 1987.

The reduction occurred primarily because several demon-

stration programs initiated in earlier legislative sessions had expired. The two largest of these were the technology demonstration sites program, which began in 1983, and the mastery learning demonstration sites program, which began in 1985.

Several new educational improvement programs were established. An appropriation of \$1.5 million was made for program improvement grants. Districts which consolidate or form various types of cooperative ventures may apply for these grants. Another \$500,000 was appropriated for mentor teacher programs, which will enable experienced teachers to work closely with new teachers. An appropriation of \$270,000 was made for area learning centers, which will provide educational services to secondary pupils and adults who could benefit from a program or approach different from that of a traditional high school.

Other Education Aids

A total of \$115.3 million was appropriated for other education aids for fiscal years 1988 and 1989. This represents a 50 percent increase over the \$76.8 million appropriated for the previous biennium.

Most of the increase was due to a change in the capital expenditure financing formula. For fiscal year 1988, districts are eligible for \$130 per pupil unit in capital expenditure revenue; they must levy up to nine mills in local property taxes to receive this revenue. Most districts can raise \$130 per pupil unit with a levy much smaller than nine mills, so they do not qualify for state aid. For fiscal year 1989, the revenue was increased to \$153 per pupil unit and the required levy was reduced to three mills. The result is that most districts will now qualify for some capital expenditure aid, and appropriations will increase from \$500,000 in fiscal year 1988 to \$32 million in 1989.

The 1987 Legislature appropriated \$11.6 million for desegregation grants to the Minneapolis, St. Paul, and Duluth school districts, to assist with the additional costs of mandatory school desegregation. This is the first year that such grants have been made. The Legislature also directed the State Board of Education to study the costs of desegregation and to recommend methods of funding those costs.

Other large appropriations for fiscal years 1988 and 1989 included regional management information centers (\$6.8 million), abatement aid (\$13.2 million), school lunch aid (\$9.2 million), library grants (\$10.6 million), aid to nonpublic school students (\$17.1 million), and maximum effort loans to school districts (\$3.6 million).

There are several existing aid programs (gifted and talented education aid, chemical use program aid, interdistrict cooperation aid, and arts education aid) for which categorical funding was eliminated beginning in fiscal year 1989. Funding for these programs was consolidated within the new general education revenue formula described earlier.

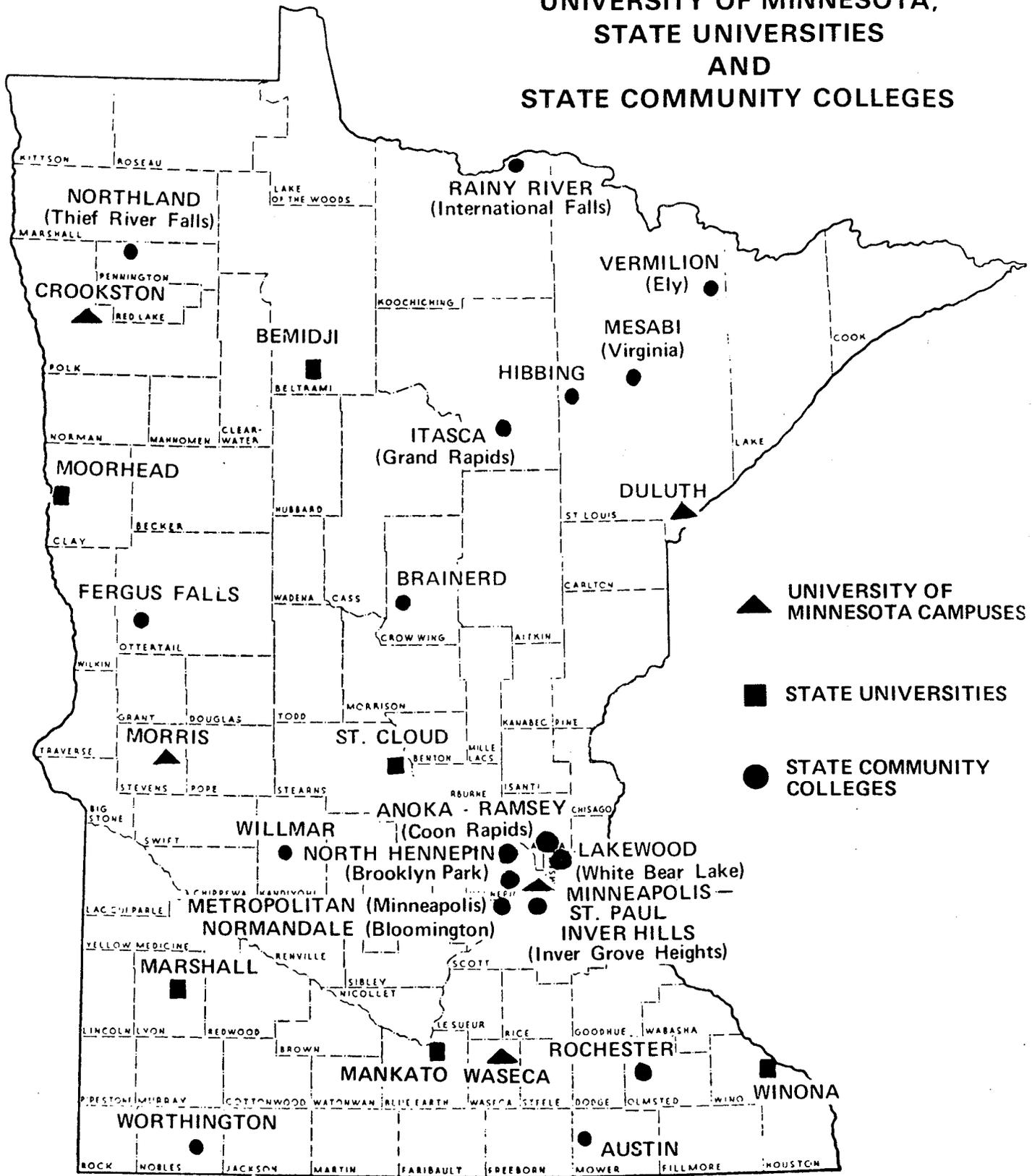
Higher Education

Total higher education appropriations were almost \$1.7 billion, an increase of more than 12 percent from the previous biennium. The following table summarizes the appropriations in the omnibus higher education appropriations bill.

	1987-89 Biennium (in millions)	Percent Change from 1985-87
Higher Education		
Coordinating Board	\$148.4	11.7%
Vocational Technical Institutes	310.4	10.3
Community Colleges	135.7	11.3
State Universities	271.0	13.3
University of Minnesota	789.7	13.7
Mayo Medical	1.8	-10.0

Appropriations to the Higher Education Coordinating Board included \$123.3 million for state scholarships and grants, \$8.0

UNIVERSITY OF MINNESOTA, STATE UNIVERSITIES AND STATE COMMUNITY COLLEGES



million for interstate tuition reciprocity, \$9.2 million for state work study, and \$6.0 million for agency administration. The appropriation included \$510,000 to continue seats for students who were in the optometry and osteopathy contract program in the 1986-87 academic year, but new students can't be admitted to the program. The appropriation for the state scholarship and grant program contained money for increasing living allowances to \$2,985 for 1988 and \$2,995 for 1989. The implementation of eligibility for four full years of scholarships and grants was delayed until July 1, 1989. About \$270,000 was provided for an income contingent loan repayment program to assist graduates from certain professional programs in repaying their student debt by providing a repayment plan based on their annual income. The board is required to study the possible inclusion of students in other academic programs and report its recommendations to the Appropriations and Finance Committees by December 1, 1987.

The appropriations to the State Board of Vocational Technical Education included \$1.5 million to provide customized training services to Minnesota employers. Over \$10 million was provided for debt service payments to school districts for AVTI buildings financed with district bonds issued before January 1, 1979.

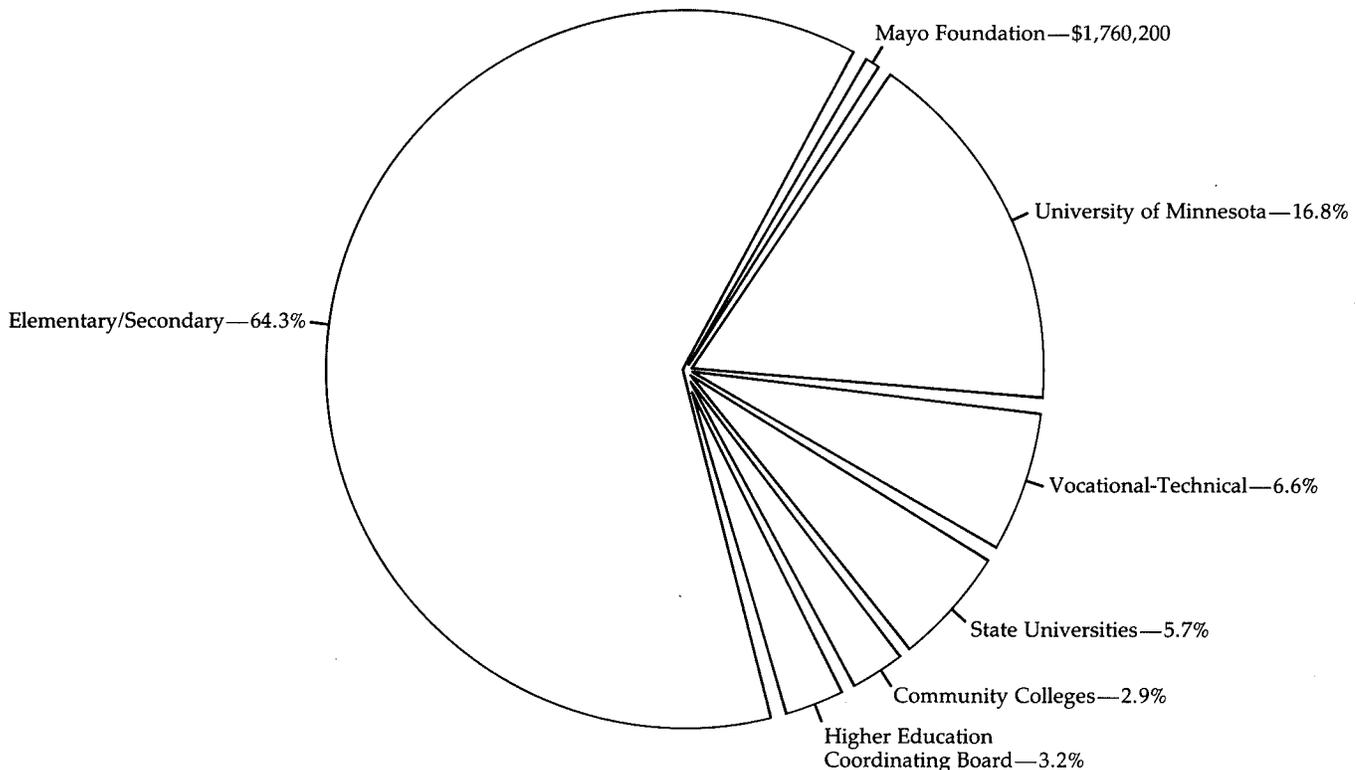
Funding for the State University Board included \$650,000 for the expansion of upper division programs at Metropolitan State University. Also, \$50,000 was provided for the planning of the materials science engineering program at Winona State University; \$500,000 was appropriated for fiscal year 1989 to implement the program, contingent upon formal recommendation by the education division of the House Appropriations Committee and the Senate Finance Committee.

The University of Minnesota was required to furnish the Senate Finance and House Appropriations Committees and the Commissioner of Finance information on funds from all sources during fiscal years 1988 and 1989, and to report to the 1988 Legislature on all of its special appropriations. The appropriation included \$4.1 million for the University's Commitment to Focus plan. Of this amount, \$400,000 was to ensure adequate counseling of students applying for admission; the University was required to develop counseling mechanisms to advise applicants regarding their post-secondary plans, in order to protect access while encouraging a reduction in enrollment during the biennium. The Legislature established enrollment reduction targets and specified that, for the biennium, tuition income resulting from students in excess of the projections reduces the general fund appropriation by a like dollar amount.

The percentage of instructional costs paid by state appropriations for area vocational technical institutes was changed from 75 percent to at least 67 percent of the estimated total cost of instruction.

A task force on post-secondary quality assessment was established for the biennium. The task force is to determine the goals of quality assessment; study and select strategies and mechanisms for the state to use in achieving those goals; and consider ways to use assessment in improving post-secondary education. During the 1988 calendar year, the task force must establish a pilot assessment project within each of the public post-secondary systems. The task force is to submit a preliminary report to the higher education policy and funding divisions and committees of the Legislature by February 1, 1988.

EDUCATION—\$4,688,308,210
1987-89 Biennium
(State Non-Dedicated Funds)



HUMAN SERVICES

The omnibus health and human services appropriations bill provided \$1.89 billion from the general fund and \$7.9 million from the public health fund for the Department of Human Services (DHS). General fund money included \$1.25 billion for income maintenance programs; \$400 million for reimbursement and facilities administration, including state hospitals and state nursing homes; \$157.5 million for community social services; \$35.7 million for mental health; \$15.2 million for human services management; \$12.7 million for chemical dependency, hearing impaired, and protection services; \$9.6 million for long term care management; and \$8.4 million for policy and program support services. The increase over the previous biennium was 8.6 percent.

Medical Assistance

MA payments, except for nursing homes, hospitals, and prenatal care and delivery services, were reduced by five percent for an expected biennial savings of \$3.8 million. The maximum pharmacy dispensing fee was reduced from \$4.30 to \$4. Payments for dispensed drugs were limited to the lower of (1) actual acquisition costs plus the fixed dispensing fee, (2) the maximum allowable drug cost set by the federal government or by DHS plus the fixed dispensing fee, or (3) the usual and customary price charged to the public. The actual acquisition cost of a drug may be estimated by DHS. These changes in pharmacy reimbursement are expected to save MA about \$2.9 million over the biennium. Drugs were also added to the list of items which DHS is authorized to purchase in volume through competitive bidding.

AFDC recipients, except certain refugees, were required to obtain their MA care from prepaid health plans under contract with the MA program in counties where at least two plans have agreed to provide services. The plans will be reimbursed 90 percent of the fee-for-service average monthly MA cost, and payments to plans must be made within 60 days after the month of coverage. This initiative is expected to reduce MA costs by almost \$4 million over the biennium, and a similar initiative for GAMC recipients is expected to save about \$2.3 million.

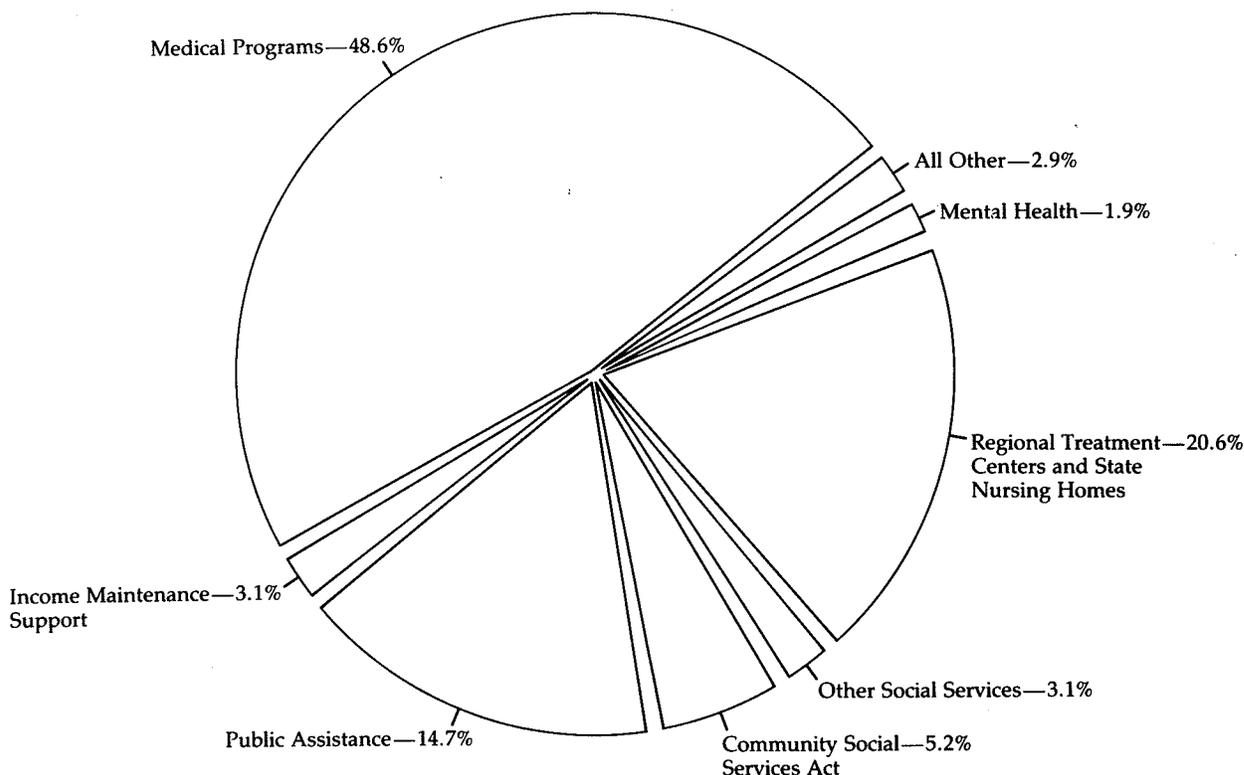
The standard of assistance for MA was raised to make more persons eligible for the program. Previously, applicants were eligible for MA if their income did not exceed 100 percent of the AFDC payment standard (and they met other eligibility criteria). Under the amended language, families and children

Income Maintenance

General fund appropriations for health care and income maintenance programs were as follows:

Aid to Families with Dependent	
Children (AFDC)	\$ 112,408,200
General Assistance (GA)	88,614,000
Work Readiness (WR)	30,986,600
Minnesota Supplemental Aid (MSA)	46,157,000
Medical Assistance (MA)	735,061,500
General Assistance Medical	
Care (GAMC)	147,287,600
Preadmission Screening/Alternative	
Care Grants (PAS/ACG)	29,494,000
Other Income Maintenance Activities	59,208,100
TOTAL	\$1,249,217,000

HUMAN SERVICES—\$1,896,131,600 1987-89 Biennium (State Non-Dedicated Funds)



are eligible if their income does not exceed 133 $\frac{1}{3}$ percent of the AFDC standard, and the elderly and disabled are eligible if their income does not exceed 115 percent of the AFDC standard. These increases in the MA eligibility standard are expected to cost about \$14.5 million over the biennium.

The MA appropriation included \$300,000 for the second year of the biennium to pay the increased costs of exceptions to the nursing home moratorium on licensure and certification of new beds. The omnibus bill added the following exceptions to the moratorium:

- to license or certify beds in a new facility constructed to replace a facility destroyed after June 30, 1987, by fire, lightning, or other hazard, provided certain conditions are met;
- to license or certify beds that are removed from one location to another within a nursing home facility, provided certain conditions are met;
- to license or certify beds in a facility that has been involuntarily delicensed or decertified for participation in the MA program, provided an application for relicensure or recertification is submitted within 120 days;
- to license nursing home beds that are relocated from one to another hospital facility under common ownership or affiliation, provided certain conditions are met;
- to license or certify beds that are moved (1) within an existing identifiable complex of hospital buildings, (2) from a hospital-attached nursing home to the hospital building, or (3) from a separate nursing home to a hospital when both are under common ownership and a hospital-attached nursing home is simultaneously moved to the hospital, provided certain other conditions are met;
- to license or certify beds that are moved from an existing state nursing home to a different state facility, provided there is no net increase in the number of state nursing home beds;
- to license new nursing home beds in a continuing care retirement community that is affiliated with a national referral center engaged in substantial programs of patient care, medical research, and medical education, and other conditions are met; and
- to license or certify beds in a project recommended for approval by the interagency board for quality assurance.

The board was authorized to solicit proposals to (1) relocate beds from nursing homes to attached hospitals; (2) extensively remodel existing facilities; (3) replace all or part of existing facilities; or (4) upgrade beds from boarding care to nursing home care. The omnibus bill authorized the board to review proposals and submit recommendations to the Commissioner of Health for approval or disapproval. The bill established a timetable for the review process, outlined criteria to be used to evaluate proposals, placed certain restrictions on proposals, and allowed the Commissioner of Health to adopt rules to implement the review process.

The omnibus bill also established service principles and rate setting procedures for day training and habilitation services for adults reimbursed by MA. The bill prescribed duties for the Department of Human Services, the counties, and service providers. Rate increases during 1987 and 1988 will be limited to the growth in the Consumer Price Index. After that, rates will be set according to rules established by the department.

General Assistance Medical Care

Ratable reductions in GAMC payments to medical providers were continued for the 1987-89 biennium. For fiscal year 1988, payments for inpatient or outpatient hospital care provided for chemical dependency or mental illness were reduced by 15 percent; payments for all other inpatient hospital care were reduced by five percent; and payments for all other GAMC services were reduced by five percent. For fiscal year 1989, the reductions will be 15 percent, zero, and five percent, respectively. These reductions are expected to save the GAMC program \$9.3 million during the biennium.

AFDC

The mortgage registration tax was increased to 23 cents per \$100 of principal debt or obligation (from a previous level of 15 cents per \$100), and the percentage of the tax used to offset the state share of AFDC was increased to 97 percent from 95 percent. The deed tax, of which 97 percent is also used to offset state AFDC costs, was increased from \$2.20 for the first \$1,000, plus \$1.10 for each additional \$500 of value, up to \$1.65 for the first \$500, plus \$1.65 for each additional \$500. Receipts from the mortgage registration tax and the deed tax are expected to reduce state AFDC costs by \$128.7 million over the biennium. Additional funds were provided for work and training programs and for day care expenses as part of an initiative to encourage AFDC recipients to become self-sufficient. About \$7 million was provided for AFDC employment and training. The money will be allocated to counties on a formula basis. At least 70 percent of the money must be used for case management services and employment and training services for priority AFDC parents (parents under the age of 21, parents who have not received a high school diploma or general equivalency diploma, and parents who have received AFDC for 24 months or more over the last 36 months). Counties with high caseloads of two-parent AFDC families may use up to 40 percent of their employment and training allocation for nonpriority AFDC parents. In addition, \$5 million was provided for case management services for parents in the priority groups. Counties must provide a 25 percent match for the costs of case management services under this provision. Other components of the AFDC work and training initiative include a work incentive subsidized housing program for persons who become employed while receiving AFDC, an employment search program for the principal wage earner in two-parent AFDC families, and special projects to address long-term AFDC dependence. The Commissioner of Human Services is directed to implement the initiative statewide no later than December 31, 1988. In addition, DHS is directed to seek federal authority to make a number of changes in the AFDC program designed to encourage self-sufficiency, create incentives to work, and simplify program administration.

About \$26 million was provided for the child care sliding fee program, compared to \$9.3 million during the previous biennium. Administration of this program was transferred from the Department of Jobs and Training to the Department of Human Services. Portions of the appropriation were set aside to assist AFDC priority parents, AFDC students, and non-AFDC students.

An incentive program to encourage counties to improve child support collections was established. Any state share of AFDC child support collections in excess of \$14.3 million for fiscal year 1988 and \$15.6 million for fiscal year 1989 will be allocated to the counties on a formula basis. Also, DHS must designate five counties to participate in a demonstration of automatic income withholding. In the demonstration counties, income withholding for child support payments in new child support cases will be instituted automatically when a child support order is issued. Under current law, automatic withholding only occurs when payments are 30 days late. Other counties may volunteer to participate in the project. A one-county demonstration project was ordered to test the efficiency of using administrative law judges to process child support enforcement matters.

General Assistance

Several changes were made to GA eligibility requirements and standards of assistance. Functionally illiterate GA recipients will be required to participate in literacy programs, if available. The training is expected to cost \$425,000 and reduce GA grant costs by \$548,000, for a net savings of \$123,000 over the biennium. The GA standards of assistance were modified to coordinate more closely with the AFDC program and remove opportunities for families to receive a larger grant from the GA program than a similar family would receive from the AFDC

program. This change is expected to save about \$1.1 million over the biennium.

