

# Money Matters

*A Publication of the House Fiscal Analysis Department on Government Finance Issues*

## A GLOSSARY OF FISCAL TERMS & ACRONYMS

1998 Revised Edition

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*Abstract. This issue of Money Matters is a resource document containing terms and acronyms commonly used by and in legislative fiscal committees and in the discussion of state budget and tax issues.*

*The first section contains terms and abbreviations used in all fiscal committees and divisions. The remaining sections contain terms for particular budget categories and accounts, organized according to fiscal subject areas.*

*This edition has new sections containing economic development, family and early childhood, and housing terms and acronyms. The other sections are revised and updated to reflect changes in terminology, particularly the human services section.*

*For further information, contact the Chief Fiscal Analyst or the fiscal analyst assigned to the respective House fiscal committee or division. A directory of House Fiscal Analysis Department personnel and their committee/division assignments for the 1998 legislative session appears on the next page.*

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# A GLOSSARY OF FISCAL TERMS AND ACRONYMS

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# General Terms and Acronyms

**Appropriation S** Authorization by the Legislature to spend money from the state treasury for purposes established in law. The Minnesota Constitution prohibits payment of money out of the treasury unless authorized by an appropriation. (Also see [standing appropriation](#) and [direct appropriation](#).)

**Appropriations Cap S** Legislatively-placed limits on spending in the biennium following the budget period under consideration (i.e., budget “[tails](#)”). Caps allow spending projections to be lower than they would otherwise be under current law; that is, lower than if current spending levels were projected forward.

**Allotment** Administratively-placed limits on the amount to be spent or encumbered for a legislatively-authorized purpose. Agencies develop a spending plan based on appropriations; then money is allotted for each expenditure. In the accounting system, allotments act as a control, prohibiting spending beyond the established limits.

**Annualization** The practice of adjusting spending totals to determine the annual costs of programs that were funded for only a portion of the previous year. For example, the annualized cost of a program that cost \$500,000 for six months of operation is \$1,000,000.

**Base** Usually calculated from the most recent amount spent by an agency for a program, the base is the agency’s current spending level with adjustments made for costs not likely to recur. As part of the state budget process, the Department of Finance defines the base, and may change the way it is calculated.

**Biennial Budget Documents** Budget documents contain narrative and fiscal information at the budget activity level for each state agency, which is distributed in several loose-leaf notebooks. *M.S. 16A.11* requires the Governor to submit his budget message and detailed operating budget recommendations by the fourth Tuesday in January in odd-numbered years. (However, in the year following the election of a new Governor, the budget recommendations must be submitted by the third Tuesday in February.) The Department of Finance is required to submit the final budget format, agency plans and budget estimates to the Legislature by November 30 of the year prior to release of the Governor’s budget. The Finance Department is also required to seek the

involvement of the Legislature in developing budget forms and instructions, and in designing the budget document format.

**BBS, Biennial Budget System** The information system used by the Department of Finance to prepare the budget documents, and by the executive and legislative branches of government to keep track of appropriations.

**Biennium** Minnesota has a two year (biennial) budget period. The Legislature appropriates the major portion of the budget in the odd-numbered year session, and makes adjustments as needed during the even-numbered years. For example, the FY 2000-01 biennium would begin at midnight on June 30, 1999 and would end at midnight June 30, 2001.

**Budget** The plan or authorization for revenues and expenditures in a fixed period of time. State law (*M.S. 16A.11 Subd.2*) requires the Governor to present a balanced budget to the Legislature for consideration. The budget is submitted in three parts: (1) the Governor’s budget message, including a summary and the Governor’s recommendation on state financial policy, (2) the detailed operating budget and (3) the detailed capital budget.

**“Off-budget”** Non-General Fund revenues and expenditures, pass-through funds, certain dedicated monies, intergovernmental revenues and inter-fund transfers.

**“On budget”** Part of the General Fund.

**Supplemental Budget** – Refers to either (1) the budget passed in even-numbered years or (2) changes to the original budget documents submitted by the Governor in odd-numbered years (usually based on revised estimates of forecasted revenues and expenditures).

**Budget Reserve or Reserve** State law establishes a Budget Reserve separate from the Cash Flow Account (*M.S. 16A.152*). The Reserve is like a savings account and serves as a hedge against an unforeseen economic downturn. Reserve funds may be spent in the event expenditure are forecast to exceed revenues, but only after consultation with the Legislative Advisory Commission.

**Budget Resolution** The *Permanent Rules of the House* (5.12), require that within 15 days following the release of a revenue and expenditure forecast during that session, the

House Ways and Means Committee must adopt a resolution which sets maximum limits on General Fund expenditures and revenues, and establish the amount of the Budget Reserve. Subsequently, the Ways and Means Committee reconciles finance and revenue bills, to ensure that the budget resolution limits are not exceeded.

**Budgetary Balance** – The amount of money left on the bottom line of the General Fund balance after expenditures and money set aside in the Reserve/Cash Flow Account have been subtracted from revenues.

**Cambridge Bank Funds** – A special fund established to pay off revenue bonds issued to pay a judgement against the state to the Cambridge State Bank and other banks (M.S. 16A.67). Through June 30, 2001, a variety of state non-tax revenues (lottery, state agency fees) are dedicated to this purpose.

**Cancellations** Money appropriated but unspent and unencumbered at the end of a biennium, which is added back to the General Fund balance.

**Carryforward** The practice of allowing agencies to use unspent money in the year following the year for which it was appropriated. Upon the approval from the Finance Department, agencies may carry forward unspent and unencumbered non-grant operating balances from the first year of the biennium to the second. (The Legislature may spend an appropriation for all or part of a biennium in either year of the biennium. The Courts and Constitutional Officers may spend money from either year of the biennium if funds are insufficient in either the year.)

**Cash Flow Account** State spending is not constant across the fiscal year, but rather has peaks and valleys based on patterns of receipts and expenditures. A *Cash Flow Account* (separate from the Budget Reserve) is established, in a amount specified by law, to avoid short-term borrowing during cash low points (M.S. 16A.152, Subd. 1).

**Claims** – Certain claims against state agencies or employees are determined by the Legislature. These claims are reviewed by a joint House-Senate subcommittee and then considered as a bill by the full House and Senate.

**Complement** Total number of employees. The Legislature no longer sets limits on agency complements. However, information on full time equivalent positions in agencies must be included in the biennial budget document.

**Contingency Funds** An appropriation(s) that may be spent with approval of the Legislative Advisory Committee when the Legislature is not in session, to meet emergencies. In a

typical biennium, less than \$1 million in total is available for the contingency account from the General Fund, the State Government Special Revenue Fund, and the Workers Compensation Fund

**CPI-U, Consumer Price Index<sup>Urban</sup>** A measure of inflation intended to capture the increased prices facing consumers for a fixed market basket of services and goods, including food, housing, transportation, clothing, medical care, and entertainment.

**Current Spending** Similar to “base” in meaning. The Department of Finance defines current spending as actual spending with adjustments, such as removing one-time appropriations or non-recurring expenditures. For most agencies, current spending is less than actual spending and usually is the base on which the budget is built.

**Debt Service Fund** See “[Capital Investment](#)” section.

**Dedicated Revenue or Expenditures** Money raised and earmarked to be spent for specific purposes.

**Departmental Earnings** Money collected by state agencies through service user fees, occupational license charges, regulatory charges, special taxes and assessments and other revenues. In general, agencies are required to set charges at levels that neither significantly over recovers nor under recovers costs, including overhead costs, involved in providing the services” (M.S. 16A.1285).

**Direct Appropriation** – An appropriation for a specific amount of money, for use during a specific time period. Most appropriations in omnibus bills are direct appropriations. Appropriations are usually for a single year of the biennium; however, legislation occasionally makes single year appropriations available either year of the biennium.

**Earmark** – To dedicate or designate a revenue stream for a specific purpose or expenditure.

**Encumbrance** Commitment of money to meet an obligation that is expected to be incurred to pay for goods or services received by the state, or to pay a grant. *Encumbrance* is the accounting control device that agencies use to reserve portions of their allotments for expenditures that will soon be incurred. Agencies must encumber money before they can spend it, providing a system to keep track of outstanding obligations.

**Enterprise Funds** Funds that provide money for services to the general public through programs that are expected to recover their full costs, primarily through user charges. Examples include the Higher Education Services Office Student Loan Fund, the State Lottery Fund, the Chemical

Dependency Treatment Fund, and the Private Employers Insurance Fund.

**EBO, Executive Budget Officer** Department of Finance personnel who are assigned to specific budget areas and who are responsible for developing the Governor's budget and tracking legislative actions.

**Fiduciary Funds** Account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. These include pension trusts funds, nonexpendable trust funds (where the principal may not be expended, *e.g.*, the Permanent School Fund, Environmental and Natural Resources Nonexpendable Trust Fund), expendable trust funds (*e.g.*, the Municipal State-aid Street Fund, County State-aid Highway Fund Environment and Natural Resources Expendable Trust Fund, Reemployment Compensation Fund), and agency funds, such as the Deferred Compensation Fund.

**Finance, Department of** The agency with broad powers to administer the financial affairs of the state, among them the responsibility to develop and present the Governor's budget, produce forecasts of state revenues, expenditures, and debt capacity, to prepare and oversee fiscal notes, and to manage the state's capital indebtedness and capital bonding. The Commissioner of Finance is designated in statute as the state's chief accounting officer, principal financial officer and the state controller.

**Fiscal Note** Official estimate of costs or revenues for proposed legislation, prepared by agencies or fiscal staff. State statute (*M.S.* 3.98) requires that fiscal notes be prepared at the request of the chair of the standing committee to which a bill has been referred, or by the chair of the Ways and Means Committee of the House or Finance Committees of the Senate. State law defines the required components of a fiscal note. The Department of Finance is responsible for oversight of the processing, preparation, delivery and updating of fiscal notes, and for assuring their accuracy and completeness.

**Fiscal Year** The 12-month period on which the state budget is based; it runs from July 1 to June 30. School district fiscal years are the same as the state fiscal year. County and city fiscal years are the same as the calendar year. The federal fiscal year runs from October 1 to September 30.

**Forecast** Each year in November and February, the Department of Finance is required to predict state revenues and expenditures based on current law (*M.S.* 16A.103). This prediction is the "forecast" upon which the Governor and the

Legislature base their budget proposals. The State Economist uses both national economic forecasting data and Minnesota-specific data. Within the forecast process, the Department of Revenue is required to forecast revenues to be received by school districts, counties and towns. The Finance Department is also required to submit a debt capacity forecast at the same times as the revenue and expenditure forecast.

**GAAP, Generally Accepted Accounting Principles** uniform standards for government accounts. Most state funds are accounted for using the modified accrual basis of accounting which recognizes the unique revenue and expenditure issues for some state payments.

**GDP, Gross Domestic Product** the total value of all goods and services provided in a country by residents and non-residents of that country.

**GDP Implicit Price Deflator** An inflationary measure intended to capture changes in the average price of goods and services in the U.S. Unlike the CPI-U, which measures changes in a fixed groups of goods and services, the price deflator measures a changing mix of goods and services and includes consumer expenditures, private investment, government spending and exports net of imports.

**General Fund** The largest fund in the state treasury, into which receipts from the major taxes are deposited (*e.g.*, individual and corporate income, sales, motor vehicle, cigarette and liquor, etc.). Most of the money in the General Fund is not earmarked for specific purposes. The General Fund is the major source of funding for education, health care and human services and other major functions of state government. (Also, see [special funds](#).)

**GSP, Gross State Product** A measure of state economic output.

**Internal Service Funds** Fund internal to the operation of state government that provide a variety of services to state agencies, such as computer services, motor pool, and printing. The funds must recover the full costs of services provided through billing back state agencies.

**K-12** Kindergarten through grade twelve.

**Legislative Advisory Commission** Joint House-Senate legislative commission assigned responsibility for approving

the acceptance of federal grants when the Legislature is not in session and the allocation of emergency contingent funds. The LAC also advises the Governor on issues such as spending from the Reserve when receipts are less than projected expenditures.

**Mandates** Requirements imposed by one level of government on another. “Mandate” may refer to requirements imposed by the funding level of government that must be met by the recipient governments in order to receive funds.

**Object Code** The lowest level of detail provided in the biennial budget document. Examples of object codes are personal services (salaries), contracts, and capital equipment.

**Omnibus Bill or Act** – A collection of separate bills or appropriations in a single, large bill or act.

**Open Appropriations** A form of standing appropriation where the level of funding necessary to fulfill the obligation is made available in the fiscal year. The state fund balance shows an estimate of the amount expected to be spent. Many of the programs funded by formula (*e.g.*, education aids and Homestead and Agricultural Credit Aid – HACA), and programs funded through fees, are open appropriations.

**Performance-Based Reporting** A system that identifies specific goals and objectives and attempts to measure progress toward those goals. The system is intended to focus on the outcomes, or effects, of government activities, rather than on inputs, such as the number of employees performing an operation. Reports are due on a biennial basis and performance data must also be included in the biennial budget documents.

**Personal Income** – In national economic accounting, personal income is the income received by persons: individuals, owners of unincorporated businesses (including partnerships), non-profit institutions, private trust funds, and private non-insured welfare funds. Personal income is the sum of wage and salary disbursements, other labor income, proprietors’ income, rental income of persons, dividends, and personal interest income and transfer payments, less personal contributions for social insurance. —*Dictionary of U.S. Government Statistical Terms*, (Source: U.S. Department of Commerce, Bureau of Economic Analysis.)

**Price of Government, ” POG”** M.S. 16A.102 requires the Governor and the Legislature to establish revenue targets that prescribe total revenues for state and local governments in

terms of the percent of total Minnesota personal income they represent. The price of government statistic is an indicator of the capacity of the state economy to support government. The target is expressed as a ratio, the numerator of which is state and local government tax- and non-tax revenues, and the denominator of which is aggregate Minnesota personal income. (See [personal income](#).)

**Real (Constant) Dollars** The value of money after adjusting for inflation (*vs. nominal*, or *current* value — the price without adjusting for inflationary effects).

**Reciprocity** A mutual action, exchange or agreement, usually between two states, such as mutual recognition of residency for purposes of income tax liability, eligibility for resident tuition and the like.

**RFP, Request for Proposal** A process used to solicit proposals from interested parties for specific agency initiatives. The RFP contains detailed information about the proposals being sought including potential funding available and required time lines. The process involves the submittal of detailed applications by interested parties.

**Revenue** Government revenue is money received by a government from external sources net of refunds and other correcting transactions, other than from the issuance of debt, liquidation of investments, and as agency and probate trust transactions. Government revenue excludes non-cash transactions such as receipt of services, commodities or other receipts in kind. Government revenue includes intergovernmental revenue. —*Source: Dictionary of U.S. Government Statistical Terms*, *ibid*.

**Revenue Estimate** Official fiscal analysis (similar to a fiscal note) prepared by an executive branch agency, forecasting the revenue loss or gain from the enactment of proposed tax legislation. Usually, revenue estimates are prepared by the Research Division of the Department of Revenue.

**Revolving Fund** Funds established in law in which revenue (including loan payments) is credited back to the fund for the same use as the original appropriation.

**Special Funds** – A grouping of revenues from certain sources from which certain expenditures are made. The state of Minnesota has a general fund and a variety of special funds. Revenues for these funds are usually dedicated and expenditures from the special funds are usually restricted for certain purposes. Examples of special funds include the

Highway User Tax Distribution Fund, Trunk Highway Fund, the Environmental Fund, Natural Resources Fund, the Game and Fish Fund, the Health Care Access Fund, the State Government Special Revenue Fund and the Special Revenue Fund.

**Special Revenue Fund** See [Special Funds](#), above.

**Spending Plan** Developed by state agencies after the legislative appropriation process is completed. The plans must specify the purpose and amount required for each activity and must be within the amount and purpose of the appropriation.” State law (M.S. 16A.14, subdivision 3) requires that agency spending plans must be approved by the Department of Finance before any money is spent.

**Standing or Statutory appropriations** When language in statute authorizes ongoing payment out of the treasury for a program. In contrast to direct appropriations, statutory appropriations need not be renewed every biennium for funding to continue.

**State Aids** Defined in statute as “programs by which the government provides financial assistance to political subdivisions to assist them in delivering public services, financing public facilities or reducing property taxes in connection with state mandates, programs and procedures.”

**State Government Special Revenue Fund** See [Special Funds](#), above.

**Tail** – (1) The future budget effects of any appropriation or revenue provision; or, (2) an appropriation, funding formula, or tax expenditure that takes effect in, or carries forward to a future biennium, at higher future costs/ revenue losses to the

state treasury than in the initial biennial budget period.

**Targets** In the legislative process, specific limits on spending and revenues, assigned by the House Ways and Means Committee, to reconcile the fiscal actions of committees and divisions with the Budget Resolution. The targets add up to the total limit on expenditures, revenues and the reserve level established in the Budget Resolution.

**Transfers** M.S. 16A.285 allows agencies to transfer operations money between programs within the same fund. Agencies must notify the Commissioner of Finance of the transfer. A transfer must be consistent with legislative intent and must be reported by the Finance Department to the chairs of the House Ways and Means Committee and the Senate Finance Committees. Agencies may transfer funds within programs, without notifying the Legislature, unless language in statute or law prohibits a specific transfer.

**Unallotment** Statute allows the Commissioner of Finance, with the approval of the Governor and after consulting with the Legislative Advisory Commission, to reduce unspent allotments if a deficit would otherwise occur (M.S. 16A.152, Subd. 4). The commissioner may do so only after the Reserve account is used to balance expenditures and revenues.

**Veto** The State Constitution allows the Governor to veto a bill or to veto one or more items of appropriation in a bill while approving the rest of the bill (line-item veto). If the Governor signs a bill that contains vetoed provisions, a statement of the items vetoed must be attached to the signed bill. If the Legislature is in session, the Governor must transit the bill to the house where it originated and the vetoed items may be reconsidered separately.



# Capital Investment Terms and Acronyms

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**Arbitrage** The financial gain that can be garnered by selling tax-exempt bonds and reinvesting the bond proceeds at a higher, taxable, interest rate. For example, if the principal of a 8 percent bond is invested at 10 percent, the 2 percent profit that results is the arbitrage gain. Arbitrage is regulated and limited by federal tax law.

**Bond** A written promise to pay a specific sum of money (the principal) at a date or dates in the future (the maturity) together with periodic interest at a specified rate.

**Bonding** Authorization to provide for issuance of debt instruments, as well as the use of money raised through the issuance for capital projects.

**Bond Rating** Rating for bonds to be issued that primarily reflects the ability of the issuer to repay the bonds. Better bond ratings result in lower interest rates for the bonds issued. Bond ratings are better when the state follows its self-imposed debt management guidelines. Current bond rates for the State are AAA by Moody's, AA+ by Standard and Poor's, and AAA by Fitch.

**Call option**— A stipulation in a bond contract that allows the issuer to buy back the bonds at a specified date. A call option gives the issuer flexibility to lower costs if interest rates drop by issuing bonds at a lower rate to “call” or buy back bonds that are paying a higher rate of interest. Call options typically are set at ten years on Minnesota’s 20 year bonds. (See also *refinance*)

**CAPRA** *Capital Asset Preservation and Renewal Account* – Bond funds allocated to state agencies for the purpose of restoring or maintaining buildings and other items of a capital nature. (See also, [HEAPRA](#).)

**Capital Iceberg** See *deferred maintenance*.

**Capital Projects Funds**— three funds used to pay for capital projects. The General Projects Fund pays for capital projects from with General Fund money. The Bond Proceeds fund pays for non-transportation capital projects from the proceeds of a

bond sale. The Transportation fund uses bond proceeds to pay for transportation related capital projects.

**Construction** The phase of a building project following [predesign](#) and [design](#). It usually accounts for more than 91 percent of the spending on a project, and is the implementation of the predesign and design stage decisions.

**Defeasance**— To set aside money in an escrow account that is sufficient to retire outstanding bonds. By setting aside funds to retire debt before the call date on the bonds, the bonds are in effect “taken off the books.”

**Debt Management Guidelines** Guidelines that the State imposes on itself to control its capital investment. Following the guidelines will generally result in a better bond rating for the state, and thus, lower interest rates for state borrowing. The guidelines include: (1) total annual debt service cannot exceed 3 percent of annual non-dedicated receipts; (2) total debt cannot exceed 2 percent of total State personal income; (3) State agency debt cannot exceed 3.5 percent of State personal income; and, (4) general obligation debt, moral obligation debt, bond guarantees, equipment capital leases and real estate leases cannot exceed 5 percent of State personal income.

**Debt Capacity** The ability of the state to sell additional bonds to pay for bonding projects. Debt capacity is based on the amount of money available to pay off the bonds which is based on a limit of approximately 3 percent of the state’s General Fund expenditures.

**Debt Service** Money appropriated to pay the interest and principal on the money borrowed by the state for its capital projects.

**Deferred Maintenance** Backlog or catch-up maintenance of state buildings. The Department of Administration estimates that the state currently has \$1.5 billion in deferred maintenance needs.

**Design** The second phase of a project, before construction, after predesign. Design usually is less than 8 percent of the total budget of a project, and consists of 3 phases: schematic

design, design development and construction documents. The bulk of the spending during a project during the design phase is for architectural and engineering programming.

**G**eneral Obligation Bonds, “*G.O. Bonds*” Bonds that the state backs with its taxing powers.

**H**EAPRA Higher Education Asset Preservation and Renewal Account. Bond funds allocated to the higher education systems for the purpose of restoring or maintaining buildings and other items of a capital nature. (See also [CAPRA](#).)

**P**lanned Maintenance Preventative maintenance of a corrective and planned nature to repair and prevent building problems.

**P**re-design First stage of a building project. Usually accounts for less than 1 percent of total project spending. This stage is intended to determine a project’s feasibility, define the essential aspects of the project and prepare instructions for the

design phase. The pre-design documents should include the rationale for the project, its use components, costs and scheduled cash flow. In addition, pre-design should address possible operating budget implications of the project.

**R**efinance Similar to home owners who refinance their home loans during periods of low interest rates, the state can issue bonds at a lower rate to pay off bonds issued earlier at a higher rate. However, the older bonds can not be repurchased until their call date, the earliest date that bond holders have been told the bonds would be refinanced, has been reached.

**R**evue Bonds Bonds for which the debt service is paid by a specific revenue stream, and not out of the General Fund. Revenue bonds are primarily issued by the Minnesota Housing Finance Agency, which makes home loans with the bond funds, for example, and uses the mortgage repayments of those loans to service its debt, and the University of Minnesota and the Minnesota State College and Universities system, which might issue bonds for the purpose of building a parking lot or dorm, and service those bonds with lot fees, or dorm rents.

# Economic Development Terms and Acronyms

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**B****rownfields** — Parcels of land that were used for industrial or manufacturing purposes in the past, but now are underutilized or have been abandoned. In many cases, soil under brownfields have been contaminated with pollutants. Redevelopment of brownfields is often difficult, because of the costs associated with cleaning up the pollutants although all brownfields are not necessarily contaminated.

**D****ES** — Acronym for the Minnesota Department of Economic Security. DES assists in increasing the economic independence of Minnesotans, concentrating on unemployed individuals and those that face special barriers to entering and staying in the workforce.

**DPS** — Acronym for the Minnesota Department of Public Service. DPS is the public's chief advocate and primary source of information in the areas of energy, telecommunications and weights and measures. DPS represents consumers before the Public Utilities Commission.

**DTED** — Acronym for the Minnesota **Department of Trade and Economic Development**. DTED assists in creating an economic environment that produces net new job growth greater than the national average and increases both non-resident and resident tourism within the state.

**Dislocated Worker Program** — The federal and state dislocated worker programs serve those dislocated from long held jobs because of factors such as technological changes, investment decisions, and changes in consumption and competition. Services provided to clients fit into three broad categories: readjustment, retraining and supportive services. This program is funded by an employer tax, which is deposited into the Workforce Investment Fund.

**E****DA** — Acronym for **Economic Development Authority**.

**H****RA** — Acronym for **Housing and Redevelopment Authority**.

**I****RRRB** — Acronym for the Iron Range Resources and

Rehabilitation Board. The IRRRB is designed to help strengthen and diversify the economy of northeastern Minnesota. The IRRRB is funded predominately from taconite production taxes that are levied against mining companies in lieu of property taxes.

**M****HS** — Acronym for the **Minnesota Historical Society**.

**Minnesota Investment Fund** — Formerly the Economic Recovery Fund. The purpose of the Minnesota Investment Fund is to create and retain jobs with a focus on industrial manufacturing and technology related industries. The Department of Trade and Economic Development awards grants to local units of government that, in turn, make loans to assist new or expanding businesses. Loans to businesses can be for land, buildings, equipment and training. Funds may also be used for infrastructure improvements necessary to support businesses located or intending to locate in Minnesota.

**Minnesota Jobs Skills Partnership Program (JSP)** — A training program operated by the Department of Trade and Economic Development. JSP provides training for new jobs or provides skills training in order to retain existing employees.

**Minnesota Workforce Center System** — A service delivery system that provides a full array of employment and training services in one location. This system's approach to service delivery avoids duplication of services and presents a structure for assuring a better match between workers and jobs. This system is a state and local partnership comprised of the Minnesota Department of Economic Security and seventeen Workforce Service Areas. Primary partners include Job Service/Reemployment Insurance and Veterans programs, Rehabilitation Services, State Services for the Blind, local Workforce Councils/Private Industry Councils and local elected officials who work with the Job Training Partnership Act, Dislocated Worker and Older Worker Programs. This multi-partnered system also includes county governments, post-secondary and secondary education, county social service agencies, community action agencies, Displaced Homemaker programs and other locally-based service providers. The Workforce Center System is funded through a competitive grant from the United States Department of Labor. As of January 1998, Minnesota established 35 Workforce Centers

throughout the state and expects to open a total of 55 sites by July 1998.

**PUC** — Acronym for the Public Utilities Commission. The PUC creates and maintains a regulatory environment that ensures safe, reliable and efficient electric, natural gas and telephone services as a quasi-judicial/quasi-legislative board.

**Reemployment Insurance** — Previously known as Unemployment Insurance; its name was changed in 1995 by the Department of Economic Security, which administrates this program. It is a short-term program that provides temporary income to individuals looking for new jobs or awaiting recall to their regular jobs. The benefits for this program come from taxes employers pay into the Reemployment Insurance Fund. No deductions are taken from any worker's wages to pay for these benefits. (See Taxes, *FUTA*.)

**WCRA, Workers' Compensation Reinsurance**

**Association** — A nonprofit association of all insurance carriers that carry workers' compensation insurance. WCRA is responsible for: establishing procedures under which claims are made and for reviewing claims; collecting data regarding liabilities against the insurers; and calculating and charging members premiums sufficient to cover expected liabilities that members will incur.

**Workers' Compensation Special Fund** Used to fund Minnesota's workers' compensation system, including administrative costs for the Department of Labor and Industry, the Office of Administrative Hearings and the Workers' Compensation Court of Appeals. The fund also provides benefits to injured workers whose employers do not have mandatory workers' compensations coverage and enforces mandatory worker's compensation insurance coverage. The fund consists of assessments made against worker's compensation insurers and self-insured employers on the basis of their payments to injured workers for wages lost as a result of injuries.

# Education Terms and Acronyms

## K-12 Education Finance Terms and Acronyms

**ANTC, Adjusted Net Tax Capacity** S The property value used for assessing most school taxes. ANTC adjusts for differences in assessment practices and reflects the application of the classification rates to the market value of property.

**AP/IB, Advanced Placement/International Baccalaureate** S Programs that require more rigorous student achievement than regular programs and often will count for college credit.

**Basic Skills Test** S Tests in math, reading and writing taken by Minnesota students, passage of which is required in order to graduate. See also *Profile of Learning*

**Compensatory revenue** A portion of general education revenue based on the number of students in a school district that qualify for free and reduced-price lunches.

**CFL or DCFL** The Department of Children, Families, and Learning (formerly the Department of Education).

**Educational Excess & Deficiency Transfer** – At the end of a fiscal year, any excess general fund appropriations to the Department of Children, Families, & Learning for an aid or grant program specified in M.S. 124.14 (subd. 7 – 7a) may be transferred to programs that had deficiencies and could not sufficiently fund its formula. Excesses in K-12 programs can only be applied to deficiencies in K-12 programs, and excesses in Early Childhood and Family Education Programs can only be applied to deficiencies in Early Childhood and Family Education programs. In the Early Childhood area, this transfer of excess funds is sometimes referred to as the “commissioner’s reserve.”

**Enrollment Options “Open Enrollment”** S The program that allows students to attend a school district other than the one in which they reside.

**Formula Allowance** Usually refers to the basic general education formula allowance. For example, \$3,530 per pupil unit in 1998–99.

**General education allowance** – The funding formula that provides school districts with a majority of their revenue. For example, the general education formula allowance for the

1998-99 school year is \$3,530 per pupil unit. A district’s formula revenue is made up of a local property tax levy share and a state aid share.

**HSGI, High School Graduation Incentives** A group of alternative education programs designed to encourage students to complete graduation requirements.

**IEP, Individual Education Plan** The learning plan required to be developed for each student with disabilities.

**ITV, Interactive Television** Communications connections between school sites that allow two way video and audio communications between those sites.

**LEP, Limited English Proficient** S The term applied to students who have limited English speaking ability.

**Market Value** S The value assigned to property by an assessor. The market value is intended to reflect the sales value of the property.

**MARRS, Minnesota Automated Reporting Student System** – An automated process for school districts to report pupil data to the state. This data is used for funding calculations and other purposes.

**Profile of Learning** In-depth content requirements Minnesota students must meet, in a wide variety of subjects, in order to graduate. See also [Basic Skills Test](#).

**PSEO, Post Secondary Enrollment Options.** (See *Higher Education terms*.)

**Pupil Units** A weighted count of pupils used to determine revenue in many formulas:

One Kindergarten Pupil	=	0.53 pupil units
One Elementary Pupil (grade 1–6)	=	1.06 pupil units
One Secondary Pupil (grade 7–12)	=	1.30 pupil units

**Review & Comment** A process by which the commissioner of Children, Families and Learning education reviews and comments on the feasibility and practicality of

school district building projects.

**S****parsity revenue** The portion of the general education formula that provides additional revenue to school districts for schools that have relatively small enrollments and are relatively far from other school buildings.

**T****&E, Training and Experience revenue** A portion of the general education formula that compensates school district for a portion of the training or education levels and experience (number of years of service) levels of school district staff. