Fiscal Analysis Department
Minnesota House of Representatives

A SUMMARY OF THE FISCAL ACTIONS OF THE 2012 LEGISLATURE

Money Matters 12.08
September 2012

This paper provides a summary of 2012 legislation with fiscal implications. Part one is the summary section. Part two provides details organized according to the jurisdictions of the House of Representatives' fiscal committees and divisions.

The fiscal impacts of the Capital Investment and Vikings Stadium legislation are summarized in separate documents.

The Overall Budget Picture 1

The Supplemental Budget in Detail
Crime Prevention, Public Safety & Judiciary 9
Environment & Natural Resources, and Energy 11
Health & Human Services 13
Higher Education 21
Jobs & Economic Development 23
K-12 Education 25
Legacy Funds 27
State Government Finance 33
Transportation Finance 37
Taxes, Local Aids & Credits 41

State Office Building • 100 Constitution Avenue • St. Paul, Minnesota 55155 • (651) 296-7176

This page intentionally left blank

Overview – Budget Changes – 2012 Session

Background

The November 2011 and February 2012 general fund budget forecasts both predicted positive balances for the FY 2012-13biennium. However, under current law those balances were used to restore the cash flow account and the budget reserve and to start reducing shifts in aid payments to school districts. The disposition of projected balances is a requirement in law to restore reserves and undo education payment shifts to a level they were at prior to actions taken in 2008, 2009, 2010 and 2011 to deal with budget deficits.

The November 2011 budget forecast projected a general fund balance of $876 million for the FY 2012-13 biennium. All of this balance was transferred to the cash flow account and the budget reserve. The cash flow account was now at $350 million, its statutory goal, and the budget reserve was at $648 million, $5 million short of the statutory goal of $653 million.

The February 2012 budget forecast projected an additional general fund balance of $323 million. The current year aid payment to school districts was increased from 60 percent to 64.3 percent with $314 million of this amount, the remaining $9 million was added to the budget reserve.

The chart below shows the forecast balances and how those amounts were allocated.

Table 1
Forecast Changes for FY 2012-13 Biennium
Dollars in millions

November 2011 Forecast Projected Balance	**876**
Transfer to Cash Flow Account	255
Transfer to Budget Reserve	621
Net Balance	**0**
February 2012 Forecast Projected Balance	**323**
Transfer to Budget Reserve	9
Appropriated to Increase Education Aid Payment Percentage	314
Net Balance	**0**

The February 2012 forecast projected a general fund deficit for the next biennium, FY 2014-15, of $1.103 billion. That projection includes no amount for general inflationary increases in program appropriations. The 2012 Legislature did not need to balance the FY 2014-15 biennial

budget but any changes that reduced the deficit would reduce a potential FY 2014-15 budget problem facing the Legislature in 2013.

Budget Balance at $0

Because of the allocation of any budget balances to reserves and education payment percentage increases, the 2012 Legislature faced a FY 2012-13 budget with a balance of $0. That was much better than the negative balances of recent years but it provided no resources to deal with those areas where legislators wanted to make changes.

Legislators considered a couple revenue increases and some appropriation cuts as well as using a portion of the budget reserve to offset the costs of various proposals. In the end a variety of spending reductions and spending increases as well as revenue increases were utilized in the 2012 session. The most significant revenue increases and the increase in reserves are related to funding for a stadium for professional football. One other significant source of revenue is related to payments from health maintenance organizations that had been agreed to in 2011 but not counted until during the 2012 session.

Table 2 separates 2012 session budget changes into a variety of categories.

Table 2
2012 Session Budget Summary - Types of General Fund Budget Changes
Dollars in millions

	FY 2012-13	FY 2014-15
Beginning Balances	**0.0**	**-1,102.8**
Spending Reductions	-31.2	-30.0
Spending Increases	44.6	68.8
Revenue Reductions	-0.1	-4.2
Revenue Increases	63.0	103.8
Transfers In from Other Funds	11.3	0.0
Increases in Reserves	34.3	31.2
Net Changes	**-26.5**	**-29.5**
Change in Balance Forward		26.5
Ending Balance	**26.5**	**-1,046.8**

After these budget changes there is a projected balance of $26.5 million at the end of the FY 2012-13 biennium. If this amount would continue to be projected as a balance at the time of the November 2012 state budget forecast it will be allocated for further reduction of the shift in education aid payments.

Budget Changes in Several Bills

General fund budget changes were enacted in a variety of bills during the 2012 session. Table 3 summarizes by program area, those budget changes. Changes affected most budget areas (none in Jobs and Economic Development). The largest number of changes occurred in the Health and Human Services area. The largest dollar amount of changes were related to funding of a stadium for professional football. (For most information on the football stadium funding, see a separate Money Matters publication at: http://www.house.leg.state.mn.us/fiscal/moneymatters.htm)

Table 3: General Fund Changes by Program Area - 2012 Enactments
Amounts shown are changes from the February 2012 forecast.
A positive spending number is a cost, a positive revenue numbers is a revenue gain.
Dollars in thousands.

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
Education						
Spending Change - Ch 239 Education	-311	-2,428	-2,739	-110	-268	-378
Spending Change - Ch 263 Education Pilots	0	25	25	25	25	50
Spending Change - Ch 273 Online Learning	0	104	104	26	26	52
Education Total	**-311**	**-2,299**	**-2,610**	**-59**	**-217**	**-276**
Higher Education						
Spending Change - Ch 292 Supplemental	0	457	457	0	0	0
Higher Education Total	**0**	**457**	**457**	**0**	**0**	**0**
Taxes						
Spending Change - Ch 294 Taxes	0	4,112	4,112	1,039	0	1,039
Spending Change - Ch 287 Transportation	0	0	0	0	20	20
Subtotal - Taxes Spending Change	**0**	**4,112**	**4,112**	**1,039**	**20**	**1,059**
Revenue Change - Ch 294 Taxes	4,112	0	4,112	30	0	30
Revenue Change - Ch 287 Transportation	0	0	0	0	-30	-30
Revenue Change - Ch 295 Ind. Contractors	0	-105	-105	-105	-110	-215
Subtotal - Taxes Revenue Change	**4,112**	**-105**	**4,007**	**-75**	**-140**	**-215**
Taxes Total	**-4,112**	**4,217**	**105**	**1,114**	**160**	**1,274**
Health and Human Services						
Spending Change - Ch 247 HHS	783	9,777	10,560	11,960	-10,179	1,781
Revenue Change - CH 247 - HHS	0	34,900	34,900	613	629	1,242
Health and Human Services Total	**783**	**-25,123**	**-24,340**	**11,347**	**-10,808**	**539**
Environment and Energy						
Spending Change - Ch 292 Supplemental	50	0	50	0	0	0
Revenue Change - Ch 249 Permanent Sc Fund	0	0	0	-2,000	-2,000	-4,000
Environment and Energy Total	**50**	**0**	**50**	**2,000**	**2,000**	**4,000**
Agriculture						
Spending Change - Ch 292 Supplemental	0	-285	-285	0	0	0
Agriculture Total	**0**	**-285**	**-285**	**0**	**0**	**0**

Table 3: General Fund Changes by Program Area - 2012 Enactments
Amounts shown are changes from the February 2012 forecast.
A positive spending number is a cost, a positive revenue numbers is a revenue gain.
Dollars in thousands.

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
Transportation						
Spending Change - Ch 292 Supplemental	472	0	472	0	0	0
Transportation Total	**472**	**0**	**472**	**0**	**0**	**0**
Judiciary						
Spending Change - Ch 175 Vulnerable Adults	0	0	0	26	43	69
Revenue Change - Ch 283 Conciliation Court	0	140	140	168	168	336
Judiciary Total	**0**	**-140**	**-140**	**-142**	**-125**	**-267**
Public Safety						
Spending Change - Ch 232 Claims	0	24	24	0	0	0
Spending Change - Ch 292 Supplemental	235	0	235	0	0	0
Revenue Change - Ch 235 Liquor	0	1	1	1	1	2
Public Safety Total	**235**	**23**	**258**	**-1**	**-1**	**-2**
Jobs & Economic Development						
No general fund changes						
State Government						
Spending Change - Ch 278 Sunset Commission	0	106	106	139	139	278
Spending Change - Ch 292 Supplemental	450	736	1,186	420	420	840
Revenue Change - Ch 292 Supplemental	87	18	105	0	0	0
State Government Total	**363**	**824**	**1,187**	**559**	**559**	**1,118**
Debt Service and Capital Projects						
Spending Change - Debt Service - Ch 293	0	-1,622	-1,622	-14,913	-25,368	-40,281
Spending Change - Capital Projects - Ch 293	0	0	0	2,200	2,200	4,400
Debt Service and Capital Total	**0**	**-1,622**	**-1,622**	**-12,713**	**-23,168**	**-35,881**
Stadium and Gaming Bill						
Spending Change - Ch 299	0	720	720	33,816	37,129	70,945
Revenue Change - Ch 299	0	35,020	35,020	53,200	49,000	102,200
Reserve Change - Ch 299	0	34,300	34,300	19,360	11,850	
Stadium and Gaming Total	**0**	**0**	**0**	**-24**	**-21**	**-45**
Carry Forward Change				26,468	0	26,468
Revenue Changes Total	4,199	69,974	74,173	51,907	47,658	99,565
Spending Changes Total	1,679	11,726	13,405	34,628	4,187	38,815
Reserve Changes - Total	0	34,300	34,300	19,360	11,850	31,210
Net Change to Balance	**2,520**	**23,948**	**26,468**	**24,387**	**31,621**	**56,008**

General Fund Budget Changes

Tables 4 and 5 illustrate the general fund budget changes by fiscal year (Table 4) and by biennium (Table 5).

Table 4
General Fund Summary by Fiscal Year - FY 2011 - 2015
Enacted Budget, Change from February Forecast Base
Dollars in millions

	FY 11	FY 12	Percent Change	FY 13	Percent Change	FY 14	Percent Change	FY 15	Percent Change
Revenue - Base	16,183.7	16,606.9	2.6%	17,186.3	3.5%	17,525.0	2.0%	18,236.3	4.1%
Revenue - Change	0.0	4.2		70.0		51.9		47.7	
Total - Current Revenue	16,183.7	16,611.1	2.6%	17,256.3	3.9%	17,577.0	1.9%	18,283.9	4.0%
Expenditures - Base	15,334.7	16,799.9	9.6%	17,274.5	2.8%	18,369.6	6.3%	18,494.5	0.7%
Expenditures - Change	0.0	1.7		11.7		34.6		4.2	
Total: Current Expenditures	15,334.7	16,801.5	9.6%	17,286.2	2.9%	18,404.3	6.5%	18,498.7	0.5%

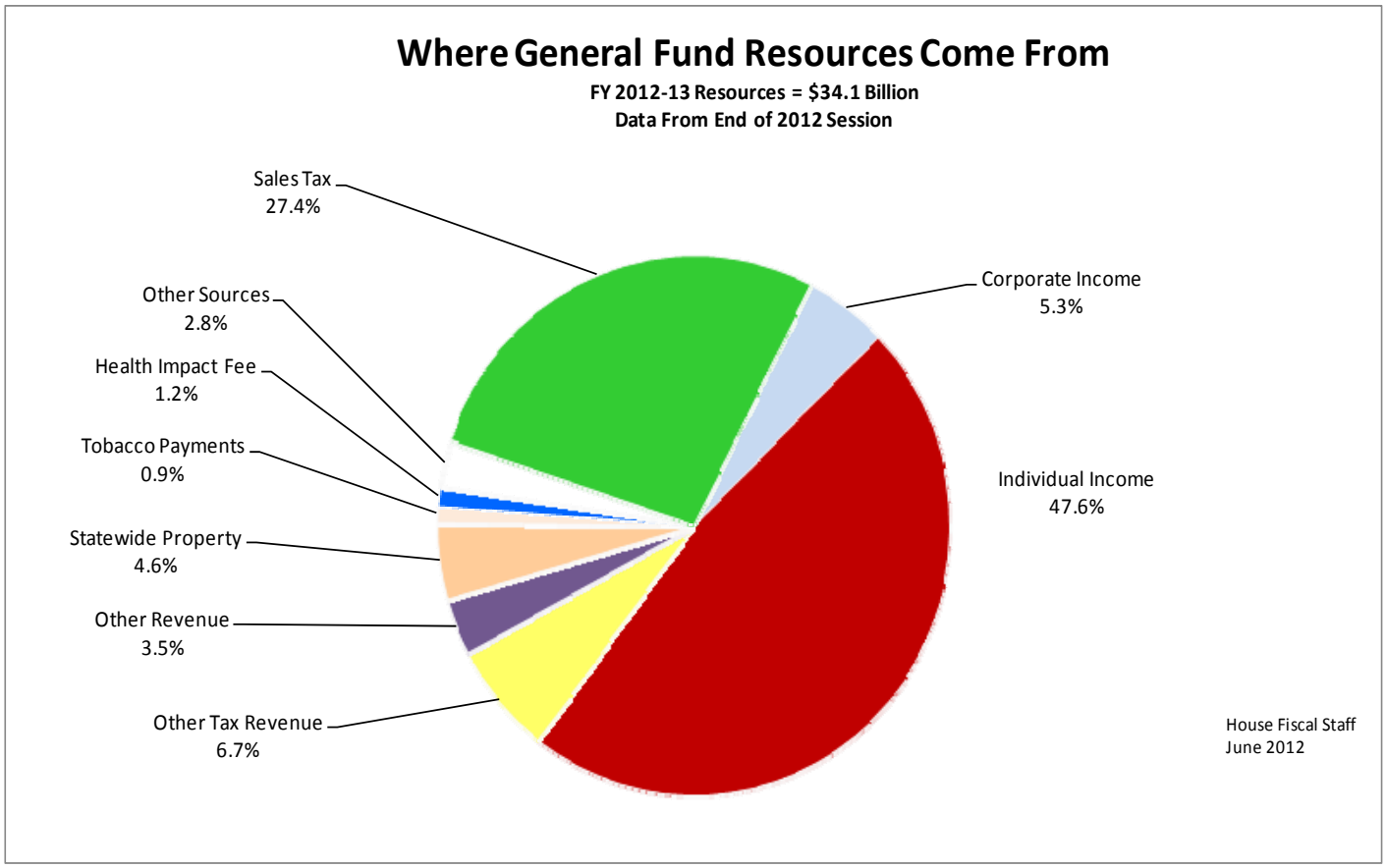
Both charts show revenues and expenditures are projected in the February 2012 state budget forecast and then show changes in revenue and expenditures enacted in the 2012 session. The charts also show the percentage changes in revenue and spending across years (Table 4) or biennia (Table 5) before and after the 2012 session changes.

Table 5
General Fund Summary by Biennium - FY 2010-11 - 2014-15
Enacted Budget, Change from February Forecast Base
Dollars in millions

	FY 10-11	FY 12-13	Percent Change	FY 14-15	Percent Change
Revenue - Base	30,803.4	33,793.3	9.7%	35,761.3	5.8%
Revenue - Change		74.2		99.6	
Total - Current Revenue	30,803.4	33,867.5	9.9%	35,860.9	5.9%
Expenditures - Base	29,961.7	34,074.3	13.7%	36,864.1	8.2%
Expenditures - Change		13.4		38.8	
Total - Current Expenditures	29,961.7	34,087.7	13.8%	36,902.9	8.3%

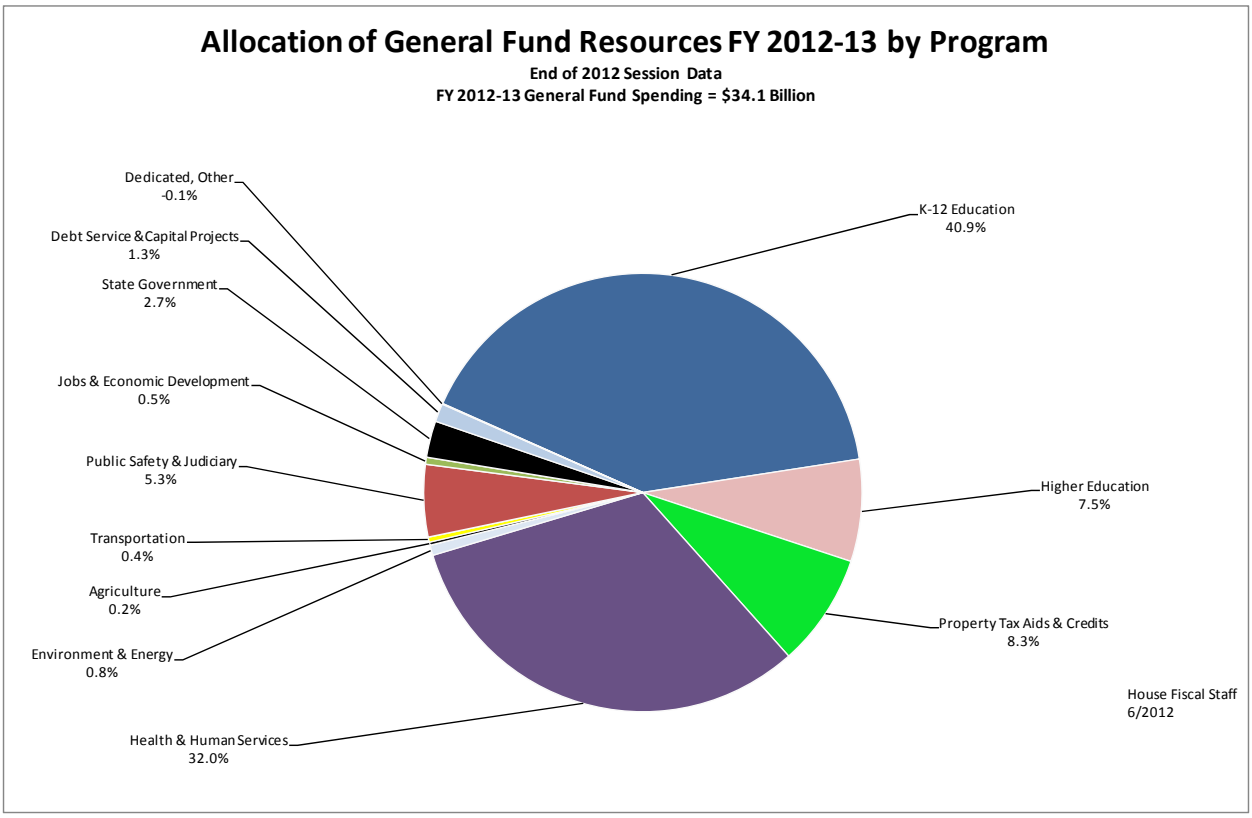
General Fund Resources

During the FY 2012-13 biennium three quarters of general fund revenue is projected to be from the individual income tax and the sales tax. Table 6 is a pie chart showing general fund revenue source for the biennium. Revenues from the income tax and sales tax in FY 2012-13 are projected to total $25.5 billion, about $2.9 billion more or 12.8 percent more than in the FY 201-201 biennium.



General Fund Spending

Almost 73 percent of general fund spending in the FY 2012-13 biennium is spent in the K-12 Education and Health and Human Services areas. In addition, if the amounts spent for Property Tax Aids and Credits (8.3 percent) and Higher Education (7.5 percent) are added, 88.7 percent of general fund spending is accounted for. That leaves only 11.3 percent for all the other areas. Table 7, on the next page, shows the major areas of general fund spending.



Changes in Fees, Fines and Surcharges

Fees, fines and surcharge changes netting $6.5 million for the FY 2012-13 biennium were enacted during the 2012 session. Only $141,000 of this amount was in the general fund.

In FY 2014-15, changes enacted during the 2012 session are projected to raise $23.3 million of which $1.5 million would be in the general fund.

For FY 2013, only one changes exceeded $1 million, a $4.6 million increase in hunting and fishing license fees. The hunting and fishing license changes increases to $10.9 million per year in FY 2014. The fire safety surcharge is decreased by $3 million per year beginning in FY 2014.

Table 8 lists the fee changes enacted in 2012 legislation.

Table 8

Changes in Revenue Collected from Fees, Fines, Penalties and Surcharges in 2012 Legislation

Dollars in thousands

Agency	Description	Fund	FY 13	FY 12-13	FY 14	FY 15	FY 14-15	*2012 Chapter No.*
Health & Human Services								
DHS	TEFRA Fees	GF	0	0	585	585	1,170	*247*
Dental Bd	Dental Laboratory Registration	SGSR	10	10	10	5	15	*269*
Environment & Energy								
DNR	Wolf Hunting License	G&F	280	280	280	280	560	*277*
DNR	Fishing & Hunting License Fee Changes	G&F	4,566	4,566	10,868	10,868	21,736	*277*
DNR	Walk-In Access Fee	G&F	260	260	260	260	520	*277*
DNR	Non-Resident Fishing License Surcharge	NR	400	400	667	667	1,334	*277*
DNR	Snowmobile Registration	NR	662	662	662	662	1,324	*277*
DNR	Watercraft Registration	NR	-60	-60	-60	-60	-120	*277*
DNR	Use of General Permit	NR	0	0	-30	-45	-75	*272*
DNR	Use of General Permit	Var	-60	-60	-60	-60	-120	*272*
Judiciary								
Courts	Conciliation Court Filing Fees	GF	140	140	168	168	336	*283*
Public Safety								
DPS	Wine Educators	GF	1	1	1	1	2	*235*
DPS	Fire Safety Surcharge	SR	0	0	-3,070	-3,093	-6,163	*289*
Transportation								
DOT	Forest Product Permits	THF	-202	-202	-220	-220	-440	*287*
DOT	Special Farm Products Permits	THF	-367	-367	-400	-400	-800	*287*
DOT	Forest Product Permits	SR	202	202	220	220	440	*287*
DOT	Special Farm Products Permits	SR	367	367	400	400	800	*287*
DPS	State Patrol Escort Fees	SR	125	125	125	125	250	*287*
DPS	Overweight Vehicle Registration	THF	5	5	5	5	10	*287*
Jobs & Economic Development								
DEED	Environmental Permits Coordinator	SR	100	100	103	107	210	*150*
DOLI	Extension of Building Permit Surcharges	BCF	0	0	1,136	1,136	2,272	*289*
DOLI	Construction Licensure - Consistent Fees	BCF	32	32	32	32	64	*295*
DOLI	Independent Contractor Program Fee	BCF	-4	-4	-4	-4	-8	*295*
DOLI	Satellite System Contractor & Installer Licenses	BCF	26	26	4	21	25	*262*
OET	Satellite System Contractor & Installer License Srchge	SR	2	2	0	2	2	*262*
Total General Fund			141	141	754	754	1,508	
Total Other Funds			6,344	6,344	10,928	10,908	21,836	
Total - All Funds			6,485	6,485	11,682	11,662	23,344	

Fund Code

BCF - Building Code Fund
G&F - Game & Fish Fund
SGSR - State Government Special Revenue Fund
THF - Trunk Highway Fund
GF - General Fund
NR - Natural Resources Fund
SR - Special Revenue Fund
Var - affects various non-general funds

For additional information, contact Bill Marx at 296-7176 or bill.marx@house.mn

Crime Prevention & Public Safety, & Judiciary

The 2012 legislative session did not include any omnibus finance bills for either the Crime Prevention and Public Safety Finance or the Judiciary committee. Biennial budgets were set in the 2011 legislative session for all agencies under the jurisdiction of these committees and remained mostly unchanged. A handful of bills did make minor fiscal changes in a few small areas. The summary below provides the details of the individual changes.

Crime Prevention and Public Safety Finance, Judiciary
(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
Public Safety	235	24	259	0	0	0
Supreme Court	0	0	0	26	43	69
subtotal expenditure changes:	**235**	**24**	**259**	**26**	**43**	**69**
General Fund Revenue Changes						
Public Safety	0	1	1	1	1	2
Supreme Court	0	140	140	168	168	336
subtotal revenue changes:	**0**	**141**	**141**	**169**	**169**	**338**
Net General Fund Change:	**235**	**(117)**	**118**	**(143)**	**(126)**	**(269)**
Non-General Fund Changes						
Fire Safety Account						
Training and Equipment	4,500	0	4,500	0	0	0
Reduction in Tax Rate (Revenue loss)	0	0	0	3,070	3,093	6,163
Net changes:	**4,500**	**0**	**4,500**	**3,070**	**3,093**	**6,163**

Judiciary

Minnesota Laws of 2012 Chapter 175 was a bill to establish penalties for the negligent or abusive care of vulnerable adults. The new felony provisions were interpreted to increase costs to the courts beginning in the 2014-15 fiscal biennium. The increased biennial cost of $69,000 was not funded by the legislation and would need to be provided during the 2013 legislative session or go unfunded and be absorbed by the courts.

Chapter 283 raises the value of a claim that may be pursued in conciliation court from $7,500 to $10,000. The courts forecasted additional court revenue from this change at $140,000 for fiscal 2013.

Crime Prevention and Public Safety Finance

Laws of 2012 Chapter 289 made several changes to the fire safety account in the special revenue fund. The fire safety account is funded by a tax of .65 percent on residential insurance policies. The new law decreases the rate to .5 percent and will decrease projected revenue in the account by $6.1 million in the 2014-15 biennium. Chapter 289 also eliminates an annual transfer of $2.368 million from the fire safety account to the general fund beginning in FY 2016.

In addition, the law makes a one-time appropriation from the account of $4.5 million for additional firefighter training and equipment for FY 2013.

Chapter 232 (Claims Bill) provided $24,000 in FY 2013 to the Department of Corrections to settle various small legal claims against the department.

Chapter 292 reallocated $235,000 of flood relief monies from a 2010 law that were originally intended for the Department of Agriculture. The unused dollars were re-purposed for use by the Commissioner of Public Safety as FEMA match for flood projects. The original appropriation to Public Safety in the earlier flood relief bill was not sufficient to cover all costs.

Chapter 235 included a provision to allow wine educator on-sale licenses and projects $1,000 in annual revenue from the $250 licenses.

For further information on Judiciary, or Crime Prevention and Public Safety Finance contact John Walz at (651)296-8236 or john.walz@house.mn

Environment, Energy and Natural Resources Finance

Agencies and programs funded by the Committee include the Pollution Control Agency, the Department of Natural Resources, the Minnesota Conservation Corps, the Metropolitan Council Parks, the Minnesota Zoo, the Board of Water and Soil Resources, the Minnesota Department of Commerce, the Public Utilities Commission and the recommendations of the Legislative Citizens Committee on Minnesota Resources. In the 2012 session, provisions in Chapters 277, 272, 249 and 292 enacted the following changes to expenditures and revenues in this area of the state budget.

Environment, Energy and Natural Resources
(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
Department of Natural Resources	50	0	50	0	0	0
subtotal expenditure changes:	**50**	**0**	**50**	**0**	**0**	**0**
General Fund Revenue Changes						
Permanent School Fund Transfer	0	0	0	(2,000)	(2,000)	(4,000)
subtotal revenue changes:	**0**	**0**	**0**	**(2,000)**	**(2,000)**	**(4,000)**
Net General Fund Change:	**50**	**0**	**50**	**2,000**	**2,000**	**4,000**
Non-General Fund Changes						
Game and Fish Fund Expenditure Changes						
Department of Natural Resources	0	167	167	167	167	334
Game and Fish Fund Revenue Changes						
Department of Natural Resources		5,216	5,216	11,990	11,990	23,980
Net Fund Changes:	**0**	**(5,049)**	**(5,049)**	**(11,823)**	**(11,823)**	**(23,646)**
Natural Resources Fund Expenditure Changes						
Department of Natural Resources	0	1,000	1,000	0	0	0
Natural Resources Fund Revenue Changes						
Department of Natural Resources		1,102	1,102	602	602	1,204
Net Fund Changes:	**0**	**(102)**	**(102)**	**(602)**	**(602)**	**(1,204)**

Department of Natural Resources (DNR)

Items changed in the DNR include:

- A new wolf hunting season was created. The license fees and a transfer of a fifty cent fee on deer licenses is expected to raise $280,000 in FY 2013 and $646,000 in each fiscal year after that.
- A new walk-in hunting program, to pay private landowners for allowing public hunting on their land was created. Funding for the program was created thru transfer of certain license surcharges from the venison donation program to the new program. Expenditures are estimated to be $260,000 in each year beginning with FY 2013.
- An additional $1 million was appropriated from the Natural Resources Fund to be used for aquatic invasive species prevention programs. Addition revenue for the program was raised by increasing the surcharge on out of state fishing licenses by $3 and by a one-time transfer of $500,000 from the Game and Fish Fund.
- The current snowmobile trails sticker fee was eliminated and the snowmobile registration fee was increased by an amount equal to the trails sticker. The change is estimated to increase revenue to the snowmobile account by $662,000 in each year beginning in FY 2013.
- Increases were made to many of the hunting and fishing fees. The changes are projected to raise $5.036 million in FY 2013 and $11.99 million each year after that.
- In Chapter 292 the DNR was appropriated $50,000 to be granted to the Mankato Water Resources Center to prepare a report identifying potential flood mitigation measures within the Zumbro River watershed. Also in Chapter 292 an appropriation from Laws 2010 was reduced by $285,000.
- Changes made to the forest cost certification process in Chapter 249 will no longer allow the DNR to certify the administrative and firefighting costs of School Trust lands and will result in a loss of revenue to the General Fund of $2 million a year beginning in FY 2014.
- Language in Chapter 277 requires that in the event of a failure to enact a biennial budget for the department, the Commissioner of Management and Budget is appropriated an amount necessary to allow the department to continue to sell hunting and fishing licenses by electronic transactions.

For additional information on Environment, Energy and Natural Resources Finance issues, contact Jim Reinholdz at 651.296.4281 or email: jim.reinholdz@house.mn.

Health & Human Services Finance

Overview

Changes to the budget in the area of Health and Human Services resulted in savings to the general fund of ($23.6) million for the FY 2012-13 biennium and increased spending in FY 2014-15 of $2.3 million. Most of the changes are included in the Health and Human Services Omnibus bill, Chapter 247, however, the Vikings stadium bill, Chapter 299, includes funding for compulsive gambling treatment and Chapter 169 makes certain community ambulance services eligible for reimbursement through Medical Assistance creating a very small savings. Total fiscal impact for the jurisdiction of the Health and Human Services Finance Committee from all bills is shown in the chart below.

Health & Human Services Finance -2012 Supplemental Budget
(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
Department of Health	0	364	364	0	0	0
Department of Human Services	783	10,123	10,906	12,876	(9,260)	3,616
subtotal expenditure changes:	**783**	**10,487**	**11,270**	**12,876**	**(9,260)**	**3,616**
General Fund Revenue Changes						
Department of Health	0	0	0	0	0	0
Department of Human Services	0	34,900	34,900	613	629	1,242
subtotal revenue changes:	**0**	**34,900**	**34,900**	**613**	**629**	**1,242**
Net General Fund Change:	**783**	**(24,413)**	**(23,630)**	**12,263**	**(9,889)**	**2,374**
Non-General Fund Changes						
Health Care Access Fund						
Department of Health	0	137	137	0	0	0
Department of Human Services	0	(137)	(137)	1,203	5	1,208
Net HCA changes:	**0**	**0**	**0**	**1,203**	**5**	**1,208**
TANF						
Department of Human Services	0	7,453	7,453	10,866	10,866	21,732
Net TANF changes:	**0**	**7,453**	**7,453**	**10,866**	**10,866**	**21,732**

Note: figures above include spending for compulsive gambling treatment through DHS as a result of the Vikings stadium bill. These funds are also reflected in the section on the stadium bill. This table does not include revenue or expenditure changes for the Health-Related Boards. See the next table for those changes.

Chapter 247 does include slightly over $11 million in new General Fund Appropriations as well as more than $7 million in new Temporary Assistance to Needy Families (TANF) appropriations for the FY 2012-13 biennium. The overall savings are produced by several large items within Chapter 247 that have a positive impact on the General Fund. These include recognition of an anticipated payment to the state by Health Maintenance Organizations (HMO's) of excess profits according to an agreement reached between the HMO's and the state in 2011. Under the agreement, HMO profits in calendar 2011 were limited to 1 percent of their revenues with any excess to be returned to the state. Chapter 247 anticipates direct payments to the General Fund of $27.74 million and payments to the Health Care Access fund, which are then transferred back to the General Fund, of $7.3 million. This creates a positive impact of $35.04 million in the General Fund. In addition, TANF refinancing of $7 million reduces spending in the General Fund (for MFIP cash assistance) by that much.

Department of Human Services (DHS)

As mentioned above, for the Department of Human Services (DHS) Chapter 247 has a net positive impact on the General Fund of ($23.3) million due to HMO revenues and TANF refinancing. However, within the net number are new expenditures of $10.9 million in FY 2012-13 as well as $453,000 in new TANF expenditures. In addition, there is $7 million in TANF refinancing which substitutes TANF funds for state General Fund cash assistance expenditures in the Minnesota Family Assistance Program. Many of the expenditure items involve restoring or adjusting cuts that were made as part of the FY 2012-13 biennial budget in the 2011 Special Legislative Session, some of which have not been implemented but would soon have had an impact on services and providers. Also, several changes were enacted related to accountability and program integrity. Major items (General Fund unless otherwise noted) include:

PCA Relative Care

The 2011 omnibus bill included a rate reduction of 20 percent for personal care assistants who provide care for relatives. Due to a lawsuit and court injunction, this cut had not been implemented and would not take effect until January 1 of 2013. Chapter 247 appropriates $5.9 million one-time to delay the implementation date of the reduction a further six months to July 1, 2013.

Emergency Medical Assistance

Reductions in the 2011 omnibus bill eliminated Emergency Medical Assistance for individuals in the program unless they were in imminent danger of death within 48 hours of discharged from the hospital. Due to the severity of their illnesses many of these individuals would have ended up as uncompensated care at county hospitals. Chapter 247 allocates $4.7 million to restore EMA for dialysis and chemotherapy. These services are funded until the end of the current

biennium. During the interim, DHS is required to explore new approaches to serving this population on an ongoing basis.

Corporate Adult Foster Care

Reductions made in the 2011 omnibus bill were scheduled to force closure of adult foster care beds in the current biennium. A package of changes in Chapter 247 allocates or reallocates $1.8 million in FY 2012-13 and $660,000 in FY 2014-15 to delay the start of bed closures until FY 2014 and to conduct a statewide assessment of adult foster care capacity and bed distribution. The changes include incentives for voluntary closure of beds by providers. If sufficient savings are achieved through voluntary closures DHS is required to force closures during FY 2014-15 to achieve necessary savings, however, mental health beds are exempted.

Long-Term Care Providers 1.67 Percent Contingent Cut

The 2011 omnibus bill provided for a 1.67 percent cut on reimbursement rates for providers of various long-term care services for an 18 month period from July 1, 2012 until December 31, 2013 if the state did not receive a requested Level of Care waiver from the federal government by July 1, 2012. Since a likely outcome is that the state will receive the waiver but not until after July 1, 2012 Chapter 247 delays the starting date of the contingent cut until July 1, 2013 (in effect changing it to a 6 month contingent reduction rather than an 18 month reduction) and shifts an equal amount of provider payments to those that would have been cut into July of 2013 (the first month of the next biennium). If the state does get the waiver between July 1, 2012 and July 1, 2013, there will be no cut and no impact on the General Fund in either FY 2012-13 or FY 2014-15 because of estimated savings from implementing the waiver. If the state does not receive the waiver before July 1, 2013 the cut will go into effect for the period of July 1, 2013 to December 31, 2013 and the General Fund will have a negative impact of $20.7 million in FY 2014 due to the restoration of the FY 2013 contingent cut which is then shifted into FY 2014. In the second scenario, it is still possible that the state would receive the waiver at some point and realize all the anticipated savings after the six month provider rate cut goes into effect having an unanticipated positive impact on the General Fund in FY 2014-15.

Medical Assistance for Employed People with Disabilities (MA-EPD)

Chapter 247 allocates $437 thousand ongoing and makes changes so that persons who are disabled but employed and are still eligible to receive Medical Assistance don't lose their MA eligibility at age 65 unless they divest their assets. Previously some individuals had to spend or get rid of any assets acquired in prior years of work (i.e. retirement savings, housing, handicap accessible vehicles) immediately before turning 65 or lose Medical Assistance eligibility. Changes are retroactive to April 2012.

Welfare Fraud Prevention

Chapter 247 includes several changes to eligibility and use of General Assistance, Minnesota Supplemental Aid, MFIP cash benefits, EBT cards and the department's ability to monitor and investigate abuses in these programs. Among the changes are clarifications of drug disqualifications, restrictions on use of EBT cards to Minnesota and the 4 surrounding states, and penalties (disqualification) for using cash benefits on tobacco or alcohol. In addition, Chapter 247 gives the Office of Inspector General (OIG) at DHS additional access to information from the Department of Public Safety to monitor program use and investigate potential fraud. Separately, Chapter 247 gives the OIG increased access to records at licensed day care facilities where clients are receiving public assistance to verify services. Chapter 247 allocates $227 thousand in FY 2012-13 for implementation of these changes but anticipates savings in FY 2014-15 of ($2.03) million.

HMO Audit Activities

Because of ongoing questions about the accuracy and transparency of data from managed care plans that do business with the state of Minnesota, Chapter 247 creates a program to have the Legislative Auditor contract with an outside audit firm to conduct an in-depth, independent audit of managed care financial data. An audit will be conducted once a biennium starting in FY 2014 and is anticipated to cost $1.2 million.

Willmar Mental Health Facility

Language in Chapter 247 extends operations at the Willmar intensive residential mental health treatment center until June 30, 2013. The facility had been scheduled to close at the end of FY 2012. The language directs DHS State Operated Services to redirect existing special revenue for this purpose.

Additional FY 2012-13 appropriation items (one-time, General Fund unless otherwise noted) include:

- Making mental health physician assistant's eligible for reimbursement under Medical Assistance for a savings of ($13,000) in FY 2013 ongoing
- $235,000 for a study of managed care.
- $177,000 for a study of housing with supports for autism and to develop a specific license for foster care situations for people with autism on home and community based waivers.
- $11,000 to monitor referrals to early intervention services.
- $25,000 ongoing for expanded critical access dental services.

- $13,000 ongoing for changes to nursing facility Medicare certification.
- ($150,000) ongoing in savings from modifications to the existing long-term care consultation requirement.
- $32,000 for a study on cost sharing.
- $19,000 ongoing to increase the General Assistance earned income disregard.
- $999,000 for essential community support grants necessary for implementation of the pending Level of Care waiver.
- $65,000 ongoing to keep a facility for persons with intractable epilepsy open.
- $50,000 for a grant to Advocating Change Together.
- Language authorizes exceptions to the moratorium on nursing home construction for approved renovation projects that will have a maximum impact on Medical Assistance spending of $600,000 in FY 2014-15.
- Language authorizes an increase in the number of beds available to the Teen Challenge program at the enhanced bed rate. This is not implemented until FY 2014 and costs $1.64 million in the FY 2014-15 biennium.
- The existing level of fees in the TEFRA program, which were scheduled to decrease after this biennium, is continued through the FY 2014-15 biennium.

Other

Chapter 247 also includes language that reduces the 2011 omnibus bill provision cutting congregate living rates for low needs individuals from a 10 percent reduction to a 5 percent reduction contingent on the state receiving the alternative care waiver that has been pending with the federal government for several years.

TANF

Chapter 247 also authorizes several new appropriations from TANF funds. $200,000 is allocated from TANF in FY 2013 to an existing program to reduce long-term homelessness. $250,000 in TANF funds in FY 2013 is for the Family Assets for Independence in Minnesota (FAIM) program. Chapter 247 also allocates $3,000 to restore MFIP and Basic Sliding Scale child care absent days for young parents on the program who are in school.

Department of Health (MDH)

Chapter 247 includes five one-time appropriations to the Health Department which have an all funds total of $501,000 in FY 2012-13. Of this, $364,000 is from the General Fund and $137,000 is from the Health Care Access Fund. Specific appropriations for MDH are:

- $20,000 from the General Fund is to study and recommend how to make electronic access to patient records more secure.
- $136,000 from the General Fund is to for evaluation of agency regulatory functions. Of this amount, $100,000 is transferred to Minnesota Management and Budget to have the Management Analysis Division study regulatory responsibilities/overlap at MDH & DHS. $36,000 is to make changes to the MDH website related to the results of the study.
- $200,000 from the General Fund is to conduct a study in conjunction with the University of Minnesota on Autism in the Somali community.
- $8,000 from the General Fund is administrative costs related to the nursing home moratorium exception included in the previous (DHS) section. MDH has the statutory responsibility to convene the group which approves building projects under the exception.

In addition, $137,000 is appropriated from the Health Care Access fund for a study of radiation therapy facilities capacity.

Health-Related Boards

The fiscal changes made to the health-related boards in the 2012 legislative session occurred in three different bills: (1) H.F. 2555, also known as the Sunset Review bill, (2) S.F. 288, the Dental Laboratory bill, and (3) H.F. 2294, the Health and Human Services finance bill.

Health-Related Boards - 2012 Supplemental Budget

(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
Nursing Home Administrators	0	10	10	0	0	0
subtotal expenditure changes:	**0**	**10**	**10**	**0**	**0**	**0**
Net General Fund Change:	**0**	**10**	**10**	**0**	**0**	**0**
Non-General Fund Changes						
State Government Special Revenue Fund Expenditure Changes						
Behavioral Health & Therapy	0	14	14	1	1	2
Chiropractic Examiners	0	14	14	1	1	2
Dentistry	0	47	47	6	6	12
Dietetics & Nutrition Practice	0	10	10	1	1	2
Marriage & Family Therapy	0	10	10	1	1	2
Medical Practice	0	198	198	1	1	2
Nursing	0	123	123	92	92	184
Nursing Home Administrators	0	100	100	1	51	52
Optometry	0	10	10	1	1	2
Pharmacy	0	32	32	1	1	2
Physical Therapy	0	10	10	1	1	2
Podiatric Medicine	0	10	10	1	1	2
Psychology	0	29	29	1	1	2
Social Work	0	14	14	1	1	2
Veterinary Medicine	0	10	10	1	1	2
subtotal expenditure changes:	**0**	**631**	**631**	**111**	**161**	**272**
State Government Special Revenue Fund Revenue Changes						
Dentistry	0	10	10	10	5	15
subtotal revenue changes:	**0**	**10**	**10**	**10**	**5**	**15**
Net Non-General Fund Change:	**0**	**621**	**621**	**101**	**156**	**257**

The fiscal impact to the health-related boards that resulted from the passage of H.F. 2555 into law only affected the State Government Special Revenue (SGSR) fund. There are other items in the Sunset Review bill that affect areas of the State Government budget and more information can be found in the summary for that area. The 2012 Legislature ultimately decided that the Boards would not sunset at this time, but will come up for review under the Sunset Advisory Commission once again and sunset at the end of fiscal year 2017. The other relevant changes made to the Boards included adjustments to base appropriations for FY 2013. These adjustments are reflected in the table above. Each board received funding for website changes and reporting requirements which includes prior convictions and/or disciplinary actions taken against professionals licensed by each board.

The Dental Laboratory bill – Chapter 269 of 2012 Laws – establishes regulations for dental laboratories and the technicians who work in these laboratories. Fees for the dental labs will be $50 for the initial registration and a $25 biennial renewal fee. The appropriation to the Dentistry Board is $15,000 from the SGSR fund in FY 2013 and $5,000 each year thereafter.

The appropriation changes in Chapter 247 (H.F. 2294) were both for the Board of Nursing Home Administrators. The first is a one-time appropriation in fiscal year 2013 of $10,000 for a grant to the Minnesota Ambulance Association to prepare an assessment of uncompensated care resulting from emergency responses on Minnesota interstate highways. The second is a correction to the base adjustment for the Nursing Home Administrators Board. The base was set to decrease by $1.011 million in fiscal year 2015, but that was a mistake from the previous legislative session and was corrected to reflect a decrease of $961,000 to the base appropriation.

For further information contact Doug Berg, House Fiscal Analysis at 651-296-5346 or doug.berg@house.mn or Emily Adriaens at 651-296-7171 or emily.adriaens@house.mn.

Higher Education Finance

The Higher Education bill signed into law as a result of 2012 legislative action did not have much change in funding for the 2012-13 biennium. There were a number of policy changes and the bill (S.F. 1573) included the following fiscal impacts:

- Chapter 270 assures continued funding in the event of another state government shutdown. There is no appropriation included in this language, just a guarantee that Minnesota State Colleges (MNSCU) would have access to funds during any future shutdowns, and requires MNSCU to pay Minnesota Management and Budget for their services in providing access to their funds.

- The University of Minnesota is required to annually transfer $645,000 of its operations and maintenance funds to the Hennepin County Medical Center, starting in FY 2012.

The 2012 Legislature did enact one appropriation change in the area of Higher Education, which is included in the supplemental budget appropriations section in Chapter 292. MNSCU will receive a one-time appropriation of $457,000 in fiscal year 2013 in order to acquire leveraged equipment. The equipment referred to in this appropriation is defined as such that will be used to train graduates and impart skills that are in high need according to employers around the state. There is a caveat: these funds can only be used to acquire equipment if the money is matched with nonstate funds or contributions.

Higher Education
(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
MNSCU	0	457	457	0	0	0
subtotal expenditure changes:	**0**	**457**	**457**	**0**	**0**	**0**
Net General Fund Change:	**0**	**457**	**457**	**0**	**0**	**0**

For further information contact Emily Adriaens at 651-296-7171 or emily.adriaens@house.mn.

This page intentionally left blank

Jobs & Economic Development Finance

The 2012 Legislature did not enact any General Fund changes that impacted the agencies and boards under the jurisdiction of Jobs & Economic Development Finance Committee. There were, however, two significant non-general fund changes that merit mention.

Department of Labor & Industry (DLI)

Chapter 289 increased the permanent fee surcharge for building permits from 50 cents to $1, except that until June 30, 2015 the fee surcharge will temporarily continue to be one-half mill (.0005) of the fee or $5, whichever amount is greater. The temporary surcharge had been set to expire on June 30, 2013 prior to this two year extension.

This change is expected to yield $1.136 million each year in FY 2014 and FY 2015. The reason for the extension is to insure adequate funding to accomplish timely permit inspections.

One additional feature contained in Chapter 289 is to discontinue the current $1.515 million yearly transfer from the Construction Code fund to the General Fund beginning in FY 2016.

Combative Sports Commission

The 2012 Legislature abolished the Combative Sports Commission as a standalone entity, and transferred the authority and duties of the former commission the commissioner of the Department of Labor and Industry. The change is included in Chapter 278 and is effective July 1, 2012.

If you have any questions on Jobs and Economic Development Finance Committee related issues, please contact Ron Soderberg at 296-4162 or ron.soderberg@house.mn.

This page intentionally left blank

K-12 Education Finance

For the 2012-13 biennium, the 2012 Legislature passed a budget that was enacted by Governor Mark Dayton that included $2.3 million in general fund savings in K-12 education programs. The legislation making these changes also resulted in a $93,000 reduction statewide in school property tax levies.

Education Finance
(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
General Education	(311)	(678)	(989)	(1,606)	(2,092)	(3,698)
Education Excellence	0	0	0	496	776	1,272
Early Childhood and Family Support	0	(1,750)	(1,750)	1,000	1,048	2,048
Minnesota Department of Education	0	129	129	51	51	102
subtotal expenditure changes:	**(311)**	**(2,299)**	**(2,610)**	**(59)**	**(217)**	**(276)**
Net General Fund Change:	**(311)**	**(2,299)**	**(2,610)**	**(59)**	**(217)**	**(276)**

The changes (for the FY 2012-13 general fund budget unless otherwise noted) include:

General Education

$750,000 in savings due to a change in the program that provides post secondary scholarships to seniors who graduate early. Under current law, when a student graduates early, the school district continues to count the students as if they were still enrolled. The change eliminates this ongoing aid for those students, and results in a savings to the state, as well as a $444,000 property tax reduction.

Facilities

$632,000 of additional property tax levy per year, in total, divided among the districts that are members of the Technology and Information Education Systems data processing joint board, to improve its building. Current law allows this property tax levy for taxes payable in calendar year 2012 only, while the change allows the levy to be made annually through calendar year 2023.

Early Childhood Education and Family Support

$2 million in savings in the Early Childhood Scholarships program. The base budget for this program is $4 million in FY 2013, and $2 million per year in FY 2014 and later. The new budget for the program will be $2 million in FY 2013 and $3 million per year in FY 2014 and later.

$250,000 for a grant for an evidence-based, early literacy parent-child home program.

Other Changes

The February 2012 forecast also included $318 million of additional funding for schools, which came as a result of a general fund surplus, and was mandated under current law, not new legislation passed this session. By statute, general fund surpluses are allocated on a priority basis, including the allocation of funds to reduce or eliminate the two school payment shifts, the aid payment shift and the property tax revenue recognition shift. Prior to the allocation of the $318 million, the aid payment shift stood at 60 percent current year, 40 percent in the subsequent year for a cleanup payment. The $318 million increased the current year aid payment percentage by 4.3 percent to 64.3 percent, and reducing the cleanup payment by the same amount.

For further information on education finance issues contact Greg Crowe, House Fiscal Analysis Department at 651.296.7165, Greg.Crowe@house.mn.

Legacy Funding

In the 2011 session, the Legislature made appropriations for both FY 2012 and FY 2013 for the Parks and Trails, Clean Water, and Arts and Cultural Heritage Funds. Outdoor Heritage Fund appropriations were made for FY 2012 only. This year's bill made FY 2013 appropriations for the Outdoor Heritage Fund, and supplemental appropriations for two of the other funds

The 2012 Legislature appropriated $107.535 million from three of the four constitutional funds. The appropriations are included in Chapter 264, Laws of 2012.

Fund	**Chapter 264 Enacted Appropriations (in $,000)**
Outdoor Heritage Fund	99,920
Clean Water Fund	6,000
Arts & Cultural Heritage Fund	1,615
Total Appropriations:	**107,535**

All of the 2012 Legislative appropriations are one-time in fiscal year 2013. There are no appropriations from the Parks & Trail Fund.

Outdoor Heritage Fund

The Legislature appropriated $99.92 million from the Outdoor Heritage Fund for fiscal year 2013. The appropriations, by categories and the percentages of the total, are as follows:

Appropriation Category	**FY 2013 Appropriation Amount (in $,000)**	**Appropriation Percentage**
Prairies	24,640	24.7%
Forests	15,300	15.3%
Wetlands	31,140	31.2%
Fish, Game, & Wildlife Habitat	28,620	28.6%
Administration & Other	220	0.2%
Total	**$99,920**	**100%**

The table below shows the Outdoor Heritage Fund Fiscal Year 2013 appropriations by agency and program. Approximately 83.6 percent of the appropriations are to the Department of Natural Resources to support 30 projects and activities. The remaining 16.4 percent of the appropriations are to the Board of Water and Soil Resources to support three projects.

Outdoor Heritage Fund Appropriations *(Dollars in Thousands)*	**FY 2013**
Department of Natural Resources	
Minnesota Prairie Recovery Act Project	4,610
Cannon River Headwaters Habitat Complex	1,760
DNR Wildlife Management Area Acquisition	2,900
Northern Tallgrass Prairie Nat'l Wildlife Refuge Land Acquisition	1,580
Accelerating the Wildlife Management Area Program	3,300
Green Corridor Legacy Program	1,730
DNR Prairie Grassland Restoration and Enhancement	4,300
Habitat Restoration & Enhancement in the Anoka Sandplain	1,050
Enhanced Public Grasslands	1,320
Mississippi Northwoods Habitat Complex Protection	11,040
Northeastern Minnesota Sharp-tailed Grouse Habitat Partnership	1,340
Protect Key Forest Habitat Lands in Cass County Program	480
LaSalle Lake; Protecting Critical Headwaters Habitat	1,000
Minnesota Moose Habitat Collaborative	960
Accelerating the Waterfowl Production Area Program	5,400
Columbus Lake Conservation Area	940
Living Shallow Lakes and wetlands Initiative Program	4,490
Accelerated Wetland & Shallow Lake Enhancement Program	3,870
Marsh Lake Enhancement	2,630
DNR Aquatic Habitat Program	3,480
Metro Big Rivers Habitat	3,680
Riparian & Lakeshore Protection & Management in Dakota Co.	480
Lower St. Louis River Habitat Restoration	3,670
Minnesota Trout Unlimited Coldwater Habitat Enhancement	2,120
Grand Marais Creek Outlet Restoration	2,320
Knife River Habitat Restoration	380
Protect Aquatic Habitat from Asian Carp	7,500
Conservation Partners Legacy Grant Program	4,990
Contact Management	175
Technical Evaluation Panel	45
Department of Natural Resources Total	**83,540**
Board of Water and Soil Resources	
Minnesota Buffers for Water & Wildlife	2,090
Protecting Mississippi River Corridor Habitat ACUB Partnership	480
RIM Wetlands Reserve Program Partnership	13,810
Board of Water & Soil Resources Total:	**16,380**
Outdoor Heritage Fund Total Appropriations	**99,920**
Forecasted Outdoor Heritage Fund Balance	**102,958**
Outdoor Heritage Fund Balance After Appropriations	**3,038**

After the appropriations made by the 2012 Legislature, it is forecasted that the Outdoor Heritage Fund will have a balance of $3.038 million at the end of FY 2013. This represents a fund balance reserve of 3.4 percent

Clean Water Fund

The 2012 Legislature appropriated $6 million from the Clean Water Fund for Fiscal Year 2013. The appropriation is in addition to the $88.912 million in Fiscal Year 2013 appropriations made from the fund by the 2011 Legislature. Together, the combined Fiscal Year 2013 appropriations from the Clean Water funds are $94.912 million.

The additional 2012 Legislature appropriations from the Clean Water Fund for Fiscal Year 2013 are summarized below. All of the appropriations are one-time in fiscal year 2013.

Clean Water Fund Appropriations *(Dollars in Thousands)*	**FY 2013**
Board of Water and Soil Resources	
Surface & Drinking Water Grants	1,600
Targeted Resource Protection & Enhancement Grants	600
Measures, Results & Accountability	300
Targeted Nonpoint Restoration Tech Assistance	700
Wellhead Protection Areas	1,000
Board of Water & Soil Resources Total	**4,200**
University of Minnesota	
Aquatic Invasive Species Research	1,800
University Of Minnesota Total	**1,800**
Clean Water Fund Total Appropriations	**6,000**
Forecasted Clean Water Fund Balance	**9,847**
Clean Water Fund Balance After Appropriations	**3,847**

It is forecasted that the Clean Water Fund will have a balance of $3.847 million at the end of FY 2013 after the appropriations made by the 2012 Legislature. This represents a fund balance reserve of 4.3 percent

Arts & Cultural Heritage Fund

The 2012 Legislature appropriated $1.615 million from the Arts & Cultural Heritage Fund for Fiscal Year 2013. The appropriation is in addition to the $52.714 million in Fiscal Year 2013 appropriations made from the fund by the 2011 Legislature. Taken together, the combined Fiscal Year 2013 appropriations from the Arts & Cultural Heritage Fund are $54.329 million.

The additional 2012 Legislature appropriations from the Arts & Cultural Heritage Fund for Fiscal Year 2013 are summarized below. All of the appropriations are one-time in fiscal year 2013.

Arts & Cultural Heritage Fund *(Dollars in Thousands)*	**FY 2013**
Historical Society	
Statewide Historic and Cultural Grants	200
MHS Historical and Cultural Heritage Programs & Purposes	400
History Partnerships	200
Civil War & Dakota Conflict Sesquicentennial Commemoration	100
Historical Society Total	**900**
Department Of Administration	
Sesquicentennial Commemoration — Public Broadcasting	80
Film Production Incentive Program — MN Film and TV Board	600
Department of Administration Total	**680**
Legislature — Revisor Of Statutes	
Public Web Site — State Agency Rulemaking Historic Documents	35
Legislature — Revisor of Statutes Total	**35**
Arts & Cultural Heritage Fund Total Appropriations	**1,615**
Forecasted Arts & Cultural Heritage Fund Balance	**3,422**
Arts & Cultural Heritage Fund Balance After Appropriations	**1,807**

After the appropriations made by the 2012 Legislature, it is forecasted that the Arts & Cultural Heritage Fund will have a balance of $1.807 million at the end of FY 2013. This represents a fund balance reserve of 3.4 percent.

Environmental & Natural Resource Trust Funds

In addition to appropriations made from the constitutional Legacy funds, the 2012 Legislature also made changes to the FY 2013 appropriations from the Environmental and Natural Resources Trust Fund, which is more commonly referred to as the Legislative-Citizens Commission on Natural Resources (LCCMR) funding.

The changes net out to zero in total. The changes repurpose $2 million in previous approved FY 2013 appropriations from the Department of Natural Resources to the University of Minnesota. The appropriation changes are shown in the table.

Environment and Natural Resource Trust Fund *(Dollars in Thousands)*	**FY 2013**
Department of Natural Resources	
Aquatic Invasive Species Programs	-1,000
LaSalle Lake Recreation Area Acquisition	-1,000
Board of Water & Soil Resources Total:	**-2,000**
University of Minnesota	
Aquatic Invasive Species Research	2,000
University of Minnesota Total:	**2,000**
Environment And Natural Resource Trust Fund Appropriations	**0**

For additional information on Legacy Finance issues, contact Ron Soderberg at 296-4162 or ron.soderberg@house.mn

This page intentionally left blank

State Government

The 2012 supplemental budget for the State Government Finance committee increased General Fund spending by $1.3 million for FY 2013.

State Government Finance - Supplemental Appropriations
(dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
Legislature, Chapter 278	0	106	**106**	139	139	**278**
Administration, Chapter 292	450	0	**450**	0	0	**0**
Minnesota Management & Budget, Chapter 292	0	126	**126**	0	0	**0**
Veterans Affairs, Chapter 292	0	610	**610**	420	420	**840**
subtotal expenditure changes	**450**	**842**	**1,292**	**559**	**559**	**1,118**
General Fund Revenue Changes:						
Administration	87	**0**	**87**	**0**	**0**	**0**
Public Utilities Commission		18	**18**			
subtotal revenue changes	87	18	**105**	0	0	**0**
Net General Fund Change:	**363**	**824**	**1,187**	**559**	**559**	**1,118**
Non-General Fund Changes						
Secretary of State: HAVA Activities, Chapter 282		750	**750**			
MN Historical Society: Streamline Admission Fee Processing, Chapter 292						
Net change Special Revenue:		**0**	**0**	**0**	**0**	**0**
Minnesota Management & Budget, Chapter 292						
State Agency Rulemaking Process, Environmental Fund		14	**14**			

Legislature - Chapter 278, Sunset Bill: $106,000 is appropriated in FY 2013 to the Legislative Coordinating Commission for staff or professional contract services for the Sunset Advisory Commission.

Secretary of State - Chapter 282, Help America Vote Act (HAVA): Chapter 282 appropriates a total of $750,000 from the HAVA account in the special revenue fund. This

account is funded through grants from the federal government. The specified purposes in Chapter 282 are:

- $50,000 for Military and Overseas Empowerment Act compliance
- $120,000 for support for local election officials
- $580,000 for other HAVA activities authorized in the state's HAVA plan, including maintenance and management of the statewide voter registration system.

Approximately $1.05 million remains in the HAVA account and will be available for future appropriations. Chapter 282 also stipulates that the secretary of state must not make reductions to the business services division to offset any reductions to election services.

Supplemental Appropriations Bill, Chapter 292

Administration: $450,000 in FY 2012 for is appropriated for contracts for:

- A benchmark study on the efficiency and effectiveness of "back office" functions, specifically finance, procurement and human resources. The study must include a comparison of the state's performance to peer groups and world-class organizations, and identify improvement initiatives for the state.
- A student transportation study to consider potential efficiencies that could result from employing a regional approach to student transportation.

Minnesota Management & Budget (MMB): $126,000 from the General Fund, and $14,000 from the environmental fund, is appropriated for implementation of the requirements of Laws 2012, Chapter 238, related to the state agency rulemaking process. MMB is allowed to transfer funds from the General Fund appropriation to other agencies, as needed. Funds from the environmental fund may be transferred to the Pollution Control Agency.

Veterans Affairs: Chapter 292 includes funding for four initiatives:

- Minnesota GI Bill Expansion: Chapter 292 expands the authorized uses of the MN GI Bill to include apprenticeships and on-the job training for eligible veterans. This change is estimated to cost $210,000 in FY 2013, and $420,000 each year after, when the program is fully implemented. The MN GI bill is funded through a statutory appropriation that is capped at $6 million each fiscal year.
- Veterans Honor Guards: $100,000 in one-time funding to compensate honor guards at the funerals of veterans.
- MN Assistance Council for Veterans (MACV): $100,000 for a one-time grant to MACV. This funding is in addition to the $500,000 per year funding provided in the 2011 State Government Finance bill.

- County Veterans Services Grant Program: $200,000 in one-time funding for a grant to Minnesota County Veterans Service Officers. The grant must be used for community outreach to all eligible veterans regarding the availability of benefits, especially those benefits related to posttraumatic stress disorder.

Pensions - Chapter 286

Interest Rate Assumptions: Chapter 286 lowers the assumption of future investment returns from 8.5 percent to 8 percent for a "select period" of five years. The 8.5 percent rate will resume in 2017. Lowering the investment assumption decreases funded ratios and increases liabilities and projected benefit costs. Some members had expressed concerns the 8.5 percent is too optimistic, citing the recent market volatility and its impact on future outlook for the pension funds.

Reporting requirements: The Minnesota Department of Management and Budget is directed to collect and post on their website extensive Minnesota public pension data in each odd-numbered year.

This page intentionally left blank

Transportation

The Legislature passed two laws during the 2012 session affecting appropriations for transportation-related programs and activities: Chapter 287 (omnibus transportation policy bill) and Chapter 293 (capital budget).

There was one expenditure change to the general fund for the FY 2012-13 biennium. $472,000 was appropriated for "soft body armor" grants to local law enforcement agencies in FY 2013. There were no general fund changes for the 2014-15 biennium.

Table I: Transportation Finance and Policy Division – Supplemental Budget
(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
General Fund Expenditure Changes						
Dept of Public Safety (Soft Body Armor)	$0	$472	$472	$0	$0	$0

Within the transportation area, the trunk highway fund had the greatest net impact of any fund for each biennium. Expenditures from the trunk highway fund will increase by $20.2 million in the FY 2012-13 biennium and by $7.6 million in the FY 2014-15 biennium. Table II highlights expenditure and revenue changes enacted during the 2012 legislative session by fund (non-general fund changes only).

Table II: Transportation Finance and Policy Division - Other Funds
(Dollars in thousands)

	FY 12	FY 13	FY 12-13	FY 14	FY 15	FY 14-15
Trunk Highway Fund Expenditure Changes						
Debt Service	0	97	97	870	1,467	2,337
Cash for Capital Projects	0	17,500	17,500	0	0	0
total expenditure changes:	**0**	**17,597**	**17,597**	**870**	**1,467**	**2,337**
Trunk Highway Fund Revenue Changes						
Overweight Motor Vehicle Reg. Collection	0	60	60	60	60	120
Forest Products Permits	0	(202)	(202)	(220)	(220)	(440)
Special Farm Products Permits	0	(367)	(367)	(400)	(400)	(800)
Gas Tax Exemption for Health Providers	(942)	(2,062)	(3,004)	(2,062)	(2,062)	(4,124)
total revenue changes:	**(942)**	**(2,571)**	**(3,513)**	**(2,622)**	**(2,622)**	**(5,244)**
Net Trunk Highway Fund changes - Cost/(Savings):	**942**	**20,168**	**21,110**	**3,492**	**4,089**	**7,581**

Table II: Transportation Finance and Policy Division - Other Funds *(Dollars in thousands)*						
	FY 12	**FY 13**	**FY 12-13**	**FY 14**	**FY 15**	**FY 14-15**
Special Revenue Fund Revenue Changes						
Forest Products Permits (Bridge Inspection)	0	202	202	220	220	440
Special Farm Products Permits (Bridge Inspection)	0	367	367	400	400	800
Special Revenue Fund Changes - Cost/(Savings):	**0**	**569**	**569**	**620**	**620**	**1,240**
Federal Fund						
School Bus Child Restraints – Expend. Change	0	378	378	378	378	756
School Bus Child Restraints - Revenue Change	0	378	378	378	378	756
Net Federal Fund changes:	**0**	**0**	**0**	**0**	**0**	**0**

Additional details on select items highlighted in the above tables follows.

Department of Transportation

- **Debt Service:** Chapter 287 authorized $16.1 million in Trunk Highway bonding authority for construction and renovation of the existing Rochester district headquarters and maintenance facility.
- **Cash for Capital Projects:** Chapter 287 authorized the use of Trunk Highway cash in FY 2013 for a number of MnDOT District Headquarters and Truck Station projects.
- **Forest Products and Special Farm Product Permits:** Chapter 287 changed the fund to which Forest Products and Special Farm Product Permits are deposited back to the Bridge Inspections and Signing Account within the Special Revenue Account. In FY 2011, these fees were redirected to the Trunk Highway fund.
- **Gas Tax Exemption for Health Providers:** Chapter 287 authorizes an exemption from petroleum products taxes for certain providers of transportation to medical assistance recipients and motor vehicles used exclusively as mobile medical units.

Department of Public Safety

- **Soft Body Armor:** Chapter 292, the Supplemental Budget Bill, provided for $472,000 in additional funding for soft body armor vest reimbursement for law enforcement officers and agencies. The existing approprapriation for this purpose had been depleted.

- **School Bus child Restraints:** Chapter 287 included a technical change that puts Minnesota back into compliance for federal funds, as defined by Section 2011 of the Federal Highway Safety Program. The $378,000 is considered federal "pass through" funding that is granted to local units of government to support child passenger safety.

For further information on Transportation finance issues contact Melissa Johnson, House Fiscal Analysis Department at 651-296-4178 or Melissa.Johnson@house.mn.

This page intentionally left blank

Changes in Tax Revenues and Tax Aids & Credits

The vetoes of Chapter 285 and Chapter 296 (HF 2337 and HF 247, both omnibus tax bills) eliminated numerous proposed changes to tax revenues and tax aids and credits. The three surviving acts, Chapter 287 (transportation), Chapter 294 (supplemental property tax aids and refunds), and Chapter 295 (independent contractors) changed Minnesota law governing tax revenues and property taxes and local aids ever so slightly, having minimal impact on the state general fund.

As shown in Table 1, total general fund expenditures for Property Tax Aids and Credits will grow to $2.836 billion in FY 2012-13, a small increase of 0.15 percent over the February 2012 forecast base of $2.832 billion. In FY 2014-15, biennial expenditures will shrink to $2.771 billion, a level almost equal to the forecasted amount of $2.770 billion.

Table 1: Summary of 2012 Tax Changes by Act
General Fund Tax Revenues and Tax Aids & Credits

Dollars in 000's	FY 2012	FY 2013	FY 12-13	FY 2014	FY 2015	FY 14-15
February Forecast 2012			**$2,832,328**			**$2,769,891**
Tax and Other Revenue Changes						
Positive numbers reflect a revenue gain and negative numbers show revenue loss.						
Chapter 287 General Fund	0	0	0	0	(30)	(30)
Chapter 294 General Fund[1]	4,112	0	4,112	30	0	30
Chapter 295 General Fund	0	(105)	(105)	(105)	(110)	(215)
Total Tax & Other Revenue Changes CH 289, 294 & 295 General Fund	**$4,112**	**($105)**	**$4,007**	**($75)**	**($140)**	**($215)**
Tax Aids & Credits Changes						
Positive numbers reflect a cost to the state and negative numbers reflect a revenue gain.						
Chapter 287 General Fund	0	0	0	0	20	20
Chapter 294 General Fund	0	4,112	4,112	1,039	0	1,039
Total Tax Aids & Credits Changes CH 289 & 294 General Fund	**$0**	**$4,112**	**$4,112**	**$1,039**	**$20**	**$1,059**
Net Revenue Changes (Revenues less Aids & Credits)	**$4,112**	**($4,217)**	**($105)**	**($1,114)**	**($160)**	**($1,274)**
Total General Fund Forecast + Aids & Credits Changes			**$2,836,440**			**$2,770,950**
Total % Change, Forecast + Aids & Credits Changes			**0.15%**			**0.04%**

[1] *This $4.1 million increase in revenue is a transfer from the special revenue fund . No taxes were increased to create this revenue gain.*

Table 2 compares actual and anticipated spending for the six-year period, FY 2010-2015. Forecasted biennial expenditures are reduced by an average of 6.1 percent in FY 2012-2013 under FY 2010-2011 levels, and then further reduced by another 2.2 percent in FY 2014-2015. The changes enacted by the 2012 legislature basically uphold this budget reduction trend established by the 2011 legislature.

Table 2: Tax Aids, Credits and Other Expenditures
Dollars in Millions

	February 2012 Forecast		Appropriations	% Change	% Change	Tails
	Closing FY 2010-11	Base FY 2012-13	Chp 287 & 294 FY 2012-13	FY 12-13 base vs FY 2010-11	FY 2012-13 vs. FY 12-13 Base	Chp 287 & 294 FY 2014-15
Property Tax Refunds	$939.0	1,053.2	**1,057.3**	12.2%	0.4%	**1,135.2**
Political Contribution Refund	1.7	0.0	**0.0**	-100.0%	0.0%	**12.0**
Tax Refund Interest	36.6	27.8	**27.8**	-24.0%	0.0%	**28.8**
Local Aids	**1,310.8**	**1,215.3**	**1,215.3**	-7.3%	0.0%	**1,226.7**
Local Government Aid (LGA)	907.8	850.6	**850.6**	-6.3%	0.0%	**853.9**
County Program Aid (CPA)	359.8	322.2	**322.2**	-10.5%	0.0%	**331.0**
Other County Aids	0.9	0.9	**0.9**	0.0%	0.0%	**0.9**
Disparity Reduction Aid	34.5	35.9	**35.9**	4.1%	0.0%	**36.4**
Other Local Aids	7.8	5.7	**5.7**	-26.7%	0.0%	**4.4**
Property Tax Credits	**451.8**	**239.3**	**239.3**	-47.0%	0.0%	**68.5**
Homestead Market Value Credit	389.7	172.9	**172.9**	-55.6%	0.0%	**0.0**
Agricultural Market Value Credit	47.2	46.7	**46.7**	-1.1%	0.0%	**47.2**
Border City Disparity Credit	10.6	14.2	**14.2**	33.5%	0.0%	**16.3**
Other Credits	4.3	5.5	**5.5**	29.2%	0.0%	**5.0**
Taconite Tax Relief Area Aids & Credits	26.0	25.8	**25.8**	-0.8%	0.0%	**29.6**
Local Pensions Aids	205.2	205.7	**205.7**	0.2%	0.0%	**215.4**
Other Expenditures	**43.8**	**64.5**	**64.5**	47.2%	0.0%	**54.6**
PILT Payments - DNR	43.6	52.0	**52.0**	19.2%	0.0%	52.9
Performance Measurement	0.0	1.2	**1.2**	-	0.0%	1.3
Local Option Abatement	0.2	1.7	**1.7**	797.8%	0.0%	**0.4**
DPS Disaster Assist	0.0	9.0	**9.0**	--	--	**0.0**
CH 7, SS1, Reciprocal Benchmark	0.0	0.6	**0.6**	--	--	**0.0**
Total General Fund	**$3,015**	**$2,832**	**$2,836**	**-6.1%**	**0.1%**	**$2,771**

Analysis by Chapter

Chapter 294 – Supplemental Tax Aids and Credits (HF 2690)

	FY 2012-13	FY 2014-15
Special Targeting Property Tax Refund	**$ 4.1 million**	**$ 0**

Under current law, the Targeting Property Tax Refund provides property tax relief to owners of residential homestead property when there is a relatively large, one-year increase (greater than 12 percent and over $100) in property taxes. Unlike the regular property tax refund program, eligibility for this additional refund is independent of income. The refund equals 60% of the property tax increase in excess of 12%, up to a maximum of $1,000. In calendar year 2011, over 26,000 homeowners received an average refund of $90.

For taxes payable in 2012 only, Chapter 294 changes the 60% factor to 90%. The impact of this formula change is a $4.1 million spending increase in FY 2013.

Modify Local Government Aid (LGA) payment	**$ 0**	**$ 1.07 million**
Income Tax interactions (revenue gain)	**$ 0**	**$ 30,000**
Property Tax Refund interactions	**$ 0**	**($ 30,000)**

The 2011 legislature temporarily reduced CY 2011 and CY 2012 LGA appropriations for each eligible city by requiring payment to be the lesser of their CY 2010 aid or its certified CY 2011 aid. (2010 LGA cuts were based on levy plus aid calculations, bypassing the LGA formula.) This action reduced the statewide LGA appropriation by $101.9 million per year. For CY 2013 and beyond, the LGA appropriation is permanently frozen at $426.4 million (the total amount paid for all cities in CY 2010) and distributed via the formula.

Chapter 294 of the 2012 legislature modifies LGA once again by bifurcating CY 2013 payment amounts based on city population as follows:

1) Cities with a population of 5,000 or more are frozen at CY 2012 aid amounts,
2) Cities under 5,000 in population will receive the greater of CY 2012 aid or current law CY 2013 aid.

The statewide impact of this change is an FY 2014 appropriation increase of $1.069 million, however the local level impact varies greatly. Older cities such as Brooklyn Park (-$1.3 million), Brooklyn Center (-$820K), Elk River (-$687K), Anoka (-$590K) and New Brighton (-581K) are hit the hardest while cities in the categories of Major Cities and Regional Centers fair the best. For a complete listing of LGA payments, see House Research LGA run HF2690EU1 at: http://www.house.leg.state.mn.us/hrd/issinfo/hf2690ue1.pdf

Additional state aid payments to cities would impact homeowner taxes, effective for taxes payable in 2013. In FY 2014, income and corporate taxes are estimated to increase by $30,000 and property tax refunds are estimated to decrease by $30,000.

Modify Local Government Aid (LGA) for City of Tamarack $ 12,000 $ 0

Facing the duress of a faulty sewer system installed by a now bankrupt contractor, the City of Tamarack in Aitkin County will receive a short term boost in city Local Government Aid (LGA) to help cover the cost of emergency repair. Chapter 294 provides an additional one-time aid payment of $12,000 in FY 2013 and a one-time LGA base level increase of $12,000 in FY 2014. Since LGA is a fixed appropriation, the FY 2014 base-level increase for Tamarack will lower the LGA payment to other cities.

2011 City Aid (LGA) Penalties $ 0 $ 0

In order to receive its annual Local Government Aid (LGA) payment, a city must comply with the financial reporting requirements established by the Office of the State Auditor. As of March 15, 2012, forty-five cities had late or missing financial information; seventeen of these cities had payments withheld totaling $794,597 statewide.

Chapter 294 provides noncompliant cities with a filing deadline extension to May 31, 2012. Unpaid FY 2012 LGA appropriations of $795,000, scheduled to be cancelled at the end of the fiscal year, are available for payment through June 30, 2012.

Special Revenue Transfer to the General Fund

One-time revenue gain $ 4.1 million $ 0

In FY 2012, there is a one-time transfer of $4.112 million from the Department of Revenue's Department Service and Recovery Special Revenue fund to the General Fund. The Minnesota Department of Revenue (DOR) is allowed to retain local sales tax revenue to offset administrative costs associated with collecting local sales taxes from local jurisdictions. The amount retained by DOR for administration of local sales taxes is not defined in statute but it is an amount that is periodically negotiated with local jurisdictions. The revenue retained for administration is deposited into the Service and Recovery Special Revenue Fund. From 2005 to 2012, an allotment-free balance of $4.5 million has accumulated in this fund. An allotment-free balance is a balance that has not been apportioned in a budget. Chapter 294 transfers $4.113 million from the special revenue fund to the general fund.

Chapter 287 – Omnibus Transportation (HF 2685, sec 55)

Metropolitan Council Transit Levy Bonds		
Income Tax interactions (revenue loss)	**-0-**	**($ 30,000)**
Property Tax Refund interactions	**-0-**	**$ 20,000**

On November 10, 2010, the Metropolitan Council adopted a 2030 Transportation Policy Plan with five major objectives to mitigate congestion on the region's roadway system and to enhance its performance. The first objective seeks to increase people-moving throughout the metropolitan area and numbers are on track for reaching the goal of doubling transit ridership by the year 2030.

The 2030 Plan states: "A network of transitways will allow travel that avoids congested lanes, connects regional employment centers, improves the reliability of riders' trips and boosts the potential for transit-oriented development..."

Chapter 287 gives the Metropolitan Council authority to issue up to $39.6 million in transit bonds or other obligations to pay for regional transit capital expenditures and related costs as prescribed in the current version of the 2030 Plan. This authority is in addition to any authority previously granted and is limited to the seven-county metropolitan area. Proceeds of these bonds will primarily be used to purchase buses, as well as finance transit facilities.

Any bond principle and interest issued under this provision would be paid by increasing property tax levies in the seven-county metro area. Additional debt service levies would increase homeowner taxes, effective for taxes payable in 2014. In FY 2014, income and corporate taxes are estimated to increase by $30,000 and property tax refunds are estimated to increase by $20,000.

Chapter 295 – Independent Contractors (Article 2, section 11)

Repeal Contractor Withholding 2% Tax (revenue loss)	**(105,000)**	**($215,000)**

In 2008, legislation was enacted that required construction contractors to withhold state income tax from payments to all self employed individuals who are hired as sub-contractors (both Minnesota residents and non residents) and paid more than $600 during the calendar year. Contractors would issue a form 1099 at the end year showing the amount withheld. If the amount withheld is in excess of the amount owed in state income taxes, a refund was issued after the appropriate income tax form was filed. It was estimated when this provision was enacted in 2008 that it would increase tax revenue from sole proprietors, especially non-resident contractors in the construction industry. Chapter 295 repeals the 2 percent construction contractor

withholding requirement. This repeal is estimated to reduce general fund tax revenue by $105,000 in FY 2013 and by $215,000 in the FY 2014-15 biennium.

For additional information on income, corporate, sales and health care taxes, contact Cynthia Templin at 651-297-8405, or cynthia.templin@house.mn .

For additional information on property aids and credits, motor vehicle taxes and other taxes, contact Katherine Schill at 651-296-5384 or katherine.schill@house.mn .