Work Readiness

Eligibility for the WR program was extended to six months in a 12-month period for all recipients, effective January 1, 1988. Some recipients have been restricted to two months of WR benefits in a 24-month period. This change is expected to cost \$4.5 million for the biennium. In another WR change, counties were required to provide a 25 percent match for direct participation expenses and administrative costs of providing WR services. No cost-of-living increases were provided for recipients of AFDC, GA, or WR.

Children's Health Plan

The \$7.9 million appropriation to DHS from the Public Health Fund was designed to pay the costs of a new health care program for children and pregnant women. The program, named the Children's Health Plan, is available to persons with incomes under 185 percent of the federal poverty guidelines who are not eligible for MA or GAMC. The program will provide prenatal care and children's health services, but will not cover the costs of hospitalization. Costs to recipients will be limited to a \$35 enrollment fee for prenatal care and \$25 for children's services.

Reimbursement and Facilities Administration

Total appropriations for the eight regional treatment centers were \$350.7 million and for the two state nursing homes \$39.9 million. About 280 positions will be eliminated at the regional treatment centers during the biennium, largely due to declining populations of persons with mental retardation, for a net savings of \$4.3 million. DHS was directed to consolidate program and support functions at the regional treatment centers and nursing homes to ensure efficient and effective space utilization. The department was authorized to transfer residents and positions to promote efficiency.

The effective date of the chemical dependency consolidated fund was delayed until January 1, 1988, from July 1, 1987. On the effective date, 329 regional treatment center staff positions related to the provision of chemical dependency services are transferred to each regional treatment center's chemical dependency account. A \$3 million appropriation was provided to assist chemical dependency programs at state regional treatment centers and nursing homes. Up to \$250,000 must be provided for remodeling or other expenses necessary to allow each facility to compete with other chemical dependency providers.

DHS was authorized to continue and expand state-operated, community-based programs for regional treatment center residents, within the limit of available appropriations.

Social Services

The social services appropriation included \$48.8 million the first year and \$50.6 million the second year for Community Social Services Act (CSSA) block grants to counties. DHS is required to report to the Legislature on information systems needed to improve accountability of expenditures from the general fund and to monitor county social services expenditures. Grants for SILS (semi-independent living services) were increased by \$1.2 million to provide services in the community to persons inappropriately placed in nursing homes and to provide alternative community services to recipients in intermediate care facilities for the mentally retarded or recipients of waived services who are no longer eligible for those services. DHS is also required to review social services programs offered to senior citizens, including the foster grandparent program, retired senior volunteer program (RSVP), and the senior companion program, and report on alternatives that would allow flexibility in the design and delivery of programs for senior citizens.

The Legislature redirected \$2.5 million from Indian Relief into Indian Child Welfare Grants, and redirected \$500,000 from children's services grants into Indian Child Welfare Grants. Two types of grants will be permitted. Primary support grants will be available to Indian tribes and Indian organizations for Indian child welfare services, including placement prevention and reunification services, family-based services, individual and family counseling, crisis intervention and crisis counseling, development of foster and adoptive placement resources, court advocacy, etc. Special focus grants will be available to local social service agencies, tribes, Indian organizations, and other organizations for permanency planning for Indian families, teenage pregnancy services, independent living skills instruction, etc.

Mental Health

As part of an initiative to establish a coordinated mental health treatment system, about \$9.5 million in additional mental health funding was authorized. This includes \$956,000 to provide additional staff positions to administer the system; \$2.5 million in additional funding for grants to residential facilities for persons with mental illness; \$5 million in additional funding for grants to community programs serving persons with chronic mental illness; and \$1 million for special projects.

Human Services Management

Equalization aid, which helps offset welfare costs in about 10 or 12 counties with high welfare costs and small tax bases, was funded at \$1 million each year, the same level as in fiscal year 1987. Effective July 1, 1988, a new formula for distributing this aid takes effect. The formula is based on county population and on each county's deviation from statewide averages in the following factors: recipient rate, per capita income, per capita taxable value, and per capita income maintenance expenditures. The new formula requires that a base amount be established for counties that received equalization aid between 1981 and 1987. The base amount is the average equalization aid received during those years. Within the limit of available appropriations, counties are guaranteed 100 percent of their base amount in fiscal year 1989 and 90 percent of their base amount in fiscal year 1990.

State administrative aid, which reimburses counties for a portion of salary and fringe benefit costs not paid by the federal government, was funded at \$2.3 million per year, the same as the previous biennium. Performance criteria were added to the administrative aid distribution formula, effective July 1, 1988. Half of the aid will continue to be distributed on the basis of costs incurred by counties. However, 25 percent will be distributed based on AFDC and MA caseloads, reduced by a percentage equal to the percentage of overdue AFDC eligibility reviews and overdue MA asset reviews. The remaining 25 percent will be distributed based on each county's share of children served under CSSA, reduced by a percentage equal to the county's percentage increase in child out-of-home placement days above the number of similar days in the preceding quarter. Out-of-home placement days are days when a child stays in a residential treatment facility, group home, foster home, etc.

Miscellaneous Appropriations.

In other action:

- Chapter 352 created the office of ombudsman for mental health and mental retardation and appropriated \$39,000 to the ombudsman.
- Chapter 133 made the current owner of a nursing home, boarding care home, or intermediate care facility for mentally retarded persons liable for any overpayment amount owed by a former owner. It is anticipated that new owners will protect themselves in their purchase agreements against any potential liability. This legislation is expected to save the state \$149,000.

- Chapter 148 modified the appeals process for persons with mental retardation who are dissatisfied with their case management services by providing the opportunity for an informal conciliation conference prior to a formal appeal. A negotiated settlement reached in the *Welsch v. Gardebring* case was contingent upon passage of this legislation. The omnibus appropriations bill included \$830,000 to pay the costs of *Welsch* compliance efforts.
- Chapter 305 established a community services conversion project to encourage the voluntary conversion of services provided by community intermediate care facilities for persons with mental retardation to home and community-based services. In order to facilitate an orderly transition of residents into home and community-based services, the Commissioner of Human Services may modify certain provisions of existing reimbursement rules. Counties may present conversion proposals for consideration by the commissioner. The legislation establishes criteria for proposals and requires the commissioner to give priority to proposals that (1) respond to the emergency relocation of a facility's residents; (2) result in the closing of a facility; (3) demonstrate that alternative placements will be developed based on individual resident needs and applicable federal and state rules; and (4) demonstrate savings of MA expenditures. The omnibus appropriations bill included \$1.7 million for these projects.
- Chapter 342 established an office of assistant commissioner of mental health and a state advisory council on mental health.
- Chapter 343 amended the apportionment of federal fiscal disallowances, half of which are paid by the counties, in the AFDC, MA, and food stamp programs. For the MA and AFDC programs, the disallowances will be shared by each county based on the county's share of expenditures for the two programs. In the food stamp program, half of the sanction will be apportioned based on each county's share of administrative costs and half on the basis of each county's portion of food stamp benefits. The change takes effect for sanction payments made after January 1, 1988. Previous to the change, disallowances are apportioned based on each county's share of expenditures for the sanctioned program.
- Chapter 363 established a single, unitary process for determination of the county of residence and the county of financial responsibility for all human service programs, including AFDC, MA, GA, GAMC, MSA, commitment proceedings, poor relief, and social services. The legislation provides for the determination of financial responsibility and outlines a method for resolving disputes between counties regarding financial responsibility. The legislation is effective January 1, 1988.
- Chapter 370 appropriated \$300,000 from federal reimbursement, received as a result of efforts to increase federal financial participation in the foster care program, to be distributed in fiscal year 1988 to counties that received Indian relief payments in fiscal year 1986.

JOB AND TRAINING

The omnibus health and human services appropriations bill provided \$68 million to the Department of Jobs and Training, including \$18 million for the Minnesota Employment and Economic Development (MEED) program; \$5.9 million for other employment and training programs; \$40.7 million for rehabilitation services; and \$3.4 million for community services.

Employment and Training

An appropriation of \$9 million was provided each year for the MEED program. The omnibus bill required that 87.5 percent of MEED money be allocated to local service units for MEED contracts. The previous allocation was 70 percent. The omnibus bill reduced the allocation of MEED money to the discretionary fund from 30 to 5 percent. And the bill established an allocation of 7.5 percent of MEED money into a fund to provide jobs for residents of federally recognized Indian reservations. The bill required that at least 80 percent of MEED funds allocated statewide be used to subsidize jobs for (1) applicants in households with no other income; (2) applicants whose income and resources are less than GA or WR standards; (3) applicants who are eligible for AFDC; and (4) applicants who live in a farm family and demonstrate severe financial need. The bill also required that in allocating MEED funds among eligible businesses, priority be given to businesses engaged in manufacturing and to small nonretail and export businesses. The other major employment and training program funded in the bill was the youth employment program which received a \$4.7 million appropriation.

Rehabilitation Services

The appropriation for rehabilitation services included \$12 million for basic client rehabilitation, \$2.8 million for workers' compensation rehabilitation services, \$18.9 million for long term sheltered workshops, \$700,000 for independent living, and \$6.3 million for blind services.

Community Services

The appropriation for community services included \$2.6 million for economic opportunity programs, \$400,000 for local storage, transportation, processing, and distribution of surplus commodities, and \$400,000 in state funding for the federal Head Start program. Additional funding for Head Start was provided through a transfer of federal money from the low-income home energy assistance block grant. The omnibus bill mandated that 10 percent of the energy assistance block grant be transferred to the community services block grant. Of that 10 percent, one-quarter was allocated to the Head Start program to be used by existing Head Start grantees to expand services to additional low-income families. The commissioner is required to report annually on the use and impact of the Head Start supplemental funding.

The omnibus bill also required discretionary community services block grant money to be used to supplement the appropriation for the surplus commodities program, when needed. Remaining discretionary funds are allocated to community action agencies, Indian reservations, and the Minnesota Migrant Council. If the Olmsted and Freeborn county community action agencies do receive federal recognition as eligible agencies, they would be funded from money transferred to the community services block grant. The omnibus bill appropriated oil company overcharge payments received by the state. At least half of the money is to be used to fund low-income energy conservation programs administered by the Department of Jobs and Training. The remaining funds must be spent according to a plan approved by the Legislative Advisory Commission after it receives recommendations from an advisory task force. The plan must consider programs and activities that will reduce the consumption of fossil fuels within the state, including research on energy conservation. (The Governor vetoed the oil overcharge appropriation.)

The omnibus bill also mandates that a rental unit weatherized under the weatherization assistance program must be rented

to a household meeting the income limits of the program for 24 of the 36 months after weatherization is complete.

The bill abolished the Office of Full Productivity and Opportunity (OFPO) and transferred its duties to the Departments of Jobs and Training and Human Services. (The Governor created a council of jobs policy coordination by executive order to replace OFPO.)

CORRECTIONS

The omnibus health and human services appropriations bill provided \$196.4 million in general fund appropriations for the Department of Corrections, including \$140.7 million for correctional institutions, \$48 million for community services, and \$7.6 million for management services.

Correctional Institutions

The appropriation for correctional institutions included \$131.2 million in base level funding; \$6.2 million for health care; \$2.2 million from the general fund for the Oak Park Heights prison to replace dedicated receipts for housing Wisconsin inmates; and \$743,000 in educational funding. The commissioner was authorized to enter into agreements with the United States or with any state or political subdivision to house prisoners in Minnesota correctional facilities. Money received under the contracts was appropriated to the commissioner for correctional purposes.

The omnibus health and human services appropriations bill provided \$70.9 million for Minnesota Department of Health activities, including \$62.7 million from the general fund, \$6.8 million from the public health fund, \$1.1 million from the trunk highway fund, and \$280,000 from the metro landfill fund. Appropriations from the general fund were \$15.5 million for disease prevention and health promotion, \$41 million for health delivery systems, and \$6.2 million for support services.

Disease Prevention and Health Promotion

The appropriation includes \$1.2 million for cancer surveillance. The department was directed to establish a statewide population-based cancer surveillance system to (1) monitor cancer trends in order to detect potential public health problems, predict risks, and assist in investigating cancer clusters; (2) more accurately target intervention resources; (3) inform health professionals and citizens about risks, early detection, and treatment of cancers known to occur more frequently in their communities; and (4) promote high quality research. An additional \$870,000 was provided to combat acquired immune deficiency syndrome (AIDS).

Health Delivery Systems

The appropriation for health delivery systems included \$9.7 million for maternal and child health programs. This included \$1 million to increase services provided under the federal Women, Infants and Children (WIC) food supplement program. An additional \$483,000 was provided to regulate the activities of Health Maintenance Organizations (HMOs). In order to recoup these regulatory expenses, the department was required to collect from each HMO an annual certificate of authority renewal fee of \$10,000 plus 20 cents per enrollee. Emergency Medical Services (EMS) grants were reduced by \$100,000 each year. About \$11.8 million was provided each year for Community Health Services subsidies.

Miscellaneous Appropriations

In other action:

- Chapter 370 appropriated \$70,000 for the development of client advisory committees in vocational settings, including developmental achievement centers, state hospitals, and sheltered workshops. The commissioner must contract with a developmental disabilities advocacy organization to develop committees.

Community Services

The community services appropriation included \$28.2 million for Community Corrections Act subsidies, including \$3.5 million in new funding; \$8.2 million for probation and supervised release; \$5.6 million for victim services; \$4.3 million for community services support; and \$1.2 million for non-Community Corrections Act subsidies. The driver license reinstatement fee for persons whose license has been revoked for driving while intoxicated was increased to \$200 from \$150, and the percentage of the fee allocated to the county probation reimbursement account was increased to 50 percent from 25 percent.

Other Correctional Activities

The Sentencing Guidelines Commission appropriation was \$399,100 and the allocation for the Ombudsman for Corrections was \$662,000.

HEALTH

Miscellaneous Appropriations

In other action:

- Chapter 378 appropriated \$516,600 for the regulation of home care services. The legislation defines home care services and home care providers, establishes a home care bill of rights, requires the Commissioner of Health to adopt rules to implement licensure, prohibits the operation of unlicensed home care providers, provides licensure exemptions, requires that home care licensure not duplicate or replace other regulatory programs, and provides a temporary registration requirement until licensure rules are adopted. The legislation also provides for licensure of hospice programs.
- Chapter 370 appropriated \$25,000 for the costs of a commission on health plan regulatory reform. The appropriation is available only to the extent that it is matched dollar for dollar by private contributions. The commission, to be appointed by the Governor, is required to review state policy relating to the regulation of health insurers, nonprofit health service plans, health maintenance organizations, preferred provider organizations, and other arrangements that insure or finance the provision of health services. A report is due by January 1, 1989.
- Chapter 303 required the licensure of companies that enclose, remove, or encapsulate asbestos. The Commissioner of Health is required to adopt and enforce licensure rules. The bill established the following fee structure: (1) a \$100 annual license fee for employers; (2) a \$50 certification fee for employees; and (3) a project permit fee equal to one percent of total costs of the asbestos-related work. The fees are to be deposited in the asbestos abatement revolving fund created as a separate account. The legislation appropriated \$23,800 to the Commissioner of Health for the asbestos program. However, that amount must be transferred from the revolving fund to the general fund at the end of the 1987-89

biennium. Also, whenever the unobligated balance in the revolving fund exceeds \$500,000 at the end of any fiscal year, the excess must be transferred to the general fund.

- Chapter 347 appropriated \$835,000 from the special revenue fund to the office of social work and mental health boards. The money will be recovered through licensing and filing fees. The new office was created to coordinate the administrative and staff functions of three new health-related boards: the board of social work, the board of marriage and family therapy, and the board of unlicensed mental health service providers. The office consists of an executive secretary and other staff as provided in existing law. The board of social work was established to license social workers and regulate their professional conduct. It consists of 10 members appointed by the Governor, including six licensed social workers, three public members, and one school social worker licensed by the board of teaching. The board of marriage and family therapy consists of seven members appointed by the

Governor, including four licensed, practicing marriage and family therapists, one person engaged in the professional teaching and research of marriage and family therapy, and two public members. The board will license and regulate marriage and family therapists. The board of unlicensed mental health service providers consists of 17 members, including two chemical dependency counselors, two professional counselors, two pastoral counselors, five members representing other subgroups of providers, and six public members. All mental health service providers are required to file with the board information regarding their address, education, and experience. It is unlawful for any person not filing with the board to provide mental health services, which are defined as the professional treatment, assessment, or counseling of another person for a cognitive, behavioral, emotional, mental, or social dysfunction, including intrapersonal or interpersonal dysfunctions.

TRANSPORTATION

The 1987 Legislature appropriated \$1.7 billion to the Department of Transportation (MnDOT) for the 1987-89 biennium, \$17 million less than last biennium. The total general fund appropriation to the department is \$27.8 million, which includes a 5 percent transfer of the motor vehicle excise tax (MVE) for highways and non-metropolitan transit.

The Legislature repealed the phased transfer of the MVE tax into the Highway User's Tax Distribution and Transit Assistance Funds. It is replaced by an annual 5 percent transfer of the MVE tax for highways and transit.

The 1987 Legislature also extended the Ethanol Development Fund through June 30, 2000, and appropriated \$200,000 from the Ethanol Development Fund to the Department of Agriculture for promoting ethanol use. The Legislature clarified that, in this biennium, reductions in the highway portion of the MVE tax because of claims on the Ethanol Development Fund must be based on six-month estimates rather than on the maximum \$10 million per year in payments allowable by law.

Driver license fees were increased by 50 percent. One third of the driver license fees will be credited to the Transit Assistance Fund; 60 $\frac{2}{3}$ percent to the Trunk Highway Fund; and 6 percent to the general fund.

The 1987 capital expenditure bill appropriated \$18.4 million to the Department of Transportation for construction, restoration, and land acquisition. This figure includes \$8.8 million in bond sales for local bridge replacement and rehabilitation.

Specific appropriations for the Department of Transportation and the increase and decrease from last biennium are as follows:

- Trunk highways—\$1.02 billion, a 3.5 percent increase.
- Municipal state aid—\$118 million, a 2.8 percent decrease.
- County state aid—\$368.4 million, a .9 percent decrease.
- Aeronautics—\$22.3 million, about a 4 percent decrease.
- Administration and support—\$67.8 million, an 11 percent increase.

Mass Transit

A total of \$52.4 million was appropriated from the Transit Assistance and general funds for mass transit. This amount is

approximately the same as the adjusted appropriation for the 1985-87 biennium.

The Transit Assistance Fund consists of 33 $\frac{1}{3}$ percent of the driver license fees and transit's share (25 percent) of the 5 percent MVE tax transferred from the general fund. The non-metro transit appropriation is \$11.5 million; general fund money accounts for \$9.7 million, which includes \$1.1 million of the MVE tax transferred from the general fund to the Transit Assistance Fund for non-metro transit.

The Regional Transit Board (RTB) is appropriated \$40.9 million, which is about the same level of funding as last biennium. Of that, \$33.8 million is general fund money including \$4.5 million in MVE tax money earmarked for metropolitan transit. RTB must use \$12.5 million for Metro Mobility. This is 14 percent more than was allocated for Metro Mobility last biennium.

A \$2.6 million cap is placed on funding for administration, planning programs, and light-rail transit studies. In addition, no funds may be spent for light-rail transit planning or preliminary engineering or test marketing of new services if it results in a reduced level of funding of regular route transit service.

Miscellaneous Transportation-Related Allocations

- Pipeline Safety. The 1987 Legislature appropriated \$345,300 from the general fund to establish an Office of Pipeline Safety in the Department of Public Safety to regulate pipelines to the extent allowable by federal law. The State Planning Agency was appropriated \$73,000 to fund the Environmental Quality Board's rulemaking for pipeline routing.
- Motorized Bicycles. The Department of Public Safety was appropriated \$20,000 for the motorized bicycle safety courses required by the law. Chapter 269 removes the pedal requirement for motorized bicycles, but requires insurance for basic economic loss.
- School Bus Safety. Chapter 379 requires training for school bus drivers and appropriates \$50,000 from the general fund to the Department of Public Safety for adoption of the program. The law also exempts non-profit charities from taxes on license plates for vehicles used exclusively to transport handicapped persons for educational purposes.

LEGISLATIVE

Appropriations for the Legislature were \$74.8 million, about five percent more than for the previous biennium. The funds included \$24.2 million for the Senate, \$30.8 million for the House of Representatives, and \$14.6 million for joint legislative services. Funding for joint services included \$1.5 million for the Legislative Reference Library, \$4 million for the Revisor of Statutes, \$1.1 million for the Legislative Commission on Pensions and Retirement, and \$5.9 million for the Legislative Audit

Commission. The appropriations also provided \$253,800 for the Legislative Commission on the Economic Status of Women, \$192,000 for the Legislative Commission on Employee Relations, \$240,500 for the Legislative Commission to Review Administrative Rules, \$232,100 for the Legislative Commission on Waste Management, \$200,000 for the Legislative Committee on Planning and Fiscal Policy, and \$758,800 for the Legislative Coordinating Commission.

JUDICIAL

The 1987 Legislature appropriated over \$72 million for the state judicial system, including the tax court and judges retirement contributions. This is a 16 percent increase over the adjusted appropriation for the 1985-87 biennium.

The appropriation for trial courts was \$36 million. This is a 12.5 percent increase over the last biennium. The Legislature authorized 21 new trial court judgeships between fiscal years 1988 and 1991: five in fiscal year 1988, six each in fiscal years 1989 and 1990, and four in fiscal year 1991. Additional appropriations included:

Court of Appeals: \$7 million, a 17 percent increase over last biennium. One new judgeship, two law clerks, and a secretarial position were authorized.

Board of Public Defense: \$4.8 million, which represents the merged budgets of the Board of Public Defense and

Public Defender. This is a 29 percent increase over the budgets for both functions last biennium.

Board on Judicial Standards: \$309,500, which is three percent more than last biennium.

Supreme Court: \$17.9 million, which is 20 percent over the adjusted appropriation from last biennium. Five million dollars is from the legal services account for legal services to low-income clients, family farm legal assistance, and improvements of court information systems. An appropriation of \$50,000 is made for a study of gender bias in the state judicial system.

The 1987 Legislature also increased the surcharge on civil fines and the initial filing fee by 50 percent from \$10 to \$15 and added one dollar to the one dollar conciliation court surcharge, and the initial filing fee was raised from \$1 to \$2.

GOVERNOR AND OTHER CONSTITUTIONAL OFFICERS

Appropriations to the Governor were \$4.7 million, an increase of less than three percent from the previous biennium. The State Treasurer received \$1 million, as compared to \$326,300 for the previous biennium. The increase reflected the court decision reversing transfer of several Treasurer positions to the Department of Finance. Other appropriations included \$35.4 million for the Attorney General, \$5.6 million for the Secretary

of State, \$1.1 million for the State Auditor, and \$552,500 for the Lieutenant Governor. The State Investment Board, which was given \$3.2 million, was required to do a study and report to the Legislature by January 15, 1988, on how to improve the selection of the state's external stock and bond managers in order to reduce management costs and improve the return on the state's invested funds.

AGRICULTURE

Department of Agriculture

The 1987 Legislature appropriated \$22.9 million to the Department of Agriculture for the 1987-89 biennium, a 33.6 percent reduction from the previous biennium. The reduction was the result of moving most of the Trade Office and the Soil and Water Conservation Board out of the agency. Trade Office activities which relate to international trade were transferred to the newly created Department of Trade and Economic Development. The Soil and Water Conservation Board is part of a merger with the Water Resources Board and the Southern Minnesota Rivers Basin Council into the new Board of Water and Soil Resources. The new board is a separate agency but will be housed within the Department of Agriculture. The following are specific appropriation amounts.

Agricultural Protection: \$7.1 million, an 11.8 percent decrease over the last biennium.

Family Farm Security: \$4.2 million, a 54.5 percent decrease over the last biennium.

Farm Crisis Assistance: \$577,800, a 30.9 percent increase over the last biennium.

Administrative Support and Grants: \$8.1 million, a 33.8 percent increase over the last biennium.

Agricultural Marketing: \$1.4 million.

The 1987 Legislature also appropriated \$200,000 to the Department of Agriculture for promotion of ethanol.

The 1987 Legislature increased the amount of fees charged by the department for certain licenses and permits. Among those changes were the increases in fees for pesticide registration and applicators. The following table shows the old and new fees adopted by the Legislature.

ANNUAL FEES		
Activity	Old Fee	New Fee
Pesticide Registration	\$25	\$125
Structural Pest Control		
Applicator Employee	20	50
Commercial Pesticide		
Applicator Employee	10	25
Non-commercial Pesticide		
Applicator Employee	10	25
Private Applicator	0	10

Fees for a pesticide dealer's license, structural pest control business, commercial applicator business, or non-commercial applicator business remained the same.

Farm Relief

The 1987 Legislature continued and expanded farm relief programs established in 1986. A major part of the 1987 farm relief legislation was the establishment of two interest buy-down programs, one program that requires participation in the Farmers Home Administration guaranteed loan program and the other a state/lender only program. Mediation and the debt restructuring program along with other farm relief programs were clarified as a part of the farm relief legislation.

One new farm relief measure was a beginning farmer program which will be offered through the Rural Finance Authority (RFA). Under the beginning farmer program, the RFA may participate in a real estate loan to the beginning farmer up to 25 percent of the loan or up to \$25,000, whichever is less. To qualify for a beginning farmer loan, the farmer must meet certain eligibility requirements including a net worth of less than \$100,000. The beginning farmer must also agree to implement an approved soil and water conservation plan, place marginal agricultural land in a permanent conservation easement, and participate in a farm management program for the first eight years of the loan.

Specific farm relief appropriations are as follows:

Mediation—deficiency	\$ 515,500
Mediation—new*	990,000
Legal Assistance	1,700,000
Beginning Farmer	570,000
Interest Buy-Down—deficiency	14,000,000
Interest Buy-down—new	17,062,000
Agricultural Data Collection	50,000
Technical Institute	300,000
Farm Business Management	1,450,000
U of M for Sustainable Agriculture Chair	75,000
U of M Research	73,000
	<u>\$36,785,500</u>

*No specific amount in the appropriation, but this amount reflects the part of the overall appropriation which is expected to be for the mediation program.

The 1987 Legislature continued the Reinvest in Minnesota (RIM) program. As a part of the program, \$10.8 million was appropriated to the Department of Agriculture for the State Conservation Reserve. Of this total, \$9 million in proceeds from general obligation bonds is to be used for payments to RIM reserve landowners and \$1.8 million is from the general fund for administrative costs.

Board of Animal Health

The 1987 Legislature appropriated \$3.4 million to the Board of Animal Health which is a 14.8 percent increase over the last biennium. Of the total, \$185,000 is specifically for costs relating to pseudorabies testing and \$10,000 is for kennel and dealer registration.

Board of Water and Soil Resources

The 1987 Legislature appropriated \$7.6 million to the newly created Board of Water and Soil Resources. The creation of the board is part of a merger of three existing boards. The boards merged into the new board are: The Soil and Water Conservation Board, the Water Resources Board, and the Southern Minnesota Rivers Basin Council. The make-up of the new board is: 3 county commissioners; 3 soil and water conservation district supervisors; 3 watershed district managers; and 3 non-affiliated members. Until January 1, 1989, a transition board will also include 4 additional soil and water conservation district supervisors.

RESOURCE MANAGEMENT

Department of Natural Resources

The 1987 Legislature appropriated \$222.9 million to the Department of Natural Resources which is a 15.5 percent increase in funding over the last biennium. The two major funding sources for the department are the general fund (44.8%) and the game and fish fund (32.8%). The table below provides a list of the funds along with the amounts and percentage of total funding.

DEPARTMENT OF NATURAL RESOURCES Fund Summary

Fund	FY 1988-89	Percent of Total
General	\$ 99,910,200	44.82%
Consolidated Conservation	500,000	.22
Forest Management	11,428,200	5.13
Nongame Wildlife	2,453,400	1.10
Snowmobile	7,727,000	3.47
State Parks Maintenance & Operation	7,888,800	3.54
All Terrain Vehicles	1,300,000	.58
Water Recreation	14,613,900	6.56
Wildlife Acquisition	2,173,000	.97
Game and Fish	73,050,200	32.77
Water Pollution Control	1,325,000	.59
Wild Rice	60,000	.03
Trust Suspense	500,100	.22
TOTAL	\$222,929,800	100.00%

The three major areas of spending for the department are fish and wildlife management (23.7%), forest management (19.5%), and parks and recreation management (12.6%). The following table provides a list of the appropriations along with the amounts and percentage of total appropriations for each purpose for the department.

DEPARTMENT OF NATURAL RESOURCES Appropriations Summary

Purpose	FY 1988-89	Percent of Total
Mineral Resource Management	\$ 8,555,600	3.84%
Water Resource Management	9,757,100	4.38
Forest Management	43,492,000	19.51
Parks & Recreation Management	28,184,500	12.64
Trails & Waterways	16,026,000	7.19
Fish & Wildlife Management	52,920,200	23.74
Enforcement	22,090,200	9.91
Field Operations Support	16,421,400	7.37
Regional Operations Support	6,961,900	3.12
Special Services & Programs	8,725,100	3.91
Administrative Management Services	11,057,100	4.96
Base Adjustment*	(1,261,300)	(.57)
TOTAL	\$222,929,800	100.00%

*Reduction in the base of the department to be allocated by the Commissioner of Natural Resources.

Based on an expected shortfall in the game and fish fund, the Legislature increased many of the annual license fees for

hunting and fishing. The following table shows the old and new fees (including surcharges) as adopted by the Legislature.

ANNUAL LICENSE FEES*

License	Old Fee	New Fee
Harvesting Wild Rice	\$ 10	\$ 12.50
Resident Small Game—Under Age 65 ...	11	13
Resident Small Game—Age 65 & Older ..	7.50	8.50
Resident Turkey Hunting	10	12.50
Resident Deer Hunting	15	20
Resident Moose Hunting	200	250
Resident Bear Hunting	25	30
Resident Elk Hunting	—	200
Resident Sporting—Individual	18.50	20
Resident Sporting—Married Couple	22.50	26
Nonresident Small Game	50	55
Nonresident Miscellaneous**	100	125
Resident Fishing—Under Age 65	9	12
Resident Fishing—Age 65 & Over	—	4
Resident Fishing—Married Couple	13	16
Resident Spearing	7.50	12
Resident Fishing—24 Hour	—	7
Nonresident Fishing—Annual	18.50	20.50
Nonresident Fishing—7 Day	15.50	17.50
Nonresident Fishing—3 Day	12.50	14.50
Nonresident Fishing—24 Hour	—	7
Nonresident Fishing—Family Annual ...	30	33
Nonresident Fishing—Married Couple 14 Day	—	25
Resident Fish House—Nonrental	5	8
Resident Fish House—Rental	15	18
Nonresident Fish House	17.50	22
Netting Whitefish & Ciscoes	5.50	7.50
Trapping—Ages 14-17	3.50	5
Trapping—Age 18 & Over	13	16
Issuing Fee for Trapping, Fishing, Spearing, Bear, or Small Game License75	1

*Includes fishing surcharge (\$2.50) and small game surcharge (\$4.00) where applicable.

**Special nonresident license to take raccoon, bobcat, fox, coyote, or lynx. Residents are only required to have a small game license to take these animals.

The Legislature also appropriated \$26.8 million from general obligation bond funds to the department. Of the total, \$13.2 million is to acquire critical natural habitat, acquire and improve public outdoor recreation lands, and capital improvements; \$3 million is for dam safety projects; \$10 million is for the Reinvest in Minnesota (RIM) program; \$250,000 is for a Mineral's Division Core Library in Hibbing; and \$325,000 is to construct a regional headquarters in New Ulm. Specific appropriations for RIM are as follows:

Fish and Wildlife Habitat, \$7.6 million; Aspen Recycling, \$900,000; Native Prairie Land, \$300,000; and Critical Habitat Private Sector Matching Account, \$1.2 million.

Natural Resources Acceleration

The 1987 Legislature appropriated \$15.9 million for natural resources acceleration which is an 8.1 percent reduction from the last biennium. The appropriations are to the Legislative Commission on Minnesota Resources and to the University of Minnesota, the State University Board, the Minnesota Historical Society, and four state agencies for specific projects related to natural resources.

Pollution Control Agency

The 1987 Legislature appropriated \$44.2 million to the Pollution Control Agency (PCA) for the 1987-89 biennium. This is a 48.5 percent reduction in funding from current appropriations for the agency. However, since the federal government did not reduce the federal cigarette tax, the \$17.4 million in contingent appropriations for the last biennium did not come about, and the wastewater treatment program was moved from being funded through the current appropriations to being funded

through a general obligation bonding program. If the appropriation from the last biennium is adjusted downward by the \$17.4 million and the general obligation bond funding of wastewater treatment is added to appropriations from current sources, the agency actually received a 68 percent increase over the last biennium. Of the total PCA appropriation, \$11.8 million is from the general fund, a 2.5 percent increase over the last biennium. The specific sources of funding for the PCA are given along with the percentage of total funding in the following table.

**POLLUTION CONTROL AGENCY
Fund Summary**

Fund	FY 1988-89	Percent of Total
General	\$11,829,300	25.07%
Special Revenue	5,340,800	11.32
Public Health	436,000	.92
Environmental Compliance*	8,150,000	17.27
Metro Landfill Abatement	2,268,000	4.81
Metro Landfill Contingency	840,000	1.78
Motor Vehicle Transfer	2,493,400	5.28
Water Pollution Control**	13,656,600	28.94
Solid and Hazardous Waste	791,800	1.68
Tank Release Clean-up	1,383,900	2.93
TOTAL	\$47,189,800	100.00%

*Includes \$3 million which is for costs incurred by the Attorney General in litigation on the Twin Cities Army Ammunition Plant.

**From this fund, \$10.4 million is for transfer to the Environmental Response and Compliance Fund.

Specific purposes for PCA funding are as follows:

Water Pollution Control: \$7.4 million, a 43.8 percent increase over the last biennium.

Air Pollution Control: \$3.6 million, a 49.8 percent increase over the last biennium.

Solid and Hazardous Waste: \$31.6 million, a 62.2 percent increase over the last biennium. Of this total, \$3 million may be spent by the Attorney General on litigation for the Twin Cities Army Ammunition Plant.

General Support: \$4.5 million, a 72.4 percent increase over the last biennium.

As noted earlier, the Legislature also appropriated \$66.7 million in general obligation bond proceeds for wastewater treatment projects. The funds are allocated as follows:

Construction grants: \$47 million;

Combined sewer overflow: \$16.5 million; and

Federal revolving loan account: \$3.2 million.

Waste Management Board

The 1987 Legislature appropriated \$5.1 million to the Waste Management Board (WMB) for the 1987-89 biennium, which is a 39.7 percent increase over the last biennium.

The Legislature also appropriated \$5 million in general obligation bond proceeds to the WMB for capital assistance grants to local governments that are pursuing alternatives to solid waste disposal.

Energy

The Energy Division was transferred by executive order from the Department of Energy and Economic Development to the Department of Public Service. The division was appropriated \$4 million for the biennium, an increase of over 36 percent from the previous biennium. Total appropriations for the Department of Public Service were \$12.5 million, including \$3.5 million for utility regulation, \$3.8 million for weights and measures, and \$1.2 million for administrative services.

The Public Utilities Commission was appropriated \$3.6 million, an increase of almost 38 percent.

Economic Development

A new economic development law (Chapter 386) provides several economic development tools and organizational structures for rural development. The law also established a state-funded, \$9 million economic development program for certain neighborhoods in Minneapolis and St. Paul and provided \$4 million in state funding for economic revitalization on the Iron Range.

Rural Development Board

The Rural Development Board was created to coordinate and evaluate rural development activities in the state and to provide technical services to organizations in rural areas. A \$6 million challenge grant program was established under the Rural Development Board to provide revolving loans to new and expanding businesses in rural areas. A rural rehabilitation pilot project program is funded with \$500,000 to provide grants to organizations to support farm-related rural development projects. The Rural Development Board is also required to prepare and adopt a rural investment guide to coordinate and allocate resources to the rural areas of the state and to guide state agencies in establishing and implementing programs relating to rural development.

Greater Minnesota Corporation

The Greater Minnesota Corporation (GMC) was created to foster economic growth through cooperative research, development, and investment in new products and businesses. GMC is authorized to make grants for applied research and development to post-secondary educational institutions. GMC is also authorized to provide financial assistance to businesses in the form of loan guarantees or insurance, direct loans, interest subsidy payments, loan participation, and equity investments. In providing financial assistance, GMC must give preference to businesses that are starting or expanding their operations in rural areas of the state. A total of \$6.5 million was appropriated to the GMC to carry out these purposes. Up to \$120 million is also appropriated to GMC in the event of a projected general revenue fund surplus.

An additional \$3.5 million is transferred from the rural rehabilitation revolving fund to the GMC for the establishment of an agricultural utilization research institute and for agricultural research grants.

Public Facilities Authority

The Minnesota Public Facilities Authority was created under the community development division of the Department of Trade and Economic Development to assist state or local jurisdictions in the financing of water and wastewater treatment systems. The authority is required to establish a revolving loan program for local government units to plan and construct treatment works. The financial administration of the state independent grants program for wastewater treatment was transferred from the Pollution Control Agency to the Minnesota Public Facilities Authority.

Mineral Development

A mineral coordinating committee was established to provide planning and assistance for diversified mineral development. One million dollars was appropriated to the Department of Natural Resources (DNR) for the acceleration of geological mapping of the state. Two million dollars was also appropriated to DNR for county forestry programs and forestry management plan implementation.

Development Board

The Agricultural Research Loan Guaranty Board was renamed the Minnesota Agricultural and Economic Development Board. The types of eligible projects for which the board may provide financial assistance were expanded to include small business development, commercial turkey production, commercial fish production and processing, and property purchase or development for revenue-producing enterprises.

Job Skills Partnership

One million dollars was appropriated to the Minnesota Job Skills Partnership Program. The program's administration was transferred to the Higher Education Coordinating Board and the program is required to give preference to businesses located in rural areas of the state. A total of \$500,000 was also appropriated to the Higher Education Coordinating Board for a state supplemental education grant program. The program is designed to assist displaced rural workers in paying the costs of attending post-secondary educational institutions.

Housing

Appropriations to the Minnesota Housing Finance Agency were \$19.1 million, a decrease of over 20 percent from the previous biennium (before allotment reductions). Funding included \$2 million for home ownership assistance; \$4.5 million for home ownership, home improvements, and multifamily bond leveraging interest-rate writedowns; \$3.8 million for tribal Indian housing programs; \$470,000 for urban Indian housing programs; and \$7.4 million for housing rehabilitation and accessibility loans. Also provided were \$300,000 for home sharing programs, \$150,000 for temporary housing programs, and \$500,000 for grants for residential housing for low income persons living alone.

Parks

The 1987 Legislature appropriated \$4 million to the Department of Trade and Economic Development for a grant to the Metropolitan Council for metropolitan area regional parks maintenance and operation.

The Legislature also appropriated \$18 million in general obligation bond proceeds for acquisition and betterment of local parks.

PROTECTION OF PERSONS AND PROPERTY

Drug Testing

A new law (Chapter 388) regulates drug and alcohol testing of employees and job applicants. The act provides limits on when testing can occur, requires a written drug and alcohol testing policy, and notice of the policy before testing can take place. The law includes a \$47,000 appropriation to the Commissioner of Health.

Arbitrary and capricious drug and alcohol testing is prohibited. Also:

1. Job applicants may be tested only if a job offer has been made and the same test is requested or required of all job

applicants who have been offered employment for that position.

2. Drug and alcohol tests may be given once each year as part of a routine physical exam with at least two weeks' written notice.
3. Random testing may be conducted, but only on employees in "safety-sensitive positions."
4. Testing is allowed on the basis of reasonable suspicion that an employee is under the influence of drugs, has violated work rules relating to possession and use of drugs or alcohol, has caused another employee to sustain a personal injury, or has caused a work-related accident.

An employer may not request or require an employee or job applicant to undergo drug or alcohol testing unless it is done pursuant to a written testing policy that contains certain minimum specified information, including the circumstances under which testing may be requested or required, notice of the right to refuse testing, and the consequences of refusal.

Employers must use the services of a licensed testing laboratory. The Health Department is required to develop rules on January 1, 1988, governing standards for licensing and testing. License fees are authorized to cover costs of administration. Testing laboratories are required to conduct a confirmatory test on all samples that produce a positive test result on an initial screening test. An employee or job applicant has the right to request and receive a copy of all test results.

Test results and other information acquired in the drug and alcohol testing process are private and confidential data and may not be disclosed by an employer or testing laboratory without written consent. Positive test results may also not be used as evidence in a criminal action against an employee.

Gambling

The 1987 Legislature passed a number of provisions concerning pari-mutuel betting and charitable gambling. These provisions:

Required a racetrack to pay to the breeding organizations a portion of the money set aside for purses to compensate them for providing representation, benevolent programs, benefits, and services for horsepersons and their on-track employees.

Specified that no more than one-third of the annual premium on a policy of liability insurance procured by a nonprofit organization may be taken as an allowable expense from the gross receipts from lawful gambling.

Gave to the Charitable Gambling Board the power to issue and cause to be served upon a person an order requiring the person to cease and desist from violations of state law.

Prohibited a liquor distributor, or employee authorized to make sales on behalf of the distributor, from being directly involved in the operation of lawful gambling.

Expanded the number of bingo occasions which may be conducted by an organization to six per week.

Specified that a local unit of government may not require an organization to make specific expenditures of more than ten percent from its net profits derived from lawful gambling.

The Legislature considered, but did not pass, legislation which would have increased the amount set aside for purses from five percent to between six and 9.5 percent of all money in all pari-mutuel pools. The legislation also would have reduced the tax on the total amount bet on all pari-mutuel pools from 1 $\frac{3}{4}$ percent on the amount bet up to \$48 million, and six percent on the amount over \$48 million, to $\frac{1}{2}$ of one percent on the total amount bet.

Appropriations for the Charitable Gambling Board were \$1,303,100, and the Racing Commission was given an appropriation of \$1,772,700.

Commerce

The Legislature made a number of changes during the session relating to consumer protection in the commerce area.

Starting August 1, 1987, financial institutions must fully disclose the effective net annual yield of advertised investment products. Any charges for early withdrawal or prepayment must also be prominently displayed. Another change will require financial institutions and department stores that offer credit cards to disclose all applicable charges at the time of application.

Insurance companies will no longer be able to force the owners of damaged vehicles to accept repair parts that are not the equivalent of original equipment. Previously, less expensive, lower-quality imported parts could be used by repair shops.

Merchandisers and other commercial organizations will not be allowed to contact potential clients with automatic dialing machines using pre-recorded or synthesized voice messages. Automatic dialing machines may be used if the pre-recorded

message is immediately preceded by a live operator who discloses the name of the company and purpose of the message. Use of these machines or any other commercial solicitation is limited to the hours of 9 a.m. to 9 p.m.

The omnibus insurance bill contained several significant provisions regarding consumer protection. Employees laid off from their jobs will be able to continue life and health insurance coverage under group plans for up to 18 months. Mental health coverage will be included in all health insurance policies. Health insurance policies may no longer contain exclusions for pre-existing conditions concerning handicapped dependents. Rental cars will be covered under a person's own auto insurance, eliminating the need to purchase additional collision coverage from the rental company. Persons 55 years old or older may qualify for a premium reduction of at least 10 percent, if they complete an accident prevention course.

Under other legislation, banks will now be allowed to maintain five detached facilities. Banks in the metropolitan area will be able to maintain an unlimited number of branches when acquired through merger or consolidation. Financial institutions will be required to offer no-fee savings accounts where the account has an average monthly balance of more than \$50.

Unemployment

The 1987 Legislature enacted a number of tax and benefit changes in the unemployment insurance law.

The new law provides that:

All employers subject to the minimum base tax pay this tax on the same wage base per employee. The old law provided that employers with very good experiences be taxed on a lower wage base.

The new minimum rates are .8 percent in 1988; .7 percent in 1989; .6 percent in 1990; and a lower rate based on the balance of the unemployment compensation fund in 1991 and thereafter. The previous minimum rate was 1 percent. The minimum rate is the percentage paid beyond the rate dictated by the experience formula. It is paid by all employers, except those who surpass the statutory maximum, if the minimum rate were included.

The new maximum tax rates are 8 percent in 1988 and 9 percent in 1990 and thereafter. The previous maximum was 7.5 percent.

A solvency assessment is to be levied when the unemployment compensation fund is less than \$150 million on June 30 of any year. The surtax would be 15 percent if the balance is less than \$75 million, and 10 percent if the balance is between \$75 million and \$150 million.

The new maximum benefit floats between 60 percent and 66 $\frac{2}{3}$ percent of the statewide average weekly wage (SAWW). The maximum is 66 $\frac{2}{3}$ percent of SAWW if the unemployment fund balance is less than \$70 million and 60 percent if the fund balance is more than \$350 million.

Workers' Compensation

The 1987 session attempted to improve the administration of the workers' compensation laws by adding 13 persons to the dispute-resolving mechanism of the system.

The number of workers' compensation judges at the Office of Administrative Hearings was increased from 19 to 29, and three settlement judges were added at the Department of Labor and Industry. There will be eight judges at the department as a result of this increase.

The new law also eliminated the authority of either the Rehabilitation Review panel or the Medical Services Review Board to hear contested individual cases. Disputes will be handled through an administrative or settlement conference or a combination of both.

The new law expedited and clarified procedures in hardship cases where injured employees have been denied benefits and are without sufficient income to provide the basic needs, and attempted to deal with special compensation fund deficits by

requiring self-insured employers to post enough bond to cover their workers' compensation liability and by tightening the enforcement procedures dealing with mandatory workers' compensation insurance.

The Workers' Compensation Court of Appeals received a \$1,493,700 appropriation, while the Office of Administrative Hearings got an appropriation of \$5,723,100.

Veterans Affairs

The Department of Veterans Affairs received a general fund appropriation of \$14.8 million. About \$9.8 million of the general fund appropriation was transferred to the special revenue fund for operation of the state veterans homes in Hastings and Minneapolis, leaving \$5 million for veterans benefits and services.

Funding for the veterans homes includes \$16 million from a special revenue fund comprised of federal per diem payments

and payments from residents, the \$9.8 million transfer from the general fund, and minor amounts from rental of property.

About \$200,000 of the 1985 appropriation for emergency financial and medical needs of veterans was transferred to the 1987 Minneapolis Veterans Home budget to correct deficiencies cited by the Minnesota Department of Health at the home. In addition, the direct care staff complement at the Minneapolis facility was increased by 42 in order to provide more adequate care of residents.

The appropriation for veterans benefits and services included \$988,100 each year for emergency financial and medical needs of veterans. The department must ensure that veterans participate in all federally funded benefit programs to the maximum extent possible before receiving assistance under state funded programs.

SPECIAL SESSION

Corporate Takeovers

A special session of the 1987 Legislature, called by Governor Rudy Perpich in order to prevent or hinder a takeover of the Dayton Hudson Corporation, passed a bill designed to hinder hostile takeover of Minnesota corporations.

Corporations covered under the new law must:

- Have a principal place of business or principal executive office located in Minnesota.
- Have control of assets of fair market value of at least \$1 million in Minnesota.
- Have more than 10 percent of security holders residents of Minnesota and more than 10 percent of securities owned by Minnesota residents, or have more than 1,000 Minnesotans holding securities.

Corporations are automatically covered until August 1, 1989, unless their bylaws reject coverage. After that date, corporations are not covered, unless they opt to do so.

Provisions of the new law include:

- A five-year ban against various transactions between the acquisition group and associates, unless approved by the pre-

acquisition board of directors. This prevents selloffs of assets to persons or groups who own 10 percent or more of the corporation's shares, or affiliates or associates of the corporation that owned 10 percent or more during the preceding five years.

- Permission to allow directors of corporations to consider interests besides those of shareholders in making corporate decisions. Groups whose interests can be considered are employees, customers, suppliers, creditors, the community, and society.
- A ban of greenmail—the purchase of stock from suitors at above-market prices.
- A prohibition for publicly held corporations to enter into agreements to increase the compensation of corporation officers or directors during a tender offer.
- A requirement that 25 percent of the shareholders must agree to call a special meeting to consider a business combination. The previous requirement was 10 percent. Furthermore, the acquiring group must either have completed acquisition or made a bona fide written offer before a meeting is mandated.

PUBLIC EMPLOYEES' COMPENSATION, PENSIONS

Employee Compensation

The 1987 Legislature passed a two-year, \$63 million salary supplement to fund salary and benefit increases for state classified and unclassified employees. Limited pay increases were also adopted for top elected and appointed officials and managers. The actual increases will be determined in collective bargaining. Although the Legislature raised the tops of the salary ranges for state agency heads by nearly 9 percent, actual salary increases for persons covered by the ranges were capped at 5 percent for each year of the biennium. Increases for managers covered by the state Managerial Plan and for those employed by the Metropolitan Council or other metropolitan agencies were limited to a maximum of 3 percent a year. In addition, the Legislature directed the Department of Employee Relations to assess pay practices for managers in state and metropolitan agencies and to report to the Legislative Commission on Employee Relations and the chairs of the Senate Finance and House Appropriations Committees by January 1, 1989.

The Legislature raised the salary range for the part-time chair of the Metropolitan Waste Control Commission from \$15,000-\$25,000 to \$25,000-\$35,000 and moved the administrator of the Zoological Garden from the bottom agency-head salary range to the middle range. The Legislative Coordinating Commission was given authority to set the salary of the Commissioner of the Iron Range Resources and Rehabilitation Board up to the maximum salary prescribed for the Commissioner of Administration. In the past, the Governor set the IRRRB commissioner's salary, without any statutory limit.

Salaries of the chancellors of the State University and Community College systems, and the directors of Vocational Technical Education, the Higher Education Coordinating Board, and the Board of Medical Examiners must be approved by the Legislative Commission on Employee Relations starting in 1987. Those salaries are set by the respective governing boards.

On January 5, 1987, legislators, judges, and constitutional officers received pay increases, as follows:

Constitutional Officers	1986	1-5-87
Governor	\$87,942	\$91,460
Attorney General	68,702	71,450
Lieutenant Governor	48,370	50,305
Auditor	52,770	54,881
Secretary of State	48,370	50,305
Treasurer	45,760	47,590
Judges		
Chief Justice, Supreme Court	\$76,648	\$79,714
Associate Justice, Supreme Court	71,136	73,981
Chief Judge, Court of Appeals	68,432	71,169
Judge, Court of Appeals	65,624	68,249
Trial Court Judge	62,920	65,437
Workers' Compensation Court of Appeals*	\$56,628	\$58,893
Compensation Judge*	47,190	49,078
Tax Court Judge*	62,920	65,437
Legislators**	22,350	23,244

*Related Positions: These salaries are tied to the salary of a trial court judge. Judge, Tax Court at 100%, Judge, Workers' Compensation Court of Appeals at 90%, Compensation Judge at 75%.

**House and Senate leadership receive additional compensation up to 140% of the salary of a member.

Increases recommended for those positions by the Compensation Council, to take place January 2, 1989, and January 1, 1990, were limited by the Legislature to 5 percent for each year.

Retirement Programs

The vesting period to qualify for benefits from the statewide retirement systems and the first-class city teacher plans was reduced from ten years to five. Local fire and police relief associations may make the same change with the approval of their municipal governing bodies. This change enables the state's public retirement systems to keep pace with the change in vesting standards mandated for private-sector plans by the 1986

federal tax law. In addition, the Legislature authorized the Minneapolis Police Relief Association to reduce its vesting requirement from 20 years to five. In another effort to make state law conform with federal requirements, the Legislature eliminated mandatory retirement for all general state employees except tenured state university and community college faculty members. The change was dictated by 1986 amendments to the federal Age Discrimination in Employment Act.

Two new retirement plans were established. One, a "defined contribution" plan, was established for ambulance service personnel employed by a public ambulance service or by a private service receiving an operating subsidy from a governmental unit. The other new plan, a "defined benefit" plan to be administered by the Public Employees Retirement Association, covers non-police county or municipal correctional employees in Dakota, Hennepin, Ramsey, St. Louis, and Washington counties, if the counties choose to take part.

Public employees who retired before July 1, 1973, will receive lump-sum payments equal to \$20 for each year of service credit on December 1, 1987, and December 1, 1988. The payments will also go to pre-1973 disability benefit recipients and surviving spouses of pre-1973 retirees and disabled persons.

The Legislature established a mechanism for the voluntary consolidation of local police and fire relief associations with the PERA Police and Fire Fund. Currently, only four local plans may take advantage of the legislation, but others may later elect to be eligible. Once a consolidation takes place, individual members may choose to remain covered by the local benefit plan or to switch to PERA Police and Fire benefits. The Minneapolis Teachers Fund was given authority to modify its method for calculating post-retirement adjustments. The State Board of Investment was required to adopt an investment policy statement and given more flexibility in selecting investments.

OTHER DEPARTMENTS, BOARDS, AND COMMISSIONS

Appropriations for departments, boards, and commissions not mentioned in other narrative sections included:

Department of Public Safety, \$164.6 million (including \$68.8 million for the State Highway Patrol, \$52.4 million for Driver and Vehicle Licensing, and \$22.4 million for the Bureau of Criminal Apprehension);

Department of Revenue, \$118.5 million;

Department of Administration, \$42.7 million;

Department of Labor and Industry, \$33.2 million;

Minnesota Historical Society, \$19.4 million;

Department of Finance, \$15.9 million;

Department of Military Affairs, \$12.6 million;

Department of Public Service, \$12.6 million;

State Planning Agency, \$11.9 million;

Department of Employee Relations, \$10.7 million;

Zoological Board, \$9.3 million;

Peace Officers Training and Standards Board, \$6.9 million;

Board of Arts, \$6.1 million;

Department of Human Rights, \$5.2 million;

Public Utilities Commission, \$3.6 million;

Investment Board, \$3.2 million;

Mediation Services, \$3.2 million;

Non-Health Related Boards, \$1.8 million;

Tort Claims, \$1.8 million;

Science Museum of Minnesota, \$1 million.

Additional appropriations included: Council for the Handicapped, \$858,400; Indian Affairs Council, \$638,200; Minnesota Municipal Board, \$471,100; Ethical Practices Board, \$439,600; Capitol Area Architectural and Planning Board, \$339,000; Council on Black Minnesotans, \$317,400; Council on Affairs of Spanish Speaking People, \$288,800; Council on Asian Pacific Minnesotans, \$280,000; Minnesota-Wisconsin Boundary Area Commission, \$198,700; Voyageurs National Park Citizens Committee, \$140,000; Minnesota Horticultural Society, \$134,400; Public Employee Relations Board, \$121,100; Minnesota Safety Council, \$101,400; Veterans of Foreign Wars, \$60,000; Minnesota Academy of Science, \$56,200; and Uniform Laws Commission, \$27,200.

CHANGES IN GENERAL FUND ACCOUNTS

The 1987 session of the Legislature made two relatively significant changes in general fund accounting.

One change involved enacting increases in the off-budget mortgage registry and deed tax to fund state financial obligations for Aid to Families with Dependent Children (AFDC). The other change involved the cigarette tax. Money from the newly created Tobacco Tax Revenue Fund would be used for debt retirement and other purposes before any of it is transferred to the general fund.

Mortgage registry and deed tax rates were increased by about 50 percent. The revenues from the total registry and deed tax will be applied to offset the state's share of AFDC costs. The

offset is estimated to yield \$128.7 million for the general fund.

Distribution from the Tobacco Tax Revenue Fund will be as follows:

All the money needed for bond servicing, up to \$46,750,000, will be transferred to the General Obligation Special Tax Bond Debt Service Account; revenue produced by two cents of the cigarette tax will be transferred to the Minnesota Resources Fund; and the revenue produced by two cents of the cigarette tax will be transferred to the Public Health Fund.

The remainder of the Tobacco Tax Revenue Fund will be transferred to the general fund.

STATE DEBT AND CAPITAL EXPENDITURES

State general obligation bonding authorized by the Legislature during the 1987 session totaled \$469,954,200. A direct appropriation of an additional \$6,146,200 was made from the general fund; \$15,224,200 from the trunk highway fund; \$330,700 from the special revenue fund; \$433,000 from the workers' compensation special compensation fund; and \$535,900 from the highway user tax distribution fund.

The Legislature authorized the Commissioner of Finance to issue general obligation special tax bonds. These are general obligation bonds that are backed by the full faith and credit of the state. Debt service funding differs from other general obligation bonds in that special taxes are designated to pay principal and interest. These special taxes are the cigarette tax and

a special sales tax on health clubs. Of general obligation bonds issued, the commissioner determines which will be designated as special tax bonds. Amounts sufficient to pay the debt service for bonds designated special tax bonds will be taken from these revenues. Excess revenues will revert to the general fund, after other dedicated cigarette tax revenues are allocated. The principal and interest due on the special tax bonds is limited to \$46,750,000 during the 1987-1989 biennium.

The debt service payments on the authorized amount are estimated to be within the limitation of three percent of anticipated general fund non-dedicated revenues. (See Table J for bonding authorized by the 1987 Legislature.)

STATISTICS

The following 10 statistical tables reflect appropriations as passed and revenue levels as determined by the Department of Finance at the close of the 1987 Special Session. Estimates for open and standing appropriations also are the Department of

Finance estimates at the close of the Special Session.

Several of the tables have footnotes. These footnotes should be read if data is used for comparison purposes.

Table A—Summary
Summary of Appropriations by Function—All Funds

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Aids and Credits	\$ 2,388,140,600	\$ 2,482,085,300	\$ 93,944,700	3.9%
Education	4,814,998,713	5,459,794,410	644,795,697	13.4%
Human Services, Corrections and Health ^(a)	4,935,841,000	5,332,193,800	396,352,800	8.0%
Transportation	2,085,888,800	2,034,058,600	(51,830,200)	-2.5%
Other State Government Functions	1,237,481,210	1,265,703,272	28,222,062	2.3%
Miscellaneous	419,354,546	400,494,676	(18,859,870)	-4.5%
Total Appropriations	<u>\$15,881,704,869</u>	<u>\$16,974,330,058</u>	<u>\$1,092,625,189</u>	6.9%

Table A
Summary of Appropriations by Function—All Funds

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Aids and Credits	\$ 2,388,140,600	\$ 2,482,085,300	\$ 93,944,700	3.9%
Education				
Elementary and Secondary Education	\$ 2,617,523,113	\$ 3,029,740,810	\$ 412,217,697	15.7%
Higher Education Coordinating Board	133,487,900	149,878,500	16,390,600	12.3%
Vocational Technical Education	283,354,600	310,277,200	26,922,600	9.5%
Community Colleges	121,934,500	136,097,300	14,162,800	11.6%
State Universities	239,676,900	270,452,400	30,775,500	12.8%
University of Minnesota	695,057,100	790,101,800	95,044,700	13.7%
Mayo Medical Foundation	1,967,900	1,760,200	(207,700)	-10.6%
Dedicated Expenditures	420,634,200	437,369,600	16,735,400	4.0%
Subtotal Education	<u>\$ 4,513,636,213</u>	<u>\$ 5,125,677,810</u>	<u>\$ 612,041,597</u>	13.6%
Federal Funds	<u>\$ 301,362,500</u>	<u>\$ 334,116,600</u>	<u>\$ 32,754,100</u>	10.9%
Total Education	<u>\$ 4,814,998,713</u>	<u>\$ 5,459,794,410</u>	<u>\$ 644,795,697</u>	13.4%
Human Services, Corrections and Health				
Human Services ^(a)	\$ 1,746,051,500	\$ 1,896,131,600	\$ 150,080,100	8.6%
Dedicated Expenditures	420,584,800	470,452,800	49,868,000	11.9%
Jobs and Training	94,152,800	68,250,200	(25,902,600)	-27.5%
Corrections	177,313,900	197,700,100	20,386,200	11.5%
Health	69,319,900	79,477,300	10,157,400	14.7%
Subtotal Human Services, Corrections and Health ..	<u>\$ 2,507,422,900</u>	<u>\$ 2,712,012,000</u>	<u>\$ 204,589,100</u>	8.2%
Federal Funds	<u>\$ 2,428,418,100</u>	<u>\$ 2,620,181,800</u>	<u>\$ 191,763,700</u>	7.9%
Total Human Services, Corrections and Health	<u>\$ 4,935,841,000</u>	<u>\$ 5,332,193,800</u>	<u>\$ 396,352,800</u>	8.0%
Transportation				
Department of Transportation				
Highway Development and Operations	\$ 1,084,539,600	\$ 1,104,142,500	\$ 19,602,900	1.8%
Technical Services	72,055,000	76,787,600	4,732,600	6.6%
Public Transportation Assistance	51,632,700	53,570,500	1,937,800	3.8%
Program Management and General Support	61,138,200	67,872,800	6,734,600	11.0%
Aeronautics	23,338,400	22,333,300	(1,005,100)	-4.3%
Less Federal Funds included above	<u>\$ (61,346,000)</u>	<u>\$ (60,000,000)</u>	<u>\$ 1,346,000</u>	-2.2%
Subtotal Transportation	<u>\$ 1,231,357,900</u>	<u>\$ 1,264,706,700</u>	<u>\$ 33,348,800</u>	2.7%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Federal Funds				
Trunk Highway Development	\$ 432,000,000	\$ 429,000,000	\$ (3,000,000)	- .7%
County Road and Bridge	311,500,000	229,000,000	(82,500,000)	-26.5%
Federal Funds included in Highway Operations				
Technical Services and Program Management	61,346,000	60,000,000	(1,346,000)	-2.2%
Other Transportation	49,684,900	51,351,900	1,667,000	3.4%
Total Federal Funds	<u>\$ 854,530,900</u>	<u>\$ 769,351,900</u>	<u>\$ (85,179,000)</u>	-10.0%
Total Transportation	<u>\$ 2,085,888,800</u>	<u>\$ 2,034,058,600</u>	<u>\$ (51,830,200)</u>	-2.5%
Other State Government Functions				
Legislative	\$ 71,479,200	\$ 74,777,300	\$ 3,298,100	4.6%
Judicial	62,581,200	72,359,500	9,778,300	15.6%
Constitutional Officers	44,854,000	51,935,080	7,081,080	15.8%
Administrative Services	154,720,000	193,886,500	39,166,500	25.3%
Agriculture	37,436,000	33,854,600	(3,581,400)	-9.6%
Resource Management	414,652,060	394,728,000	(19,924,060)	-4.8%
Protection of Persons and Property	310,218,950	301,441,892	(8,777,058)	-2.8%
Semi-State Activities	25,862,700	27,718,700	1,856,000	7.2%
Subtotal Other State Government Functions	<u>\$ 1,121,804,110</u>	<u>\$ 1,150,701,572</u>	<u>\$ 28,222,062</u>	2.6%
Federal Funds	<u>\$ 115,677,100</u>	<u>\$ 115,001,700</u>	<u>\$ (675,400)</u>	-.6%
Total Other State Government Functions	<u>\$ 1,237,481,210</u>	<u>\$ 1,265,703,272</u>	<u>\$ 28,897,462</u>	2.3%
Miscellaneous	\$ 416,574,546	\$ 397,194,676	\$ (19,379,870)	-4.7%
Miscellaneous Federal Funds	\$ 2,780,000	\$ 3,300,000	\$ 520,000	18.7%
Total Miscellaneous	<u>\$ 419,354,546</u>	<u>\$ 400,494,676</u>	<u>\$ (18,859,870)</u>	-4.5%
Total Appropriations—State Funds	<u>\$12,178,936,269</u>	<u>\$13,132,378,058</u>	<u>\$ 953,441,789</u>	7.8%
Total Appropriations Federal Funds	<u>\$ 3,702,768,600</u>	<u>\$ 3,841,952,000</u>	<u>\$ 139,183,400</u>	3.8%
Total Appropriations	<u><u>\$15,881,704,869</u></u>	<u><u>\$16,974,330,058</u></u>	<u><u>\$1,092,625,189</u></u>	6.9%

^(a)This does not include expenditures of locally collected mortgage registry and deed taxes designated to offset the state's share of AFDC payments. This amount is \$58.6 million in fiscal years 1986 and 1987 and \$128.7 million in fiscal years 1988 and 1989.

Table B
Itemized Appropriations by Function—All Funds

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Aids and Credits				
Property Tax Refund				
Renters	\$ 207,400,000	\$ 165,400,000	\$ (42,000,000)	-20.3%
Homeowners	134,700,000	74,800,000	(59,900,000)	-44.5%
Agricultural School Credit	233,722,300	221,294,000	(12,428,300)	-5.3%
Aid to Local Governments	599,647,800	647,878,000	48,230,200	8.0%
Waste Management		1,012,000	1,012,000	
Attached Machinery Aid				
School Districts	1,668,200	1,672,000	3,800	.2%
Cities, Towns, Counties	4,763,600	4,764,000	400	
Homestead Credit				
School Districts	538,304,700	564,361,000	26,056,300	4.8%
Cities, Towns, Counties	564,924,000	646,793,000	81,869,000	14.5%
Supplemental Homestead Property Tax Relief	1,763,500	1,822,000	58,500	3.3%
Aid to Police and Fire Departments	53,208,000	59,490,000	6,282,000	11.8%
Local Police and Fire Amortization Aid	15,074,000	15,074,000	0	
Minneapolis Employees Retirement Fund	20,197,700	22,029,000	1,831,300	9.1%
Wetlands Credit and Reimbursement				
School Districts	643,500	517,000	(126,500)	-19.7%
Cities, Towns, Counties	561,200	584,000	22,800	4.1%
Native Prairie Credit and Reimbursement				
School Districts	193,800	137,000	(56,800)	-29.3%
Cities, Towns, Counties	168,800	210,000	41,200	24.4%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Payments in Lieu of Taxes—DNR Lands	9,322,400	9,000,000	(322,400)	-3.5%
Disaster Credit				
School Districts	113,400		(113,400)	
Cities, Towns, Counties	121,100		(121,100)	
Agricultural Preservation Credit				
School Districts	390,900	47,000	(343,900)	-88.0%
Cities, Towns, Counties	395,900		(395,900)	
Railroad Property Tax Relief	3,400,000		(3,400,000)	
Enterprise Zone Credit				
School Districts	741,100	784,000	42,900	5.8%
Cities, Towns, Counties	1,431,800	3,318,000	1,886,200	131.7%
Regional Transit Board Levy Reduction	2,500,000	4,052,000	1,552,000	62.1%
Leech Lake—White Earth Reservation	1,044,100	1,016,300	(27,800)	-2.7%
Taconite Homestead Credit Adjustment	2,633,900		(2,633,900)	
Small Business Credit				
School Districts		10,837,000	10,837,000	
Cities, Towns, Counties		12,750,000	12,750,000	
Income Maintenance Tax Disparity Aid		12,444,000	12,444,000	
Change in Aids & Credits Estimates	(7,144,000)		7,144,000	
Minneapolis Employees Retirement Fund				
New Estimate	(3,751,100)		3,751,100	
Total Aids and Credits	<u>\$ 2,388,140,600</u>	<u>\$ 2,482,085,300</u>	<u>\$ 93,944,700</u>	3.9%
Education				
Elementary and Secondary Education				
Department of Education	\$ 33,788,000	\$ 38,310,700	\$ 4,522,700	13.4%
Arts School and Resource Center	2,528,000	4,855,700	2,327,700	92.1%
Foundation and General Education Aid	1,478,138,700	1,940,840,600	462,701,900	31.3%
Apportionment—Permanent School Fund	52,000,000	58,000,000	6,000,000	11.5%
Summer Programs	11,023,700	8,177,800	(2,845,900)	-25.8%
Transportation Aid	171,715,600	177,961,800	6,246,200	3.6%
Transportation Desegregation Aid		5,234,200	5,234,200	
Special Programs				
Special Education Aid	292,137,100	315,506,300	23,369,200	8.0%
Limited English Proficiency	5,557,700	5,884,600	326,900	5.9%
Indian Education Programs	5,272,728	6,482,610	1,209,882	22.9%
Secondary Vocational—Handicapped	7,140,300	8,382,800	1,242,500	17.4%
Secondary Vocational Education	41,196,900	32,440,600	(8,756,300)	-21.3%
Teacher Retirement	409,060,400	272,475,000	(136,585,400)	-33.4%
Community and Adult Education				
Community Education Aid	3,365,700	5,410,600	2,044,900	60.8%
Adult Education Aid	3,660,900	7,307,900	3,647,000	99.6%
Early Childhood Family Education	11,340,200	15,403,400	4,063,200	35.8%
Handicapped Adult Programs	690,000	1,120,000	430,000	62.3%
Technology and Educational Improvement				
Educational Effectiveness Programs	1,724,300	1,380,600	(343,700)	-19.9%
Assessment Programs	803,000	773,000	(30,000)	-3.7%
Planning, Evaluation and Reporting	1,032,500	2,072,100	1,039,600	100.7%
Educational Technology	5,727,700	2,127,000	(3,600,700)	-62.9%
Program Improvement Grants		1,500,000	1,500,000	
Miscellaneous Educational Improvement	2,813,100	2,839,000	25,900	.9%
Other Education Aids				
Venture Fund Grants	1,067,700	63,900	(1,003,800)	-94.0%
Teacher Mobility Incentives	1,658,000	196,900	(1,461,100)	-88.1%
Educational Cooperative Service Units	1,459,400	1,496,000	36,600	2.5%
Regional Management Information Systems Centers	6,683,400	6,821,400	138,000	2.1%
Capital Expenditure Equalization	695,200	32,550,800	31,855,600	4582.2%
Abatement Aid	9,886,000	13,185,600	3,299,600	33.4%
School Lunch Aid	9,250,000	9,250,000		
Gifted and Talented Students	2,711,400	1,578,400	(1,133,000)	-41.8%
Chemical Use Programs	2,045,800	1,177,300	(868,500)	-42.5%
Interdistrict Cooperation Aid	3,579,300	2,666,000	(913,300)	-25.5%
Desegregation Aid		11,557,300	11,557,300	
Library Grants	9,869,600	10,562,800	693,200	7.0%
Aid to Non-Public Students	13,947,500	17,100,000	3,152,500	22.6%
Arts Education Aid and Grants	2,170,000	1,123,700	(1,046,300)	-48.2%
Early Childhood Screening	1,409,400	865,800	(543,600)	-38.6%
Maximum Effort Loan Fund	4,975,600	3,640,300	(1,335,300)	-26.8%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Tobacco Use Prevention	1,225,715	1,292,600	66,885	5.5%
Miscellaneous	96,570	125,700	29,130	30.2%
Changes in Education Aid Estimates	4,076,000		(4,076,000)	
Total Elementary and Secondary Education	\$ 2,617,523,113	\$ 3,029,740,810	\$ 412,217,697	15.7%
Higher Education Coordinating Board				
Agency Administration	\$ 4,701,700	\$ 5,959,600	\$ 1,257,900	26.8%
State Scholarships and Grants	110,600,000	123,250,000	12,650,000	11.4%
Interstate Tuition Reciprocity	5,800,000	8,000,000	2,200,000	37.9%
State Work Study	8,857,200	9,182,200	325,000	3.7%
Income Contingent Loans	170,000	268,100	98,100	57.7%
Medical Student Loans	63,000		(63,000)	
Minitex Library Program	1,648,900	1,518,600	(130,300)	-7.9%
Enterprise Development Partnerships	550,000	200,000	(350,000)	-63.6%
Teacher Education Study	150,000		(150,000)	
Instructional Technology Policy	200,000		(200,000)	
Secondary Student Information	69,900		(69,900)	
Job Skills Partnership Program	677,200	1,000,000	322,800	47.7%
Dislocated Rural Worker Grant Program		500,000	500,000	
Total Higher Education Coordinating Board	\$ 133,487,900	\$ 149,878,500	\$ 16,390,600	12.3%
Vocational Technical Education	\$ 279,042,900	\$ 308,527,200	\$ 29,484,300	10.6%
Teacher's Retirement Deficiency ^(a)	1,895,000		(1,895,000)	
Hazardous Substances Training Certification	(15,000)		15,000	
Farm Business Management Programs	1,350,000	1,450,000	100,000	7.4%
Sweet Sorghum Research	60,000	300,000	240,000	400.0%
FY 1985 Carryforward	\$ 1,021,700		\$ (1,021,700)	
Total Vocational Technical Education	\$ 283,354,600	\$ 310,277,200	\$ 26,922,600	9.5%
Community Colleges	\$ 119,110,800	\$ 135,697,300	\$ 16,586,500	13.9%
Fond du Lac Higher Education Center		400,000	400,000	
FY 1985 Carryforward	2,823,700		(2,823,700)	
Total Community Colleges	\$ 121,934,500	\$ 136,097,300	\$ 14,162,800	11.6%
State Universities	\$ 235,092,100	\$ 270,452,400	\$ 35,360,300	15.0%
St. Cloud State Bridge Assessment ^(a)	500,000		(500,000)	
FY 1985 Carryforward	4,084,800		(4,084,800)	
Total State Universities	\$ 239,676,900	\$ 270,452,400	\$ 30,775,500	12.8%
University of Minnesota				
Operations and Maintenance	\$ 569,682,600	\$ 638,391,100	\$ 68,708,500	12.1%
Special Appropriations Reduction	(2,420,800)		2,420,800	
Rank Funding Adjustment		4,120,500	4,120,500	
Agricultural Extension Service	24,130,800	28,996,300	4,865,500	20.2%
Mediation Deficiency ^(a)	515,500		(515,500)	
Farm Support Projects	1,250,000		(1,250,000)	
Extension Service Retrenchment	115,000		(115,000)	
Agricultural Research	24,733,200	49,111,700	24,378,500	98.6%
Wild Rice Research	40,000	38,000	(2,000)	-5.0%
Dairy Sheep Demonstration Project		35,000	35,000	
Sustainable Agriculture Chair		75,000	75,000	
Veterinary Diagnostic Laboratory	2,494,500	2,678,300	183,800	7.4%
Coleman Leukemia Research Center	461,600	490,800	29,200	6.3%
Indigent Patients	3,400,000	700,000	(2,700,000)	-79.4%
Rural Physicians Associates Program	1,078,100	1,152,000	73,900	6.9%
Medical Research	4,398,000	4,748,900	350,900	8.0%
Special Hospitals, Service and Educational Offset	27,186,800	19,603,300	(7,583,500)	-27.9%
China Center	157,500		(157,500)	
Fellowships—Minority and Disadvantaged	105,100	111,200	6,100	5.8%
General Research	3,997,400	4,305,700	308,300	7.7%
Intercollegiate Athletics	5,720,900	6,063,400	342,500	6.0%
Student Loans Matching Money	195,000	106,400	(88,600)	-45.4%
Talented Youth Mathematics	405,600	519,400	113,800	28.1%
Geological Survey	1,818,400	1,928,000	109,600	6.0%
Mineral Resources Research Center	1,457,700	1,544,300	86,600	5.9%
Natural Resources Research Institute	4,723,300	4,900,000	176,700	3.7%
Plant Biomass Research	277,600		(277,600)	
Sea Grant College Program	580,400	637,400	57,000	9.8%
Underground Space Center	420,200	449,600	29,400	7.0%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Biotechnology Center	1,132,500	1,706,800	574,300	50.7%
Hormel Institute	741,300		(741,300)	
Industrial Relations Education	1,302,700	1,466,900	164,200	12.6%
Institute for Human Genetics	785,000	1,006,800	221,800	28.3%
Lake Superior Basin Studies	281,100		(281,100)	
Microelectronics and Information Science	1,259,700	1,339,200	79,500	6.3%
Productivity Center	630,400	674,500	44,100	7.0%
Supercomputer Institute	12,000,000	12,456,000	456,000	3.8%
St. Anthony Falls Hydraulics Project		745,300	745,300	
Total University of Minnesota	\$ 695,057,100	\$ 790,101,800	\$ 95,044,700	13.7%
Mayo Medical Foundation	\$ 1,967,900	\$ 1,760,200	\$ (207,700)	-10.6%
Education Dedicated Expenditures				
Tuition and Course Fees				
University of Minnesota	\$ 238,056,700	\$ 252,679,000	\$ 14,622,300	6.1%
State University Board	121,252,000	125,112,900	3,860,900	3.2%
Community Colleges	61,325,500	59,577,700	(1,747,800)	-2.9%
Total Dedicated Expenditures	\$ 420,634,200	\$ 437,369,600	\$ 16,735,400	4.0%
Subtotal Education	\$ 4,513,636,213	\$ 5,125,677,810	\$ 612,041,597	13.6%
Federal Funds	\$ 301,362,500	\$ 334,116,600	\$ 32,754,100	10.9%
Total Education	\$ 4,814,998,713	\$ 5,459,794,410	\$ 644,795,697	13.4%
Human Services, Corrections and Health				
Department of Human Services				
Human Services Management	\$ 2,970,000	\$ 15,198,700	\$ 12,228,700	411.7%
Policy and Program Support Services	29,981,000	8,376,000	(21,605,000)	-72.1%
Social Services				
Community Social Services Subsidies	102,444,200	99,398,000	(3,046,200)	-3.0%
Social Services Support	32,601,700	58,071,700	25,470,000	78.1%
Income Maintenance				
Public Assistance (AFDC, GA, MSA) ^(b)	296,290,500	278,165,800	(18,124,700)	-6.1%
Work Readiness Deficiency ^(a)	1,900,000		(1,900,000)	
MA and GAMC	812,077,200	882,349,100	70,271,900	8.7%
Preadmission Screening and Alternative Care	28,463,000	29,494,000	1,031,000	3.6%
Income Maintenance Administration	43,267,400	59,208,100	15,940,700	36.8%
Long Term Care Management		9,582,600	9,582,600	
Chemical Dependency and Protection Service	6,686,100	12,667,800	5,981,700	89.5%
Children's Health Plan		7,907,500	7,907,500	
Mental Health				
Regional Treatment Centers	317,715,000	350,729,600	33,014,600	10.4%
Nursing Homes	37,010,400	39,850,800	2,840,400	7.7%
Mental Health Support	34,516,600	35,676,000	1,159,400	3.4%
Other Reimbursements and Facilities		9,416,900	9,416,900	
Other Human Services				
Child Protection Worker Training	53,400		(53,400)	
Transitional Care Study	50,000		(50,000)	
Ombudsman for Mental Health and Retardation		39,000	39,000	
FY 1985 Carryforward	25,000		(25,000)	
Subtotal Human Services Department ^(b)	\$ 1,746,051,500	\$ 1,896,131,600	\$ 150,080,100	8.6%
Dedicated Expenditures				
County Share of Payments	\$ 122,224,400	\$ 132,717,400	\$ 10,493,000	8.6%
Hospital Revolving Account	286,980,400	312,104,300	25,123,900	8.8%
Miscellaneous	11,380,000	25,631,100	14,251,100	125.2%
Total Dedicated Expenditures	\$ 420,584,800	\$ 470,452,800	\$ 49,868,000	11.9%
Total Department of Human Services	\$ 2,166,636,300	\$ 2,366,584,400	\$ 199,948,100	9.2%
Department of Jobs and Training				
Employment and Training	\$ 6,250,500	\$ 5,910,000	\$ (340,500)	-5.4%
Wage Subsidies	25,824,000	18,000,000	(7,824,000)	-30.3%
FY 1985 Carryforward	15,875,500		(15,875,500)	
Rehabilitation Services	41,650,600	40,676,000	(974,600)	-2.3%
Community Services	2,736,200	3,441,000	704,800	25.8%
Program and Management Support	300,000		(300,000)	
Temporary Housing Demonstration	340,000		(340,000)	
Client Advisory Committees		70,000	70,000	
Total Department of Jobs and Training	\$ 92,976,800	\$ 68,097,000	\$ (24,879,800)	-26.8%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Office of Full Productivity and Opportunity	\$ 1,176,000	\$ 153,200	\$ (1,022,800)	-87.0%
Department of Corrections				
Management Services	\$ 6,634,600	\$ 7,642,900	\$ 1,008,300	15.2%
Supervised Release Program Deficiency ^(a)	19,400		(19,400)	
Community Services Support	18,104,700	20,112,100	2,007,400	11.1%
Community Corrections Act	25,302,800	28,158,000	2,855,200	11.3%
Correctional Institutions	124,570,900	140,726,000	16,155,100	13.0%
FY 1985 Carryforward	1,686,300		(1,686,300)	
Total Department of Corrections	\$ 176,318,700	\$ 196,639,000	\$ 20,320,300	11.5%
Sentencing Guidelines Commission	\$ 377,200	\$ 399,100	\$ 21,900	5.8%
Corrections Ombudsman	\$ 618,000	\$ 662,000	\$ 44,000	7.1%
Department of Health				
Preventive and Protective Health Services	\$ 10,823,500	\$ 15,806,200	\$ 4,982,700	46.0%
Health Delivery Systems	16,918,100	18,443,800	1,525,700	9.0%
Community Health Services Subsidy	24,053,000	23,656,000	(397,000)	-1.7%
Health Support Services	5,097,600	6,180,000	1,082,400	21.2%
Public Health Programs	5,353,900	6,839,700	1,485,800	27.8%
Hazardous Substance Injury Compensation Fund	2,000,000		(2,000,000)	
Asbestos Abatement Regulation		23,800	23,800	
Employer Drug Testing Regulation		47,000	47,000	
Home Health Care Regulation		516,600	516,600	
Commission on Health Plan Regulatory Reform		25,000	25,000	
General Reduction	(682,000)		682,000	
FY 1985 Carryforward	1,053,300		(1,053,300)	
Total Department of Health	\$ 64,617,400	\$ 71,538,100	\$ 6,920,700	10.7%
Health Related Boards	\$ 4,702,500	\$ 7,050,200	\$ 2,347,700	49.9%
Chiropractor's Peer Review Committee		44,000	44,000	
Social Work Office and Mental Health Board		835,000	835,000	
Council on Disability		10,000	10,000	
Total Health Related Boards	\$ 4,702,500	\$ 7,939,200	\$ 3,236,700	68.8%
Subtotal Human Services, Jobs and Training, Corrections and Health ^(b)	\$ 2,507,422,900	\$ 2,712,012,000	\$ 204,589,100	8.2%
Federal Funds	\$ 2,428,418,100	\$ 2,620,181,800	\$ 191,763,700	7.9%
Total Human Services, Jobs and Training, Corrections and Health ^(b)	\$ 4,935,841,000	\$ 5,332,193,800	\$ 396,352,800	8.0%
Transportation				
Department of Transportation				
Highway Development				
Trunk Highway Development	\$ 234,812,300	\$ 258,178,200	\$ 23,365,900	10.0%
County State Aids	371,800,000	368,465,000	(3,335,000)	-0.9%
Municipal State Aids	121,400,000	118,000,000	(3,400,000)	-2.8%
Highway Debt Service	32,701,000	20,765,000	(11,936,000)	-36.5%
Highway Operations				
Maintenance	225,034,100	238,486,400	13,452,300	6.0%
Tourist Information Centers		75,000	75,000	
Construction Support	98,792,200	100,172,900	1,380,700	1.4%
Total Highway Development and Operations	\$ 1,084,539,600	\$ 1,104,142,500	\$ 19,602,900	1.8%
Technical Services				
Program Delivery	\$ 66,115,200	\$ 70,023,000	\$ 3,907,800	5.9%
State Aid Technical Assistance	1,613,900	1,821,800	207,900	12.9%
Electronic Communications	4,325,900	4,942,800	616,900	14.3%
Total Technical Services	\$ 72,055,000	\$ 76,787,600	\$ 4,732,600	6.6%
Public Transportation Assistance				
Nonmetropolitan Transit Assistance	\$ 9,434,000	\$ 11,520,000	\$ 2,086,000	22.1%
Metropolitan Transit Assistance	27,899,800	25,800,000	(2,099,800)	-7.5%
Regional Transit Board	2,165,000	2,600,000	435,000	20.1%
Metro Mobility	11,000,000	12,500,000	1,500,000	13.6%
Transit Administration	1,133,900	1,150,500	16,600	1.5%
Total Public Transportation Assistance	\$ 51,632,700	\$ 53,570,500	\$ 1,937,800	3.8%
Program Management				
Highway Programs	\$ 3,203,000	\$ 3,573,700	\$ 370,700	11.6%
Motor Carrier Safety and Compliance	1,919,400	2,121,800	202,400	10.5%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Railroads and Waterways	1,701,700	1,814,100	112,400	6.6%
Transportation Information and Support	5,192,200	5,967,200	775,000	14.9%
Total Program Management	\$ 12,016,300	\$ 13,476,800	\$ 1,460,500	12.2%
General Support				
Finance and Administration	\$ 15,030,800	\$ 17,087,100	\$ 2,056,300	13.7%
General Services	11,828,400	14,780,200	2,951,800	25.0%
Equipment	19,375,000	19,336,300	(38,700)	-.2%
Attorney General Legal Services	1,951,900	1,976,400	24,500	1.3%
Hazardous Waste Transport Licensing		153,000	153,000	
Total General Support	\$ 48,186,100	\$ 53,333,000	\$ 5,146,900	10.7%
Aeronautics				
Operations	\$ 3,874,200	\$ 2,246,300	\$ (1,627,900)	-42.0%
Development and Assistance	18,575,500	19,862,800	1,287,300	6.9%
Pine Creek Airport	75,700	16,000	(59,700)	-78.9%
Air Transportation Services	683,000	78,200	(604,800)	-88.6%
Civil Air Patrol	130,000	130,000		
Total Aeronautics	\$ 23,338,400	\$ 22,333,300	\$ (1,005,100)	-4.3%
Transportation Regulation Board	\$ 935,800	\$ 1,063,000	\$ 127,200	13.6%
Federal Funds included in Highway Operations, Technical Services and Program Management ^(d)	(61,346,000)	(60,000,000)	1,346,000	-2.2%
Subtotal Transportation	\$ 1,231,357,900	\$ 1,264,706,700	\$ 33,348,800	2.7%
Federal Funds				
Federal Trunk Highway Development Funds	\$ 432,000,000	\$ 429,000,000	\$ (3,000,000)	-.7%
Federal County Road and Bridge Funds	311,500,000	229,000,000	(82,500,000)	-26.5%
Federal Funds in Highway Operations, Technical Services and Program Management ^(d)	61,346,000	60,000,000	(1,346,000)	-2.2%
Federal Funds—Other Transportation	49,684,900	51,351,900	1,667,000	3.4%
Total Federal Funds	\$ 854,530,900	\$ 769,351,900	\$ (85,179,000)	-10.0%
Total Transportation	\$ 2,085,888,800	\$ 2,034,058,600	\$ (51,830,200)	-2.5%
Other State Government Functions				
Legislative				
Legislature				
Senate	\$ 21,400,000	\$ 24,247,900	\$ 2,847,900	13.3%
House	31,140,700	30,773,000	(367,700)	-1.2%
Legislative Coordinating Commission	547,900	758,800	210,900	38.5%
Legislative Reference Library	1,545,900	1,484,700	(61,200)	-4.0%
Revisor of Statutes	2,774,300	4,019,100	1,244,800	44.9%
Legislative Audit Commission	24,800	30,500	5,700	23.0%
Legislative Auditor	5,716,900	5,880,000	163,100	2.9%
Legislative Commissions				
Economic Status of Women	225,100	253,800	28,700	12.7%
Economic Development Strategy	170,000		(170,000)	
Employee Relations	175,000	192,000	17,000	9.7%
Energy	50,000		(50,000)	
Great Lakes	73,100	79,400	6,300	8.6%
Minnesota Resources	795,100	500,000	(295,100)	-37.1%
Mississippi River Parkway	39,000	50,200	11,200	28.7%
Pensions and Retirement	1,205,000	1,119,300	(85,700)	-7.1%
Public Education	100,000	100,000		
Review of Administrative Rules	199,800	240,500	40,700	20.4%
Waste Management	214,600	232,100	17,500	8.2%
Tax Study		300,000	300,000	
Committee on Planning and Fiscal Policy		200,000	200,000	
Legislative Retirement Contribution	4,138,000	4,316,000	178,000	4.3%
FY 1985 Carryforward	944,000		(944,000)	
Total Legislative	\$ 71,479,200	\$ 74,777,300	\$ 3,298,100	4.6%
Judicial				
Supreme Court	\$ 7,182,700	\$ 8,705,700	\$ 1,523,000	21.2%
State Court Administrator	5,784,700	5,989,100	204,400	3.5%
State Law Library	1,249,000	1,471,500	222,500	17.8%
Family Farm Legal Assistance	650,000	1,700,000	1,050,000	161.5%
Court of Appeals	5,911,900	6,903,200	991,300	16.8%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Trial Courts	30,815,200	34,981,700	4,166,500	13.5%
District Court Administrators	1,171,900	1,197,900	26,000	2.2%
District and County Court Deficiency ^(a)	413,900		(413,900)	
Board on Judicial Standards	300,500	309,500	9,000	3.0%
Board of Public Defense	1,086,900	1,847,500	760,600	70.0%
Public Defender	2,615,000	2,924,100	309,100	11.8%
Tax Court	770,500	804,300	33,800	4.4%
Judges Retirement Contribution	4,629,000	5,525,000	896,000	19.4%
Total Judicial	<u>\$ 62,581,200</u>	<u>\$ 72,359,500</u>	<u>\$ 9,778,300</u>	15.6%
Constitutional Officers				
Governor				
Executive Operations	\$ 4,052,100	\$ 4,576,500	\$ 524,400	11.5%
Interstate Representation and Cooperation	139,000	163,100	24,100	14.8%
Superconducting Supercollider Application ^(a)	300,000		(300,000)	
Fond du Lac Campus Study	50,000		(50,000)	
FY 1985 Carryforward	88,000		(88,000)	
Total Governor	<u>\$ 4,629,100</u>	<u>\$ 4,739,600</u>	<u>\$ 110,500</u>	2.4%
Lieutenant Governor	<u>\$ 505,500</u>	<u>\$ 552,500</u>	<u>\$ 47,000</u>	9.3%
Secretary of State				
Elections and Publications	\$ 712,800	\$ 805,200	\$ 92,400	13.0%
Uniform Commercial Code	259,000	350,500	91,500	35.3%
Business Services	1,061,300	1,548,900	487,600	45.9%
Administration	630,000	711,800	81,800	13.0%
Fiscal Operations	218,500	282,100	63,600	29.1%
Data Services	375,200	306,300	(68,900)	-18.4%
School District Elections		25,000	25,000	
Uniform Commercial Code Computerized Filing		500,000	500,000	
Computerized Central Voter Registration		1,053,500	1,053,500	
Total Secretary of State	<u>\$ 3,256,800</u>	<u>\$ 5,583,300</u>	<u>\$ 2,326,500</u>	71.4%
State Auditor	<u>\$ 872,000</u>	<u>\$ 1,094,600</u>	<u>\$ 222,600</u>	25.5%
State Treasurer	<u>\$ 326,300</u>	<u>\$ 1,026,500</u>	<u>\$ 700,200</u>	214.6%
Attorney General				
Public Administration	2,595,600	2,720,900	125,300	4.8%
Public Resources	7,453,100	9,988,900	2,535,800	34.0%
Public Assistance	4,110,400	5,241,700	1,131,300	27.5%
Public Protection	8,874,700	9,387,200	512,500	5.8%
Reserve Mining Bankruptcy Deficiency ^(a)	300,000		(300,000)	
Trunk Highway Legal Costs ^(a)	284,800		(284,800)	
Legal Policy and Administration	7,873,100	8,442,900	569,800	7.2%
Consumer Protection Education		20,000	20,000	
Health Club Registration		36,000	36,000	
Charitable Organization Registration		99,480	99,480	
General Reduction		(500,400)	500,400	
FY 1985 Carryforward	553,400		(553,400)	
Total Attorney General	<u>\$ 32,045,100</u>	<u>\$ 35,436,680</u>	<u>\$ 3,391,580</u>	10.6%
Constitutional Officers Retirement	<u>\$ 244,000</u>	<u>\$ 299,000</u>	<u>\$ 55,000</u>	22.5%
Investment Board	<u>\$ 2,975,200</u>	<u>\$ 3,202,900</u>	<u>\$ 227,700</u>	7.7%
Subtotal Constitutional Officers	<u>\$ 44,854,000</u>	<u>\$ 51,935,080</u>	<u>\$ 7,081,080</u>	15.8%
Federal Funds	<u>\$ 944,100</u>	<u>\$ 633,500</u>	<u>\$ (310,600)</u>	-32.9%
Total Constitutional Officers	<u>\$ 45,798,100</u>	<u>\$ 52,568,580</u>	<u>\$ 6,770,480</u>	14.8%
Administrative Services				
Office of Administrative Hearings	<u>\$ 3,584,000</u>	<u>\$ 5,723,100</u>	<u>\$ 2,139,100</u>	59.7%
Department of Administration^(c)				
Operations Management	\$ 7,881,300	\$ 7,148,400	\$ (732,900)	-9.3%
Information Management	15,367,100	12,226,500	(3,140,600)	-20.4%
Property Management	11,807,500	13,192,700	1,385,200	11.7%
Administrative Management	8,117,600	9,843,300	1,725,700	21.3%
World Trade Center Conference Center		315,000	315,000	
Total Department of Administration	<u>\$ 43,173,500</u>	<u>\$ 42,725,900</u>	<u>\$ (447,600)</u>	-1.0%
Capitol Area Architectural and Planning Board	<u>\$ 265,200</u>	<u>\$ 339,000</u>	<u>\$ 73,800</u>	27.8%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Department of Finance				
Accounting Operations	8,456,400	9,548,700	1,092,300	12.9%
Budget Analysis and Operations	2,824,000	3,418,400	594,400	21.0%
Fiscal Management and Administration	3,077,200	2,628,300	(448,900)	-14.6%
Rural Finance Administration	238,000	300,000	62,000	26.1%
Financial Package	72,500		(72,500)	
White Earth Land Transfer ^(a)	790,000		(790,000)	
Total Department of Finance	\$ 15,458,100	\$ 15,895,400	\$ 437,300	2.8%
Department of Employee Relations				
Administration	\$ 3,800	\$ 9,100	\$ 5,300	65.1%
Equal Opportunity	312,000	410,000	98,000	31.4%
Labor Relations	856,200	928,900	72,700	8.5%
Personnel	4,467,600	5,437,200	969,600	21.7%
Social Security Administrative Cost	118,000		(118,000)	
Teacher's Benefits Study		50,000	50,000	
Total Department of Employee Relations	\$ 8,097,600	\$ 10,695,200	\$ 2,597,600	32.1%
Department of Revenue ^(c)				
Revenue Management	\$ 30,733,000		\$ (30,733,000)	
Income Sales and Use Tax	39,019,100		(39,019,100)	
Property and Special Taxes	9,341,900		(9,341,900)	
Revenue Administration		\$ 23,990,000	23,990,000	
Tax Policy		5,689,500	5,689,500	
Taxpayer Services		15,146,100	15,146,100	
Operations		22,231,500	22,231,500	
County Property Tax Data Systems		3,900,000	3,900,000	
Assessors Board	163,500		(163,500)	
Omnibus Tax Bill—Administrative	196,600	672,000	475,400	241.8%
Delinquent Taxes and Seized Property	1,093,000	1,066,000	(27,000)	-2.5%
Tax Compliance Initiatives	3,274,500	45,206,800	41,932,300	1280.6%
Income Tax Model	120,000	30,000	(90,000)	-75.0%
Computerized Voter Registration		56,000	56,000	
Ethanol Development Credit	200,000	520,000	320,000	160.0%
Total Department of Revenue	\$ 84,141,600	\$ 118,507,900	\$ 34,366,300	40.8%
Total Administrative Services	\$ 154,720,000	\$ 193,886,500	\$ 39,166,500	25.3%
Agriculture				
Department of Agriculture				
Agricultural Protection Services	\$ 8,100,200	\$ 7,143,600	\$ (956,600)	-11.8%
Livestock Buyers Registration	300,000		(300,000)	
Agricultural Promotion and Marketing	2,544,500	858,000	(1,686,500)	-66.3%
Family Farm Security Program	9,215,800	4,189,600	(5,026,200)	-54.5%
Farm Crisis Assistance	441,500	577,800	136,300	30.9%
Family Farm Security Income Tax Adjustment	740,000		(740,000)	
Administration and Financial Aids Services	5,839,500	7,973,400	2,133,900	36.5%
Ethanol Fuel Use Promotion		200,000	200,000	
Agricultural Data Task Force	10,500	50,000	39,500	376.2%
Minnesota Grown Program		360,000	360,000	
Agricultural Land Preserve and Conservation		30,000	30,000	
Interstate Compact and Grain Marketing		50,000	50,000	
Livestock Productivity Study		50,000	50,000	
Reinvest in Minnesota		1,800,000	1,800,000	
African Famine Relief Grants	125,000		(125,000)	
FY 1985 Carryforward	233,700		(233,700)	
General Reduction		(380,000)	(380,000)	
Total Department of Agriculture	\$ 27,550,700	\$ 22,902,400	\$ (4,648,300)	-16.9%
Board of Water and Soil Resources	\$ 6,945,800	\$ 7,576,800	\$ 631,000	9.1%
Board of Animal Health	\$ 2,939,500	\$ 3,180,400	\$ 240,900	8.2%
Pseudorabies Control		185,000	185,000	
Animal Kennel and Dealer's Regulation		10,000	10,000	
Total Board of Animal Health	\$ 2,939,500	\$ 3,375,400	\$ 435,900	14.8%
Federal Funds	\$ 1,746,900	\$ 1,562,800	\$ (184,100)	-10.5%
Total Agriculture	\$ 39,182,900	\$ 35,417,400	\$ (3,765,500)	-9.6%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Resource Management				
Department of Natural Resources				
Administrative Management Services	\$ 12,050,900	\$ 11,057,100	\$ (993,800)	- 8.2%
Regional Operations Support	7,882,200	6,961,900	(920,300)	- 11.7%
Field Operations Support	11,496,800	16,421,400	4,924,600	42.8%
Water Resources Management	7,351,600	8,757,100	1,405,500	19.1%
Mineral Resources Management	7,857,600	7,555,600	(302,000)	- 3.8%
Forest Management	37,843,500	41,397,000	3,553,500	9.4%
Fish and Wildlife Management	45,203,300	51,720,200	6,516,900	14.4%
Parks and Recreation Management	23,403,400	28,184,500	4,781,100	20.4%
Enforcement	18,473,500	22,090,200	3,616,700	19.6%
Trails and Waterways Management	12,534,900	16,026,000	3,491,100	27.9%
Special Services and Programs	6,288,700	8,197,100	1,908,400	30.3%
Youth Programs	1,490,000	528,000	(962,000)	- 64.6%
Fish and Wildlife Research Center	100,000		(100,000)	
Flood Hazard Mitigation Grants		1,000,000	1,000,000	
Permanent School Fund Reimbursement		95,000	95,000	
Reinvest in Minnesota		1,200,000	1,200,000	
Rural Development				
Geological Mapping and Mineral Evaluation		1,000,000	1,000,000	
County Forestry Assistance Program		1,750,000	1,750,000	
Forestry Management		250,000	250,000	
General Reduction		(1,261,300)	(1,261,300)	
FY 1985 Carryforward	1,072,200		(1,072,200)	
Total Department of Natural Resources	193,048,600	222,929,800	29,881,200	15.5%
Zoological Board	\$ 9,302,600	\$ 9,302,600	\$	
Water Resources Board ^(c)	\$ 249,900		\$ (249,900)	
Pollution Control Agency				
Water Pollution	\$ 5,142,800	\$ 5,392,800	\$ 250,000	4.9%
Combined Sewer Overflow	13,500,000		(13,500,000)	
Wastewater Treatment Grants	41,600,000		(41,600,000)	
Clean Water Partnership Act		2,000,000	2,000,000	
Air Pollution	2,435,100	3,646,700	1,211,600	49.8%
Solid and Hazardous Waste	18,878,200	26,425,200	7,547,000	40.0%
Solid Waste Resource Recovery	600,000		(600,000)	
Solid and Hazardous Waste Management		791,800	791,800	
Petroleum Tank Release Clean-up		1,383,900	1,383,900	
General Support	2,639,500	4,549,400	1,909,900	72.4%
Koch Refinery Environmental Impact Statement ^(a)	490,000		(490,000)	
Lead Contamination Prevention	404,000		(404,000)	
FY 1985 Carryforward	35,000		(35,000)	
Total Pollution Control Agency	\$ 85,724,600	\$ 44,189,800	\$ (41,534,800)	- 48.5%
Waste Management Board	\$ 3,668,800	\$ 4,324,900	\$ 656,100	17.9%
Non-Hazardous/Industrial Waste Grants		800,000	800,000	
Total Waste Management Board	\$ 3,668,800	\$ 5,124,900	\$ 1,456,100	39.7%
Department of Trade and Economic Development				
Economic Development	\$ 6,088,800	\$ 6,111,200	\$ 22,400	.4%
Tourism	10,418,200	11,704,500	1,286,300	12.3%
Administration	1,499,100	1,681,300	182,200	12.2%
Community Development	16,810,800	17,283,700	472,900	2.8%
Science and Technology	2,782,300	1,813,000	(969,300)	- 34.8%
Financial Management	18,999,500	100,000	(18,899,500)	- 99.5%
Economic Diversification Assistance	8,800,000		(8,800,000)	
Policy Analysis	1,336,000	1,702,900	366,900	27.5%
Minnesota Trade Office	3,143,200	3,656,700	513,500	16.3%
Council on Productivity and Quality		200,000	200,000	
Industrial Development Bond Application Deposit				
Refunds	46,060	60,000	13,940	30.3%
Aitkin County Growth Fund		500,000	500,000	
Rural Development				
Rural Development Board Administration		600,000	600,000	
Rural Challenge Grants		1,200,000	1,200,000	
Greater Minnesota Corporation		10,000,000	10,000,000	
Public Facilities Authority		800,000	800,000	
Urban Revitalization Program		9,000,000	9,000,000	
Agriculture and Economic Development Board		400,000	400,000	

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
FY 1985 Carryforward	32,200		(32,200)	
Total Energy and Economic Development	\$ 69,956,160	\$ 66,813,300	\$ (3,142,860)	-4.5%
World Trade Center Board	\$ 1,802,600		\$ (1,802,600)	
FY 1985 Carryforward	43,300		(43,300)	
Total World Trade Center Board	\$ 1,845,900	\$	\$ (1,845,900)	
State Planning Agency	\$ 9,873,000	\$ 10,505,000	\$ 632,000	6.4%
Low-level Radioactive Waste Siting		1,320,000	1,320,000	
Pipeline Safety		73,000	73,000	
FY 1985 Carryforward	5,800		(5,800)	
Total State Planning Agency	\$ 9,878,800	\$ 11,898,000	\$ 2,019,200	20.4%
Minnesota Housing Finance Agency	\$ 24,006,700	\$ 19,053,400	\$ (4,953,300)	-20.6%
Natural Resources Acceleration				
Department of Natural Resources	\$ 8,605,000	\$ 6,017,000	\$ (2,588,000)	-30.1%
Pollution Control Agency	1,455,000	983,000	(472,000)	-32.4%
Department of Trade and Economic Development ..	3,900,000		(3,900,000)	
State Planning		1,025,000	1,025,000	
Department of Health	900,000		(900,000)	
Department of Agriculture	95,000	490,000	395,000	415.8%
University of Minnesota	2,500,000	3,856,000	1,356,000	54.2%
Aeromagnetic Mapping	800,000	800,000		
Accelerated Soil Survey	2,450,000	1,400,000	(1,050,000)	-42.9%
State University Board		100,000	100,000	
Minnesota Historical Society	345,000	350,000	5,000	1.4%
Federal Reimbursement Account	920,000	1,000,000	80,000	8.7%
General Reduction	(5,000,000)	(604,800)	4,395,200	-87.9%
Total Natural Resources Acceleration	\$ 16,970,000	\$ 15,416,200	\$ (1,553,800)	-9.2%
Subtotal Resource Management	\$ 414,652,060	\$ 394,728,000	\$ (19,924,060)	-4.8%
Federal Funds	\$ 79,575,700	\$ 76,691,300	\$ (2,884,400)	-3.6%
Total Resource Management	\$ 494,227,760	\$ 471,419,300	\$ (22,808,460)	-4.6%
Protection of Persons and Property				
Department of Public Safety				
Administration and Related Services	\$ 5,761,900	\$ 8,095,100	\$ 2,333,200	40.5%
Emergency Services	1,497,800	1,773,300	275,500	18.4%
Criminal Apprehension	20,474,900	22,385,300	1,910,400	9.3%
Fire Safety	3,287,900	3,600,600	312,700	9.5%
State Patrol	65,209,300	68,831,600	3,622,300	5.6%
Capitol Security	698,400	2,556,500	1,858,100	266.1%
Driver and Vehicle Licensing	54,577,900	52,394,700	(2,183,200)	-4.0%
Liquor Licensing	1,282,700	1,379,200	96,500	7.5%
Ancillary Services	1,645,300	3,037,600	1,392,300	84.6%
Crime Victims Reparations Deficiency ^(a)	900,000		(900,000)	
Attorney General Legal Services	1,500,000		(1,500,000)	
Child Protection Worker Training	156,000		(156,000)	
Hazardous Substance Training Certification	15,000		(15,000)	
Child Abuse Prevention	75,000	200,000	125,000	166.7%
Fleet Registration of Vehicles	10,350		(10,350)	
Motorized Bicycle Safety Course		20,000	20,000	
Pipeline Safety		345,300	345,300	
Computerized Voter Registration		80,492	80,492	
School Bus Driver Training		50,000	50,000	
General Reduction		(175,000)	(175,000)	
Total Department of Public Safety	\$ 157,092,450	\$ 164,574,692	\$ 7,482,242	4.8%
Department of Commerce ^(c)				
Financial Examinations	\$ 5,463,000	\$ 7,959,400	\$ 2,496,400	45.7%
Bank Examination Deficiency ^(a)	189,200		(189,200)	
Registration and Analysis	2,896,700	3,413,200	516,500	17.8%
Policy Analysis and Insurance	3,334,500		(3,334,500)	
Administrative Services	2,874,300	3,254,900	380,600	13.2%
Enforcement and Licensing	2,129,100	4,711,300	2,582,200	121.3%
Farm Loan Interest Buy-down Program	22,000,000	62,000	(21,938,000)	-99.7%
Farm Loan Interest Buy-down Deficiency ^(a)	14,000,000		(14,000,000)	
Petroleum Tank Release Clean-up		138,200	138,200	
FY 1985 Carryforward	1,372,000		(1,372,000)	
Total Department of Commerce	\$ 54,258,800	\$ 19,539,000	\$ (34,719,800)	-64.0%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Non-Health Related Boards	\$ 1,397,700	\$ 1,782,100	\$ 384,400	27.5%
Board of Electricity ^(a)	\$ 1,468,200		\$ (1,468,200)	
Board of Peace Officer Standards & Training	\$ 2,906,900	\$ 6,900,000	\$ 3,993,100	137.4%
Public Utilities Commission	\$ 2,646,400	\$ 3,638,500	\$ 992,100	37.5%
Department of Public Service	\$ 10,602,100	\$ 12,532,800	\$ 1,930,700	18.2%
Motor Oil Retailer Inspection		7,200	7,200	
Gas Utility Flexible Tariff Study		10,000	10,000	
Total Department of Public Service	\$ 10,602,100	\$ 12,550,000	\$ 1,947,900	18.4%
Racing Commission	1,654,900	1,772,700	117,800	7.1%
Charitable Gambling Control Board	\$ 1,000,000	\$ 1,303,100	\$ 303,100	30.3%
Ethical Practices Board	\$ 398,500	\$ 439,600	\$ 41,100	10.3%
Department of Labor and Industry				
Employment Standards	\$ 1,716,000	\$ 1,817,300	\$ 101,300	5.9%
Workers' Compensation Regulation and Enforcement	6,257,200	8,085,200	1,828,000	29.2%
Workers' Compensation State Employee Claims	3,619,000	3,485,900	(133,100)	-3.7%
State Employee Claims Deficiency ^(a)	1,032,000		(1,032,000)	
Workers' Compensation Special Compensation Fund	6,418,100	7,808,600	1,390,500	21.7%
Code Enforcement	2,266,900	2,705,400	438,500	19.3%
OSHA 54	2,277,100	2,472,600	195,500	8.6%
General Support	4,110,700	4,466,500	355,800	8.7%
Information Management Services	1,921,400	2,337,000	415,600	21.6%
Total Department of Labor and Industry	\$ 29,618,400	\$ 33,178,500	\$ 3,560,100	12.0%
Workers' Compensation Court of Appeals	\$ 936,800	\$ 1,493,700	\$ 556,900	59.4%
Court of Appeals Deficiency ^(a)	18,300		(18,300)	
Total Workers' Compensation Court of Appeals ..	\$ 955,100	\$ 1,493,700	\$ 538,600	56.4%
Bureau of Mediation Services	\$ 2,483,900	\$ 3,188,700	\$ 704,800	28.4%
Public Employment Relations Board	\$ 112,800	\$ 121,100	\$ 8,300	7.4%
Department of Military Affairs				
Maintenance of Military Training Facilities	\$ 8,840,300	\$ 9,972,800	\$ 1,132,500	12.8%
General Support	2,497,400	2,631,700	134,300	5.4%
Total Department of Military Affairs	\$ 11,337,700	\$ 12,604,500	\$ 1,266,800	11.2%
Department of Veterans Affairs				
Veterans Benefits and Services	\$ 4,853,000	\$ 4,971,600	\$ 118,600	2.4%
Veterans Homes	20,554,300	25,833,500	5,279,200	25.7%
Veterans Affairs Deficiency ^(a)	395,000		(395,000)	
Total Department of Veterans Affairs	\$ 25,802,300	\$ 30,805,100	\$ 5,002,800	19.4%
Department of Human Rights	\$ 4,573,800	\$ 5,167,800	\$ 594,000	13.0%
Indian Affairs Council	\$ 517,000	\$ 638,200	\$ 121,200	23.4%
Council on Black Minnesotans	\$ 244,000	\$ 317,400	\$ 73,400	30.1%
Council on Asian-Pacific Minnesotans	\$ 150,000	\$ 280,000	\$ 130,000	86.7%
Council for the Handicapped	\$ 754,600	\$ 858,400	\$ 103,800	13.8%
Council on Affairs of Spanish-Speaking People	\$ 243,400	\$ 288,800	\$ 45,400	18.7%
Subtotal Protection of Persons and Property	\$ 310,218,950	\$ 301,441,892	\$ (8,777,058)	-2.8%
Federal Funds	\$ 31,657,000	\$ 34,344,500	\$ 2,687,500	8.5%
Total Protection of Persons and Property	\$ 341,875,950	\$ 335,786,392	\$ (6,089,558)	-1.8%
Semi-State Activities				
Minnesota Municipal Board	\$ 431,000	\$ 471,100	\$ 40,100	9.3%
Minnesota-Wisconsin Boundary Area Commission	\$ 149,700	\$ 198,700	\$ 49,000	32.7%
Uniform Laws Commission	\$ 24,300	\$ 27,200	\$ 2,900	11.9%
Voyageurs National Park Citizens Committee	\$ 113,900	\$ 140,000	\$ 26,100	22.9%
Minnesota Historical Society				
Historical Society Operations	\$ 16,762,400	\$ 17,376,400	\$ 614,000	3.7%
Repair and Replacement	648,600	648,000	(600)	-.1%
Historic Grant-In-Aid	693,800	572,200	(121,600)	-17.5%
Fiscal Agent	265,800	474,200	208,400	78.4%
State History Center		362,600	362,600	
Total Minnesota Historical Society	\$ 18,370,600	\$ 19,433,400	\$ 1,062,800	5.8%

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium	Percent Change
Board of the Arts	\$ 5,494,800	\$ 6,060,200	\$ 565,400	10.3%
Minnesota Humane Society	\$ 48,000		\$ (48,000)	
Minnesota Horticultural Society	\$ 135,800	\$ 134,400	\$ (1,400)	-1.0%
Minnesota Academy of Science	\$ 41,100	\$ 56,200	\$ 15,100	36.7%
Science Museum of Minnesota	\$ 842,100	\$ 1,036,100	\$ 194,000	23.0%
Minnesota Safety Council	\$ 101,400	\$ 101,400	\$	
Disabled American Veterans	\$ 50,000		\$ (50,000)	
Veterans of Foreign Wars	\$ 60,000	\$ 60,000	\$	
Subtotal Semi-State Activities	\$ 25,862,700	\$ 27,718,700	\$ 1,856,000	7.2%
Federal Funds	\$ 1,753,400	\$ 1,769,600	\$ 16,200	.9%
Total Semi-State Activities	\$ 27,616,100	\$ 29,488,300	\$ 1,872,200	6.8%
Total—Other State Government Functions	\$ 1,237,481,210	\$ 1,265,703,272	\$ 28,222,062	2.3%
Miscellaneous				
Salary Supplement				
General Compensation Increases	\$ 63,817,100	\$ 63,062,000	\$ (755,100)	-1.2%
Constitutional Officers, Judges and Agency Heads	1,451,000		(1,451,000)	
Comparability Adjustments	11,785,000		(11,785,000)	
Fair Labor Standards Act Adjustments	12,500,000		(12,500,000)	
Total Salary Supplement	\$ 89,553,100	\$ 63,062,000	\$ (26,491,100)	-29.6%
General Contingent Accounts				
General Fund	3,830,000	1,500,000	(2,330,000)	-60.8%
Game and Fish Fund	150,000		(150,000)	
Trunk Highway Fund	800,000	400,000	(400,000)	-50.0%
Highway User Tax Distribution Fund	500,000	250,000	(250,000)	-50.0%
Special Revenue		500,000	500,000	
Workers' Compensation		200,000	200,000	
FY 1985 Carryforward	148,100		(148,100)	
Total General Contingent Accounts	\$ 5,428,100	\$ 2,850,000	\$ (2,578,100)	-47.5%
Debt Service				
Special Obligation Bonds Debt Service	\$ 292,364,000	\$ 274,000,000	\$ (18,364,000)	-6.3%
Beginning Farmer Loan Program Debt Service		15,103,239	15,103,239	
		270,000	270,000	
Capital Improvements (Non-Bonded)	10,587,000	22,339,300	11,752,300	111.0%
Amateur Sports Commission		330,700	330,700	
Tort Claims	1,693,200	1,837,000	143,800	8.5%
Claims Against the State	418,329	25,737	(392,592)	-93.8%
R. A. Weber Compensation	2,400	2,400		
Campaign Fund Checkoff	1,880,000	800,000	(1,080,000)	-57.4%
Retirements				
MSRS Supplemental Benefits	76,000	46,000	(30,000)	-39.5%
Public Employees Retirement Association	60,000	60,000		
Pre-1973 Retirement Adjustment	11,429,317	10,899,000	(530,317)	-4.6%
Revolving Funds Loan	1,000,000	1,000,000		
Region 3 Occupation Tax Distribution	683,100	569,300	(113,800)	-16.7%
National Guard	1,400,000		(1,400,000)	
Iron Range Resources and Rehabilitation Board		4,000,000	4,000,000	
Subtotal Miscellaneous	\$ 416,574,546	\$ 397,194,676	\$ (19,379,870)	-4.7%
Miscellaneous Federal Funds	\$ 2,780,000	\$ 3,300,000	\$ 520,000	18.7%
Total Miscellaneous	\$ 419,354,546	\$ 400,494,676	\$ (18,859,870)	-4.5%
Total Appropriations—State Funds	\$12,178,936,269	\$13,132,378,058	\$ 953,441,789	7.8%
Total Appropriations—Federal Funds	\$ 3,702,768,600	\$ 3,841,952,000	\$ 139,183,400	3.8%
GRAND TOTAL	\$15,881,704,869	\$16,974,330,058	\$1,092,625,189	6.9%

(a) This amount was appropriated by the 1987 Legislature for fiscal year 1987.

(b) This does not include expenditures of locally collected mortgage registry and deed taxes designated to offset the state's share of AFDC payments. This amount is \$58.6 million in fiscal years 1986 and 1987 and \$128.7 million in fiscal years 1988 and 1989.

(c) This department's budget was reorganized for the 1987-89 biennium. Activities have been shifted between programs so that program-level comparisons are not meaningful.

(d) Appropriations for these three programs include the federal funds as indicated. A breakdown of the distribution of these federal funds among the programs is not available.

(e) The budget for this program was shifted to an open appropriation and is no longer appropriated directly by the Legislature.

Table C
Summary of Appropriations by Fund
1987 Regular and Special Session
Fiscal Years 1988-89

Fund	Appropriation
General Fund	\$10,488,372,427
General Dedicated	907,822,400
Tobacco Tax Revenue and Sports & Health Club Sales Tax	15,103,239
Special Revenue ^(a)	117,659,300
Game and Fish	74,798,900
Environmental Response	8,150,000
Metro Landfill Abatement	2,268,000
Metro Landfill Contingency	1,120,200
Minnesota Resources ^(b)	16,241,000
Public Health	16,595,800
Workers' Compensation	23,821,200
Water Pollution Control	15,081,600
State Airports	22,617,800
Municipal State Aid Streets ^(a)	116,500,000
County State Aid Highway ^(a)	363,600,000
Trunk Highway ^(a)	828,255,292
Transit Assistance	8,950,000
Highway Users	23,421,300
Motor Vehicle Transfer	4,623,400
Permanent School Fund	58,500,100
Children's Trust Fund	200,000
Water Recreation Fund	14,613,900
Economic Development Fund	10,713,000
Rural Rehabilitation Fund	3,500,000
Solid and Hazardous Waste Fund	1,599,000
Petroleum Tank Clean-up Fund	802,900
Transfers to Other Direct	(13,397,500)
Subtotal State Funds ^(c)	<u>\$13,131,858,058</u>
Federal	<u>\$ 3,841,952,000</u>
Total State and Federal	<u>\$16,973,810,058</u>

^(a) Money transferred into these funds from the general fund are general fund appropriations. Specifically this is \$22,300,000 transportation funds and \$1,600,000 in the special revenue fund.

^(b) The \$324,800 transferred from the Minnesota Resources Fund to the general fund is included in the Minnesota Resources Fund.

^(c) This total is \$520,000 lower than that shown in Tables A and B. This amount was appropriated both to highway development and to the ethanol development fund.

Table D
General Fund Resources and Appropriations, 1987-89 Biennium

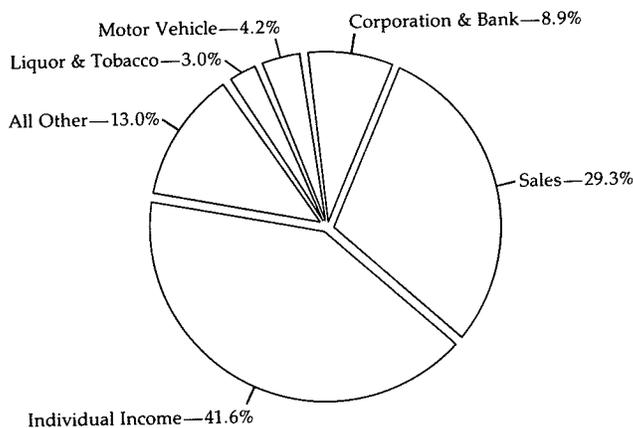
	1987-89 Biennium
Estimated Resources	
Adjusted Balance Forward	\$ 291,075,200 (5/28/87)
Taxes and Receipts (Before 1987 Law Changes)	
Individual Income	5,669,900,000
Corporation and Bank Income	991,600,000
Sales Tax—General	3,046,300,000
Motor Vehicle Excise	446,100,000
Estate Tax	18,585,000
Liquor, Wine and Beer	103,535,600
Cigarettes and Tobacco Products	138,224,300
Iron Ore Occupation	450,000
Taconite Occupation	7,000,000
Royalty Taxes	5,804,500
Insurance Gross Premiums	200,139,000
Telephone, Railroad and Other Gross Earnings	64,112,600
Legalized Gambling Taxes	33,054,600

	1987-89 Biennium
Departmental Earnings	90,000,000
Investment Income	67,000,000
Income Tax Reciprocity	34,300,000
Other Non-Dedicated Revenue	71,600,000
Department of Human Services Federal Reimbursement	38,108,100
Tax Compliance	78,403,200
Total Non-Dedicated Revenue	<u>\$11,104,216,900</u>
Revenue Refunds	\$(1,109,200,000)
Regular Income Tax Refunds	(203,200,000)
Corporate Income Tax Refunds	(39,126,500)
Sales Tax Refunds	(30,421,000)
Other Refunds	(30,421,000)
Total	<u>\$(1,381,947,500)</u>
Transfers from Other Funds	\$ 4,894,600
Other Special Revenue Funds	272,000
All Other Transfers	1,560,600
Administration Revolving Fund Retained Earnings	19,318,200
New Legislation Transfers	19,318,200
Total Transfers from Other Funds	<u>\$ 26,045,400</u>
Dedicated Revenue	\$ 252,679,000
U of M Tuition and Fees	59,577,700
Community Colleges Tuition and Fees	125,112,900
State University Tuition and Fees	132,717,000
Medical Assistance Reimbursements from Counties	312,104,300
Medical Assistance Payments to Hospitals	25,631,100
Miscellaneous Dedicated	25,631,100
Totals	<u>\$ 907,822,000</u>
Dedicated Expenditures	\$ (252,679,000)
U of M Tuition and Fees	(59,577,700)
Community Colleges Tuition and Fees	(125,112,900)
State University Tuition and Fees	(132,717,000)
Medical Assistance Reimbursements from Counties	(312,104,300)
Medical Assistance Payments to Hospitals	(25,631,100)
Miscellaneous Dedicated	(25,631,100)
Totals	<u>\$ (907,822,000)</u>
Tax and Receipts Changes—1987 Session	\$ 190,300,000
Corporate Income	208,000,000
Sales Tax—General	15,900,000
Motor Vehicle Excise Tax	15,500,000
Liquor, Wine and Beer	75,700,000
Cigarette and Tobacco Products	24,500,000
Insurance Gross Premiums	97,700,000
Telephone Gross Earnings	20,100,000
Railroad and Barge Fuel Excise	7,194,200
Departmental Earnings	7,194,200
Totals	<u>\$ 654,894,200</u>
Total Taxes, Receipts and Transfers	\$11,130,262,300
Total Refunds	(1,381,947,500)
Dedicated Revenue	907,822,000
Dedicated Expenditures	(907,822,000)
Total Session Changes	<u>654,894,200</u>
Total Estimated Resources	<u>\$10,694,284,200</u>
(Including Carry-Forward)	<u>\$10,694,284,200</u>
Estimated Expenditures	
Omnibus Appropriation Bills	\$ 2,970,436,810
Education—School Aids	1,654,024,100
Other than School Aids	178,925,400
Transportation and Semi-State Activities	2,216,546,800
Human Services, Corrections and Health	675,160,500
State Departments	675,160,500
Total Omnibus Bills	<u>\$ 7,695,093,610</u>

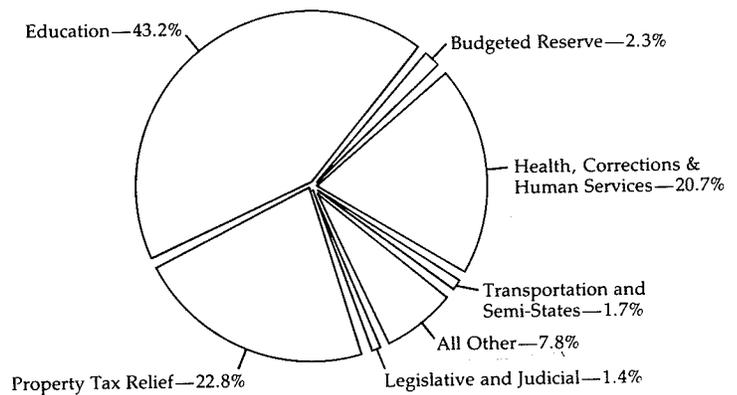
	1987-89 Biennium
Other Appropriations	\$ 73,552,917
Open and Standing Appropriations	
Aids and Credits	\$ 2,443,966,000
Debt Service	274,000,000
Other Open and Standing	2,084,700
Total Open and Standing	\$ 2,720,050,700
Total Appropriation Liability	\$10,488,697,227
Less Estimated Cancellations	(40,000,000)
Net Appropriation Liability	\$10,448,697,227
Funded Budget Reserve	\$ 250,000,000
Estimated General Fund Balance, June 30 ^(a)	\$ (4,413,027)

^(a) Budget is fully funded in spite of the apparent negative general fund balance because of the budget reserve.

NON-DEDICATED GENERAL FUND 1987-89 BIENNIUM



ESTIMATED RESOURCES
\$10,694,284,200



TOTAL APPROPRIATIONS AND RESERVE FUND
\$10,698,697,227

Table E
Omnibus Appropriation Bills 1987 Legislative Session

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) From Prior Biennium	Percent Change
State Departments	\$ 650,653,900	\$ 675,160,500 ^(a)	\$ 24,506,600	3.8%
Education Aids	2,520,147,698	2,970,436,810 ^(b)	450,289,112	17.9%
Higher Education	1,499,786,500	1,654,024,100 ^(b)	154,237,600	10.3%
Human Services, Corrections and Health ^(d)	2,053,022,600	2,216,546,800	163,524,200	8.0%
Transportation/Semi-States	176,255,300	178,925,400 ^(c)	2,670,100	1.5%
Deficiencies	9,245,000			
Total	\$6,909,110,998^(d)	\$7,695,093,610^(d)	\$795,227,612	11.5%

^(a) Prior to the 1987-89 biennium, the appropriation for debt service was in the State Departments bill.

^(b) Prior to the 1987-89 biennium, the appropriation for the Department of Education was in the Higher Education bill.

^(c) These totals include general fund moneys transferred to other funds.

^(d) This does not include expenditures of locally collected mortgage registry and deed taxes designated to offset the state's share of AFDC payments. This amount is \$58.6 million for the 1985-87 biennium and the \$128.7 million for the 1987-89 biennium.

Table F
Miscellaneous General Fund Appropriation Bills
1987 Legislative Sessions

These are the appropriation bills passed in addition to the omnibus appropriation bills for Human Services, Transportation, Education, Education Aids, and State Departments. Only the general fund appropriations are included. These bills, plus the

omnibus appropriation bills and the open and standing appropriations added together, total the general fund appropriations for the biennium. Non-general fund spending is outlined by chapter and general purpose in Table I.

		FY 1987	
Chapter			
15	Farm Bill		\$31,000,000
		FY 1988-89	
Regular Session			\$ (33,700)
226	Forest Management Services		12,737
251	Claims Bill		5,402,000
268	Tax Bill		400,000
274	Fond du Lac Higher Education Center		23,800
303	Asbestos Abatement Act		315,000
312	World Trade Center Conference Center		95,000
323	Timber Permit Cancellation		99,480
336	Omnibus Securities Act		39,000
352	Ombudsman for Mental Health		418,300
353	Pipeline Safety Act		500,000
356	Uniform Commercial Code Data System		3,000,000
357	Reinvest in Minnesota		56,000
361	Computerized Voter Registration		36,000
367	Health Club Registration		95,000
370	Client Advisory Committee		10,000
371	Flexible Gas Rates Study		516,600
378	Home Health Care Licensure		50,000
379	School Bus Driver Training		10,000
380	Animal Research		25,000,000
386	Rural Development		47,000
388	Employer Drug Testing Regulation		719,200
389	Petroleum Tank Clean-up		4,051,000
396	Omnibus Agriculture Bill		6,146,200
400	Capital Improvements		
Special Session			\$ 75,000
4	Revisor's Correction Bill		\$47,083,617
	Total FY 1987 and FY 1988-89		

Table G
Open and Standing Appropriations, Fiscal Years 1988 and 1989

	Fiscal Year 1988	Fiscal Year 1989	1987-89 Biennium
Aids and Credits			
Property Tax Refund			
Homeowners	\$ 37,700,000	\$ 37,100,000	\$ 74,800,000
Renters	77,500,000	87,900,000	165,400,000
Subtotal	\$ 115,200,000	\$ 125,000,000	\$ 240,200,000
Agricultural Credit	117,808,000	103,486,000	221,294,000
Aid to Local Government	324,351,000	324,539,000	648,890,000
Attached Machinery Aid	3,218,000	3,218,000	6,436,000
Homestead Credit	599,424,000	611,730,000	1,211,154,000
Supplemental Homestead Property Tax Relief	931,000	891,000	1,822,000
Aid to Police and Fire	29,745,000	29,745,000	59,490,000
Wetlands Property Tax Reduction	555,000	546,000	1,101,000
Native Prairie Credit	174,000	173,000	347,000
Payments in Lieu of Taxes on DNR Land	4,500,000	4,500,000	9,000,000
Agricultural Preservation Credit	47,000		47,000
Enterprise Zone Credit	1,051,000	1,051,000	2,102,000
Enterprise Zone Credit—Border Cities		2,000,000	2,000,000
Regional Transit Board Levy Reduction	1,952,000	2,100,000	4,052,000
Small Business Credit		23,587,000	23,587,000
Income Maintenance Disparity Aid		12,444,000	12,444,000
Total Aids and Credits	\$1,198,956,000	\$1,245,010,000	\$2,443,966,000
Other Open and Standing	1,043,600	1,041,100	2,084,700
Debt Service—Capital Budget	130,000,000	144,000,000	274,000,000
Total Open and Standing	\$1,329,999,600	\$1,390,051,100	\$2,720,050,700

Table H
Federal Funds—1987-89 Biennium

	Fiscal Years 1986-87	Fiscal Years 1988-89	Increase or (Decrease) Prior Biennium
Education	\$ 301,362,500	\$ 334,116,600	\$ 32,754,100
Human Services, Corrections and Health			
Human Services	1,905,547,900	2,094,564,300	189,016,400
Jobs and Training	450,049,800	441,221,100	(8,828,700)
Corrections	1,213,800	2,823,200	1,609,400
Health	71,606,600	81,573,200	9,966,600
Transportation			
Trunk Highway Development	432,000,000	429,000,000	(3,000,000)
Transportation Operations	61,346,000	60,000,000	(1,346,000)
County Road and Bridge	311,500,000	229,000,000	(82,500,000)
Other Transportation	49,684,900	51,351,900	1,667,000
Other State Government Functions			
Constitutional Officers	944,100	633,500	(310,600)
Agriculture	1,746,900	1,562,800	(184,100)
Resource Management	79,575,700	76,691,300	(2,884,400)
Protection of Persons and Property	31,657,000	34,344,500	2,687,500
Semi-State Activities	1,753,400	1,769,600	16,200
Miscellaneous	2,780,000	3,300,000	520,000
	\$3,702,768,600	\$3,841,952,000	\$139,183,400

Table I
Direct Legislative Appropriations
by Fund, by Year

Regular Session						
Chapter	Fund	1987	1988	1989	Biennial Total	Total Including 1987
General Fund						
15	Farm Bill	\$ 31,000,000	\$	\$	\$	\$ 31,000,000
226	Forest Management Services		(16,800)	(16,900)	(33,700)	(33,700)
251	Claims Bill		12,737		12,737	12,737
268	Tax Bill	58,000	5,099,000	303,000	5,402,000	5,460,000
274	Fond du Lac Higher Education Center		200,000	200,000	400,000	400,000
303	Asbestos Abatement Act		23,800		23,800	23,800
311	World Trade Center Conference Center		135,000	180,000	315,000	315,000
323	Timber Permit Cancellation		95,000		95,000	95,000
336	Ombibus Securities Act		65,066	34,414	99,480	99,480
352	Ombudsman for Mental Health		39,000		39,000	39,000
353	Pipeline Safety Act		257,400	160,900	418,300	418,300
356	Uniform Commercial Code Data System		500,000		500,000	500,000
357	Reinvest in Minnesota		3,000,000		3,000,000	3,000,000
358	Semi-States	1,089,200	89,787,200	89,138,200	178,925,400	180,014,600
361	Computerized Voter Registration		56,000		56,000	56,000
367	Health Club Registration		18,500	17,500	36,000	36,000
370	Client Advisory Committees		95,000		95,000	95,000
371	Flexible Gas Rates Study		10,000		10,000	10,000
378	Home Health Care Licensure		191,600	325,000	516,600	516,600
379	School Bus Driver Training		25,000	25,000	50,000	50,000
380	Animal Research		10,000		10,000	10,000
386	Rural Development		18,500,000	6,500,000	25,000,000	25,000,000
388	Employer Drug Testing Regulation		47,000		47,000	47,000
389	Petroleum Tank Clean-up		719,200		719,200	719,200
396	Omnibus Agriculture Bill		3,401,000	650,000	4,051,000	4,051,000
398	Education Aids		1,467,236,755	1,503,200,055	2,970,436,810	2,970,436,810
400	Capital Improvements		6,146,200		6,146,200	6,146,200
401	Higher Education	2,910,500	810,380,600	843,643,500	1,654,024,100	1,656,934,600
403	Human Services	1,919,400	1,083,715,000	1,132,831,800	2,216,546,800	2,218,466,200
404	State Departments	3,325,900	329,731,800	345,428,700	675,160,500	678,486,400
Trunk Highway Fund						
251	Claims Bill		13,000		13,000	13,000
269	Motorized Bicycle Safety		20,000		20,000	20,000
358	Semi-States		426,724,900	439,769,000	866,493,900	866,493,900
361	Computerized Voter Registration		80,492		80,492	80,492
393	Hazardous Waste Transportation		75,000	78,000	153,000	153,000
398	Education Aids		20,700	20,700	41,400	41,400
400	Capital Improvements		15,224,200		15,224,200	15,224,200
403	Human Services		536,000	535,400	1,071,400	1,071,400
404	State Departments	284,800	5,146,400	10,371,500	15,517,900	15,802,700
Game and Fish Fund						
404	State Departments		36,761,700	38,037,200	74,798,900	74,798,900
Special Revenue Fund						
226	Forest Management Services		16,800	16,900	33,700	33,700
266	School District Elections		25,000		25,000	25,000
311	Low-level Radioactive Waste Siting		660,000	660,000	1,320,000	1,320,000
345	Chiropractic Regulation		44,000		44,000	44,000
347	Social Work and Mental Health Board		835,000		835,000	835,000
354	Council on Disability		10,000		10,000	10,000
358	Semi-States		4,310,400	4,660,400	8,970,800	8,970,800

Regular Session

Chapter	Fund	1987	1988	1989	Biennial Total	Total Including 1987
361	Computerized Voter Registration		1,053,500		1,053,500	1,053,500
366	Consumer Education		20,000		20,000	20,000
400	Capital Improvements		330,700		330,700	330,700
403	Human Services		3,642,100	3,661,100	7,303,200	7,303,200
404	State Departments	395,000	49,915,100	49,398,300	99,313,400	99,708,400
Highway Users Fund						
358	Semi-States		9,690,500	9,770,700	19,461,200	19,461,200
400	Capital Improvements		535,900		535,900	535,900
404	State Departments		1,637,100	1,787,100	3,424,200	3,424,200
358	Semi-States		58,750,000	59,250,000	118,000,000	118,000,000
County State Aid Highway Fund						
358	Semi-States		183,550,000	184,915,000	368,465,000	368,465,000
State Airports Fund						
358	Semi-States		10,910,800	11,707,000	22,617,800	22,617,800
Motor Vehicle Transfer Fund						
358	Semi-States		868,800	868,800	1,737,600	1,737,600
404	State Departments		1,675,400	1,210,400	2,885,800	2,885,800
Transit Assistance Fund						
358	Semi-States		7,100,000	7,425,000	14,525,000	14,525,000
Ethanol Development Fund						
358	Semi-States		260,000	260,000	520,000	520,000
390	Ethanol Development Promotion		100,000	100,000	200,000	200,000
Water Pollution Control Fund						
306	Flood Hazard Mitigation Grants		1,000,000		1,000,000	1,000,000
392	Clean Water Partnership Act ...		1,652,000	348,000	2,000,000	2,000,000
404	State Departments		5,386,800	6,694,800	12,081,600	12,081,600
Water Recreation Fund						
404	State Departments		7,265,200	7,348,700	14,613,900	14,613,900
Environmental Fund						
404	State Departments		4,078,900	4,071,100	8,150,000	8,150,000
Metro Landfill Abatement Fund						
404	State Departments		1,134,000	1,134,000	2,268,000	2,268,000
Metro Landfill Contingency Fund						
403	Human Services		140,100	140,100	280,200	280,200
404	State Departments		670,000	170,000	840,000	840,000
Minnesota Resources Fund						
404	State Departments		8,114,000	8,127,000	16,241,000	16,241,000
Public Health Fund						
398	Education Aids		693,000	719,600	1,412,600	1,412,600
403	Human Services		7,403,000	7,344,200	14,747,200	14,747,200
404	State Departments		218,000	218,000	436,000	436,000
Economic Development Fund						
386	Rural Development		1,100,000	900,000	2,000,000	2,000,000
404	State Departments		4,342,000	4,371,000	8,713,000	8,713,000
Rural Rehabilitation Fund						
386	Rural Development		3,500,000		3,500,000	3,500,000
Permanent School Fund						
398	Education Aids		29,000,000	29,000,000	58,000,000	58,000,000
404	State Departments		311,100	189,000	500,100	500,100
Solid and Hazardous Waste Fund						
348	Solid and Hazardous Waste Disposal		795,200	803,800	1,599,000	1,599,000
Petroleum Tank Clean-up Fund						
389	Petroleum Tank Clean-up			802,900	802,900	802,900

Regular Session						
Chapter	Fund	1987	1988	1989	Biennial Total	Total Including 1987
Workers' Compensation Special Fund						
400	Capital Improvements		433,000		433,000	433,000
404	State Department	18,300	11,826,800	11,561,400	23,388,200	23,406,500
Special Session						
General Fund						
4	Revisor's Correction Bill		75,000		75,000	75,000
Children's Trust Fund						
4	Revisor's Correction Bill		100,000	100,000	200,000	200,000

Table J
Bonding Authorization
1987 Sessions

Supreme Court			
Drawings and construction of judicial building	\$ 32,500,000		
Administration			
Asbestos removal and handicapped access	4,000,000		
Capitol and State Office Building restoration	6,319,000		
Centennial Building remodeling	2,700,000		
Other Capitol area building restoration ..	2,356,300		
Governor's Residence	181,500		
State Office Building parking ramp	3,100,000		
Minnesota Telecenter construction	1,000,000		
Rainy River College arbitration award ...	435,000		
Learning Center for the Arts	4,000,000		
Capitol Area Architectural and Planning Board	300,000		
Natural Resources			
Natural habitat and park acquisition	4,700,000		
Park and trail betterment	8,000,000		
Cloquet Interpretive Center	275,000		
Kettle River Interpretive Center	220,000		
Dam and dike projects	3,000,000		
Reinvest in Minnesota	10,000,000		
Hibbing Core Library	250,000		
Construction of New Ulm Regional Center	325,000		
Waste Management Board			
Grants to local projects for solid waste disposal alternatives	4,000,000		
Pollution Control Agency			
Wastewater treatment facilities	47,000,000		
Combined sewer overflow	16,547,000		
Federal revolving loan match	3,200,000		
Energy and Economic Development			
Metropolitan recreational open space	15,500,000		
Local recreational grants	2,500,000		
Blaine Stadium and Training Center	14,700,000		
Olympic Swimming Center	3,000,000		
Great River Road Project	3,000,000		
Regional rail assistance	2,000,000		
Duluth Zoo	4,000,000		
Duluth Port Authority	350,000		
Duluth Convention Center	1,200,000		
IRRRB			
Giant's Ridge Ski Center	2,200,000		
Military Affairs			
Camp Ripley armory roof repair	2,500,000		
Veterans Affairs			
Minneapolis Veterans Home	2,500,000		
Agriculture			
Reinvest in Minnesota	9,000,000		
Transportation			
Local road and bridge replacement	8,800,000		
Historical Society			
State History Center	50,000,000		
Mille Lacs Indian Museum	4,000,000		
William LeDuc Home restoration	184,000		
Meighen Store Complex	100,000		
Education			
Faribault Academies	426,000		
School district desegregation	900,000		
Joint powers cooperative secondary facilities grants	8,000,000		
Southwest/West Central ECSU telecommunications system	1,655,000		
		Vocational Technical Education	
		Various construction projects	27,593,700
		Statewide roof repair and code compliance	5,104,400
		Statewide planning	500,000
		Community Colleges	
		Various construction projects	31,630,000
		Systemwide roof repair, improvement and planning	3,330,000
		State Universities	
		Bemidji—Sattgast Hall remodeling; recreation facility construction	12,509,000
		Mankato—planning and remodeling	2,468,700
		Moorhead—Regional Science Center; parking deck construction	5,093,800
		St. Cloud campus	
		Stewart Hall remodeling; greenhouse construction; land acquisition	9,895,900
		Ice hockey center	9,500,000
		Southwest campus	1,903,800
		Winona—Applied Science Building	1,500,000
		Statewide repair and planning	9,620,000
		University of Minnesota	
		Crookston—Agriculture management center; other improvements	1,565,400
		Duluth—math/geology classrooms; medical school planning	3,030,000
		Grand Rapids—land purchases	75,000
		Morris—roof repair; grain and feed facility	509,700
		Rosemount Research Center—waste clean-up	2,000,000
		Twin Cities Campuses	
		Green Hall phase II	4,747,000
		Amundson Hall phase II	5,440,000
		Humphrey Center exhibit	1,500,000
		Recreational sports facility	8,500,000
		Folwell Hall phase II	2,088,000
		Appleby Hall	6,567,000
		Other improvements	8,591,300
		Waseca—Agriculture laboratories, storage construction	1,166,300
		Systemwide repair	2,000,000
		Corrections	
		Lino Lakes building addition	206,000
		Red Wing boiler	25,000
		St. Cloud safety projects, boiler	250,800
		Sauk Centre remodeling	194,100
		Stillwater cell window hall screens	458,000
		Systemwide	1,000,000
		Thistledeew program center	140,500
		Human Services	
		Red Lake nursing home	2,500,000
		Brainerd water line replacement	700,000
		Faribault electrical system	500,000
		Mash-Ka-Wisen—local grant	400,000
		Cambridge building improvement	750,000
		Systemwide	3,025,000
		Bond sale expenses	452,000
		TOTAL	<u>\$469,954,200</u>

APPENDIX A

Rates of Principal Taxes

INCOME TAXES

Individual Income Tax

Graduated schedule of rates is applied to federal taxable income with adjustments. Federal income tax may not be deducted.

The tax brackets will be indexed for inflation beginning in 1991.

Taxable Income	Rate
Married Taxpayers	
1987 Tax Year	
\$ 1 - \$ 4,000	4%
4,001 - 11,000	6%
11,001 - 21,000	8%
21,001 - over	9%
1988 Tax Year and After	
\$ 1 - \$19,000	6%
19,000 - over	8%

Single Taxpayers

1987 Tax Year	
\$ 1 - \$ 3,000	4%
3,001 - 9,000	6%
9,001 - 16,000	8%
16,001 - over	9%
1988 Tax Year and After	
\$ 1 - \$13,000	6%
13,001 - over	8%

Heads of Household

1987 Tax Year	
\$ 1 - \$ 3,500	4%
3,501 - 10,000	6%
10,001 - 18,500	8%
18,501 - over	9%
1988 Tax Year and After	
\$ 1 - \$16,000	6%
16,001 - over	8%

Credits against the Tax:

A tax credit of 40 percent of the federal credit for elderly and disabled filers is allowed.

Corporation Franchise Tax 9.5%
(includes financial institutions)

A new corporate minimum tax was enacted. The tax rate is one-tenth of one percent (one mill) applied to a corporation's payroll, property, and sales within Minnesota.

ESTATE

Estate Tax—Since 1986, a "pick up tax" equal to the amount of the state death tax credit against federal estate tax is imposed.

SALES AND EXCISE TAXES

General Sales and Use Tax 6%
Exemptions include food, clothing, prescription medicines, gasoline, motor vehicles, and farm machinery repair and replacement parts.

Logging equipment (including large chainsaws),
new capital equipment, and special dies 4%

Agricultural machinery 2%

Liquor, On and Off Sales—Additional 2.5%

Motor Vehicle Excise Tax 6%

Gasoline Tax—per gallon 17¢

Alcoholic Beverages

Distilled spirits—per gallon \$5.03

Wine—per gallon—varies with
alcoholic content \$.30 to \$3.52

Beer—per 31-gallon barrel
3.2% alcohol or less \$2.40

Strong beer \$4.60

Breweries are given a credit of \$4 per barrel up to 25,000 barrels sold each year.

Cigarette Tax—per pack 38¢

Tobacco Products—on wholesale price—35% (excludes cigarettes)

GROSS EARNINGS TAXES

Telephone Companies

	Rate to Rural Subscribers	Rate to City Subscribers
Prior to calendar 1989	4%	7%
calendar 1989	3%	5.5%
calendar 1990	1.5%	3%
calendar 1991	1%	2.5%
After calendar 1991	-0-	-0-

Locally assessed property taxes will be imposed on telephone companies beginning with taxes payable 1990.

Telegraph Companies

Prior to 1990	6%
Calendar 1990	4.5%
Calendar 1991	3%
Calendar 1992	1.5%
After Calendar 1992	-0-

Sleeping Car Companies 6%

Express Companies 5%

Freight Line Companies 7%

Insurance Companies Gross Premiums Tax 2%

SEVERANCE TAXES

	1988-89
Iron Ore Occupation Tax	14%
Iron Ore Royalty Tax	14%
Taconite Occupation Tax	14%
Taconite Royalty Tax	14%

Beginning in 1990 iron ore and taconite mining companies will pay an occupation tax based on the corporate franchise tax. All royalty taxes are also eliminated in 1990.

Taconite and Iron Sulphides Production Tax

Per ton of concentrates; indexed to the implicit price deflator for 1988 and subsequent years.

For 1987 \$1.90

Net Proceeds Tax 2%

Imposed on all mineral mining except sand, silica sand, building stone, horticultural peat, soil, iron ore, and taconite after 1986.

APPENDIX B

Selected Appropriations for Human Services and Corrections Activities 1974-89 Deficiency Appropriations Included in Pertinent Years

Fiscal Year	Human Services Categorical Aids ^(a)	Regional Treatment Centers	Other Human Services Department Institutions	Corrections Institutions	Financial Assistance for Veterans
1974	\$ 86,400,000	\$ 54,223,100	\$10,330,050	\$15,360,400	\$ 910,000
1975	101,278,000	54,577,450	10,514,650	15,830,067	960,000
1976	109,400,000	67,508,800	10,685,400	19,463,200	1,010,000
1977	119,900,000	67,801,000	10,588,000	19,916,400	1,010,000
1978	214,233,076	96,208,374	10,316,835	30,565,099	1,124,802
1979	225,392,098	96,290,682	10,398,577	29,712,247	1,142,921
1980	273,005,100	104,235,500	11,278,600	31,246,700	1,126,900
1981	305,065,400	102,315,200	11,080,200	31,296,700	1,126,900
1982	408,362,000	116,615,200	12,220,300	41,757,900	1,192,100
1983	464,116,000	121,936,200	13,639,600	38,833,300	1,293,400
1984	532,379,000	145,328,700	16,143,500	53,942,900	1,038,100
1985	585,693,000	143,600,000	15,714,900	55,573,500	1,038,100
1986	525,548,300	160,906,300	18,241,300	60,779,200	988,100
1987	582,819,400	157,336,300	18,241,500	63,791,700	988,100
1988	552,946,800	177,964,600	20,207,100	70,557,000	988,100
1989	607,568,100	172,765,000	19,643,700	70,169,000	988,100

^(a) Human services categorical aids are: Medical Assistance, Aid to Families with Dependent Children (AFDC), Minnesota Supplemental Assistance, General Assistance/Work Readiness, and General Assistance Medical Care. Beginning in 1986, mortgage registration and deed transfer taxes are used to reduce state AFDC payments. The reductions are as follows: for 1986, \$28.6 million; for 1987, \$30 million; for 1988, \$63.8 million; for 1989, \$64.9 million.

APPENDIX C
General Obligation Debt and Scheduled Interest Payments
(1988 through 2007)
(\$ in Thousands)

Fund & Type	Authorization Year-Chapter	Amount Outstanding 7-1-87	Scheduled Interest Payments
General Fund			
State Building (Vo-Tech)	'75- 436	\$ 7,150	\$ 1,860
State Building, Capital Improvement	X'67- 8	7,026	512
	'69-1159	26,734	2,882
	'71- 963	33,762	5,023
	'73- 778	21,161	5,311
	'74- 541	1,638	394
	'75- 436	8,418	2,247
	'76- 348	27,118	7,379
	'77- 421	4,875	2,174
	'77- 451	20,370	6,936
	'78- 792	41,568	16,841
	'79- 301	26,000	11,584
	'79- 338	5,469	4,089
	'81- 4	4,366	4,321
	'81- 304	7,625	5,669
	'81- 334	2,973	1,640
	'81- 361	2,247	1,679
	'81- 362	14,039	10,861
	'82- 639	779	583
	'83- 344	43,824	30,145
	'84- 597	51,479	27,558
	X'85- 15	57,146	16,766
State School Energy Building Bonds	'83- 323	15,700	4,422
State Building (Natural Resources)	'75- 415	10,000	2,672
Pollution Control	X'71- 20	11,888	1,150
	'73- 771	9,863	2,624
	'75- 354	18,100	7,306
	'77- 418	650	291
	'79- 285	5,100	3,795
	'84- 597	16,726	4,905
State Building (Parks & Recreation)	'77- 421	29,700	8,660
State Transportation	'76- 339	12,500	3,360
	'77- 277	28,100	8,696
	'79- 280	23,711	10,415
	'80- 610	3,585	2,746
	'84- 597	4,801	4,058
Vietnam Veterans' Bonus	'73- 204	21,000	3,566
Waste Management	'80- 564	2,098	806
	X'85- 15	2,509	736
Zoological Gardens	'73- 207	13,300	2,943
Refunding Bonds	'85-16A.66	363,711	317,011
Exchange Bonds	X'85- 15	6,289	41
Total General Fund		<u>1,015,098</u>	<u>556,657</u>
Trunk Highway Fund	'67- 873	6,900	192
	'77- 277	33,200	16,980
	'83- 17	22,930	9,877
Refunding Bonds	'85-16A.66	27,925	21,871
Total Trunk Highway Fund		<u>90,955</u>	<u>48,920</u>
Employment Services Administration Fund			
State Building, Capital Improvement	X'67- 8	20	0
Maximum Effort School Loan Fund			
School Loans	'67- 583	840	74
	'69-1056	7,740	2,254
	'80- 545	1,161	1,594
Refunding Bonds	'85-16A.66	13,035	13,364
Total Maximum Effort School Loan Fund		<u>22,776</u>	<u>17,286</u>

Fund & Type	Authorization Year-Chapter	Amount Outstanding 7-1-87	Scheduled Interest Payments
Family Farm Security Loan Bond Fund			
Family Farm Security	X'86- 2	8,000	1,499
State University Board Revenue Bond Fund			
	'69-1152	7,790	1,372
	'73- 759	5,225	1,518
Total State University Board		13,015	2,890
Game and Fish Fund			
	'79- 338	508	427
Total Principal—All Funds*		\$1,150,370	
Total Interest—All Funds			\$627,679

X = Special Sessions.

*An additional \$312,900,000 of bonds are outstanding but are being serviced by the proceeds of bonds designated as "refunding bonds" shown in the table.

APPENDIX D

Glossary

Agricultural Credit—A state-paid reduction in the property tax on agricultural, seasonal recreational residential, and timberland property. The amount of the tax reduction is based on the following percentages of gross tax.

Property Type	Percentage Reduction
Agricultural Homestead	
First 320 acres	36%
Over 320 acres	26%
Agricultural Non-Homestead	26%
Seasonal Recreational Residential	15%
Timberland	26%

Agricultural credit for seasonal recreational residential property is limited to \$100. For taxes payable in 1989, the credit is to be replaced with an exemption and a state replacement aid for revenues lost by local governments.

Aid to Families with Dependent Children (AFDC)—Aid provided through counties to the qualifying families described in the title. Eligibility involves low or no income and lack of assets. The federal government pays about 53 percent of this cost; the state pays 85 percent of the non-federal share. Through the property tax levy the counties pay 15 percent of the non-federal share.

Alternative Minimum Tax—An income tax calculation which is made separately from the regular income tax. A taxpayer must pay the alternative minimum tax if it is higher than the regular income tax liability. For individuals, the alternative minimum tax is determined by applying a tax rate of six percent to the federal tax preference items. For corporations, a tax rate of one mill is applied to a company's Minnesota sales, property, and payroll.

Area Vocational-Technical Institute (AVTI)—A school that provides post-secondary vocational training. Currently there are 33 such schools throughout Minnesota.

Assessed Value—Under Minnesota law, estimated market value is reduced for property tax purposes under a classification system to arrive at assessed value. The amount of reduction depends upon the class of property. The gross property tax is calculated by applying the mill rate to the assessed value.

Biennium—Two consecutive fiscal years beginning July 1 in an odd-numbered year. The biennium is described by the odd-numbered year in which it begins and the odd-numbered year in which it ends, such as the 1987-89 biennium, for the biennium that began July 1, 1987, and ends June 30, 1989.

Categorical Aids—Education aids for specific purposes such as transportation or education of handicapped students.

Commitment to Focus—A plan of the University of Minnesota to raise the University's ranking in academic quality. The University proposes to shift its focus from quantity to quality. Commitment to Focus is based on the premise that the University should do less, but do what it does do better. Under such a plan, the University would focus on activities that cannot be done, or done as well, by other public post-secondary schools in Minnesota.

Corporation Income Allocation Formula—Allocates income of multi-state companies to Minnesota with a formula that gives 70 percent weight to the portion of sales in Minnesota; 15 percent weight to the portion of total payroll in Minnesota; and 15 percent weight to the property value in Minnesota.

EARC Value—The estimated market value of a taxing district's property as determined by the Equalization Aid Review Committee. The determination is made by comparing values of actual sales of property to the market value at which these properties were assessed.

Estimated Market Value—The assessor's estimate of the market value or selling price, intended to represent the worth

of the property in a transaction between a willing buyer and a willing seller.

Fiscal Year—That period of time beginning July 1 continuing 365(6) days until the following June 30. Used by the state for budgeting purposes. The fiscal year is described as the year in which it ends, such as the 1988 fiscal year ending June 30, 1988.

Foundation Aid—The largest category of state aid to school districts. Unlike categorical aids, foundation aid may be used for any current expenses of a district. Each district's foundation aid is determined by a complex set of formulas, based on pupil units, EARC value, and other factors. For fiscal years 1985 through 1988, foundation aid consists of "basic" foundation aid plus five additional levels, or "tiers," of aid.

Basic foundation aid guarantees that each district will receive a specified amount of revenue per pupil unit in return for a required local property tax levy. State aid makes up the difference between the guaranteed revenue and the proceeds of the local levy. The five tiers provide districts with varying amounts of revenue, through a combination of state aids and local property taxes. The amounts of revenue, aid, and local taxes depend on the district's property valuation, the number of students, past spending levels, the level of training and experience of the district's teachers, and other factors.

General Assistance (GA)—The state/county program of cash assistance, emergency assistance, or room and board payments for eligible persons. This program is financed 75 percent from state funds. The counties finance the remaining portion.

General Assistance Medical Care (GAMC)—Payments made to medical vendors on behalf of medically indigent persons who do not qualify for federally-assisted medical programs. The state finances 90 percent of this program and the counties 10 percent.

General Education Aid Formula—A new education aid formula that replaces the Foundation Aid Formula in fiscal year 1989. The formula merges a number of levies and categorical aids into one general formula that guarantees that each district will receive a specified amount of revenue per pupil unit in return for a required local property tax levy. The formula may provide additional funds based on district sparsity, the number of AFDC students, and the level of training and experience of the district's teachers.

Homestead—One of the property classifications. Homesteads are residences occupied by the owner. Property owners may have no more than one homestead.

Homestead Credit—State-paid reduction in the property tax bill of a homeowner. For taxes payable in 1988, the credit is 54 percent of the tax on the first \$68,000 of estimated market value, up to a maximum credit of \$700. For taxes payable in 1989, the credit is to be replaced with an exemption and a state replacement aid for revenue lost by local governments.

Indexing—Automatic increase based on the increase in another factor. Indexing the individual income tax is designed to offset the impact of inflation. The 1988 individual income tax brackets will be indexed to the increase in the U.S. Consumer Price Index beginning in 1991.

Levy Limits—The amount local governments are permitted to levy against their property tax base for certain services.

Local Government Aids—The funds distributed by a formula from the state general fund to cities, townships and counties (except Hennepin, Ramsey, and St. Louis).

Medical Assistance (MA)—Payments made to medical vendors (nursing home operators, physicians, dentists, druggists, etc.) on behalf of welfare recipients and others who are eligible because of a lack of resources to pay for medical care. The federal government finances about 53 percent of MA; the state finances 90 percent of the non-federal share and the county 10

percent. Categories covered include needy families with children, needy senior citizens, and needy handicapped or blind persons.

Mill—One dollar in each thousand used to determine taxation on Minnesota property. This means that each mill levied by local government results in the taxpayer paying one dollar in taxes for each \$1,000 assessed value.

Minnesota Supplemental Aid (MSA)—Cash grants, special needs payments, and room and board payments for certain SSI recipients and other eligible persons who are either elderly, blind, or disabled. The state finances 85 percent and the county 15 percent.

Occupation Tax—Paid in lieu of income taxes by all companies mining or producing iron ore and taconite. Based on value of tonnage produced. The occupation tax will be based on the corporate franchise tax after 1989.

Property Tax Refund—A yearly refund up to \$1,100 given to homeowners and renters based on their incomes and the

amount of property taxes paid on their home or apartment.

Pupil Units—A count of public school students used in calculating each school district's foundation aid. Pupil units include weighted ADM (defined below) plus additional units for students whose families receive AFDC.

Special Levies—Levies not covered by the levy limitation law, principally, welfare income maintenance and bonded debt levies.

Supplemental Security Income (SSI)—Payments made directly from the federal government to eligible low-income people who are aged, blind, or disabled.

Weighted ADM—The average daily membership of a school district (i.e., the average number of students enrolled during the year), weighted by grade level. Each kindergarten student counts as 0.5 weighted ADM, each student in grades 1-6 as 1.0 weighted ADM, and each student in grades 7-12 as 1.4 weighted ADM through fiscal year 1988 and 1.35 beginning in fiscal year 1989.

INDEX

A	
Administration, Department of	23, 33
Agriculture	1, 17-18, 34
Beginning Farmers	18
Emergency Farm Relief	18
Family Farm Security	17, 34
Interest Buydown	1, 36
Reinvest in Minnesota	18, 34
Aids	
Firemen's and Policemen's Relief and Pensions	6, 27
Income Maintenance	6, 11-13, 30, 49
Local Government	5, 6, 27
Permanent School Fund	6, 28, 39
School Foundation Aid	6, 7, 28
Special Education Aids	6, 8, 28
State School Agricultural Credit	6, 27
Teacher Retirement	6, 7, 28
Vocational Aid, Secondary Schools	6, 8, 28
Alternative Minimum Tax	1, 3
Appropriations	
Administration, Department of	23, 33
Agriculture	17, 18, 34, 36
Aids and Credits	6, 27
Animal Health, Board of	18, 34
Arts Board	23, 38
Attorney General	17, 33
Auditor	17, 33
By Function	26-38
By Years	43, 44
Capitol Area Architectural and Planning Board	23, 33
Charitable Gambling Control Board	21, 37
Commerce, Department of	21, 36
Community Colleges	8-10, 26, 29
Consumer Protection	21, 33
Contingencies	38
Corrections	15, 26, 31, 49
Council on Affairs of Spanish Speaking Peoples	23, 37
Council on Asian Pacific Minnesotans	23, 37
Council on Black Minnesotans	23, 37
Council for the Handicapped	23, 37
Dedicated Revenues and Expenditures	30, 39, 40
Disabled American Veterans	23, 38
Disease Prevention	15, 31
Economic Development, Department of	31, 35, 36
Education, Department of	6, 7, 28
Electricity Board	23, 37
Employee Relations, Department of	34
Ethical Practices Board	37
Family Farm Security	17, 34
Finance, Department of	23, 34
General Fund	6, 24, 39-41, 42, 43, 44
Governor	17, 33
Greater Minnesota Corporation	6, 20, 35
Health, Department of	15-16, 26, 31, 36
Higher Education Coordinating Board	26, 29
Housing Finance Agency	20, 36
Human Rights, Department of	23, 37
Human Services, Department of	11-14, 26, 30, 49
Investment Board	23, 33
Iron Range Resources and Rehabilitation Board	38
Jobs and Training, Department of	14, 15, 26, 30-31
Judicial	17, 27, 32-33
Labor and Industry	23, 37
Legislature	17, 27, 32
Lieutenant Governor	17, 33
Mediation Services Bureau	23, 37
Metropolitan Parks	20
Military Affairs	23, 37
Minnesota Historical Society	23, 37
Minnesota Science Museum	23, 38
Minnesota Veterans Homes	37, 49
Miscellaneous Appropriation Bills	42
Natural Resources, Department of	18-20, 35, 36
Natural Resources Acceleration	19, 36
Non-Health Related Boards	23, 37
Omnibus Appropriation Bills	41, 44
Open and Standing Appropriations	41, 43
Peace Officers Standards and Training Board	23, 37
Permanent School Fund	6, 28, 39
Pollution Control Agency	19, 35, 36
Public Employee Relations Board	23, 37
Public Safety, Department of	23, 36
Public Service Department of	23, 37
Public Transit Subsidies	16, 31
Public Utilities Commission	23, 37
Racing Commission	21, 27
Regional Transit Board	16, 31
Revenue, Department of	23, 34
Rural Finance Administration	20, 34, 35
Salaries	
Constitutional Officers, Judges, and Legislators	23, 38
Secretary of State	17, 33
Sentencing Guidelines Commission	15, 31
State History Center	37
State Planning Agency	23, 36
State Universities	8-10, 26, 29, 36
Tax Court	17, 33
Torts	38
Total Spending	38
Tourism	35
Transportation Department of	16, 26, 31-32
Treasurer	17, 33
Uniform Laws Commission	23, 37
University of Minnesota	8-10, 26, 29-30, 36
Veterans Affairs, Department of	22, 37, 49
Veterans of Foreign Wars	23, 38
Voyageurs Park Committee	23, 37
Waste Management Board	19, 35
Water and Soil Resources Board	18, 34
World Trade Center Board	23, 36
Zoological Board	23, 35
B	
Banks	21, 36
Bonding	25, 38, 47, 50-51
Budget Reserve and Cash Flow	5, 6
C	
Capital Bonding	25, 38, 47, 50-51
Capital Improvements (Non-bonded)	25, 38
Claims Against the State	38
Constitutional Officers Pay	23
Corrections	15, 26, 31, 49
Ombudsman	15, 31
D	
Drug Testing	20, 21, 28, 44
E	
Economic Development	20, 35, 45
Education	7-10, 26, 28-30
Aids	7-8, 26, 28-29
Appropriations	7, 28-30
Community and Adult Education	8, 28
Community Colleges	8-10, 26, 29
Education, Department of	7, 28
Expenditures, Total Authorized	28, 30
Higher Education Coordinating Board	8-10, 26, 29
Map of Public Colleges and Universities	9
Mayo Medical	8-10, 26, 30
Permanent School Fund	6, 28, 39
Secondary Vocational Aid	8, 28
Special Education	8, 28
State Universities	8-10, 26, 29
Teacher Retirement Aids	6, 7, 28
Transportation Aids	8, 28
F	
Federal Funds	27-38, 43
Foreword	ii

G	
General Fund, Changes	24
General Fund, Estimated Resources and Expenditures	34-41
Governor	17, 33

H	
Health, Department of	15-16, 26, 31, 36
Highlights	1
Housing Finance Agency	20, 36
Human Services	11-14, 26
Aid to Families with Dependent Children	11, 12, 30
Categorical Aid Programs	11-13, 30
Community Social Services	13, 30
General Assistance Medical Care	12, 30
Income Maintenance	11-13, 30
Medical Assistance	11, 30
Mental Health	13, 30
Minnesota Supplemental Assistance	11, 30
Nursing Homes	11, 12, 13-14, 30
Social Services	13, 30
State Hospitals	13, 30
Work Readiness	11, 13, 30

I	
Insurance	21, 36

J	
Jobs and Training, Department of	14-15, 26, 30
Judges Pay	23
Judicial	17, 27, 32-33
Public Defender	33
Retirement	33
Supreme Court	32
Trial Courts	33

L	
Legislative Pay	23
Legislature	17, 32
Commissions	32
Legislative Audit Commission	32
Library	32
Revisor of Statutes	32
Session Dates	iv
Local Government Aids	5, 6, 27

M	
Mental Health Ombudsman	13, 30
Military Affairs, Department of	23, 37
Miscellaneous Appropriations	42
Motor Vehicle Excise	16

N	
Natural Resources, Department of	18, 19, 35
Natural Resources Acceleration	19, 36

O	
Omnibus Appropriation Bills	41
Open and Standing Appropriations	43

P	
Pipeline Safety	16, 36
Pollution Control Agency	19, 35
Public Employees	22-23, 38
Property Tax Classification	4
Public Safety, Department of	23, 36

R	
Reinvest in Minnesota	18, 19, 47
Renter Credit	1
Resources and Appropriations, Estimated	39, 41
Retirement Programs	22, 23, 27, 28, 32, 33, 38

S	
Salaries	22-23, 38
Session Dates	iv
Special Session	22, 42, 46
State Universities	8-10, 26, 29
Statistics	26-47
Student Loans	29

T	
Table of Contents	iii
Taxes	1, 2-6, 39, 40, 48
Contingencies	1, 5
Corporate Income	1, 2-3, 39, 48
Excise Taxes	1, 3, 39, 48
Gross Earnings	3, 48
Income	1, 2-3, 39, 48
Refunds	5
Insurance Gross Premiums	3, 39, 48
Liquor, Beer and Wine	3, 39, 48
Motor Vehicle Excise Taxes	3, 16, 39, 48
Property Taxes	3-4
Sales and Use Taxes	3, 39, 48
Tax Laws, New and Changes	1, 2-6, 48
Tax Relief	5, 6, 7-8, 13, 16, 27-28, 41, 43
Agriculture Credit, State School	6, 27, 43
Aid to Local Government	6, 27, 43
Attached Machinery Aid	6, 27, 30, 43
Changes in General Fund Accounts	6, 24
Education	6, 7-8, 28
Highway	6, 16
Homeowners	6, 27, 43
Income Maintenance	6, 11-13
Income Maintenance Disparity Aid	6, 11, 13, 43
Payments to State Teacher Retirement Fund	6, 28
Pension Aids	6, 27, 43
Renters	5, 6, 27
Social Services	6, 13, 30, 43
Transit	6, 16
Total Amount of	6
Transportation	16, 26, 31-32, 39, 41, 43, 44, 45
Aeronautics	16, 32, 39
Aids to Counties and Municipalities	16, 31, 39
Mass Transit	6, 16, 31, 45
Motor Vehicle Excise Tax	6, 16
Tuition	30, 40

U	
Unemployment Insurance	21
University of Minnesota	8, 10, 29-30

W	
Waste Management	19, 35
Workers' Compensation	21-22, 37

Z	
Zoological Board	23, 35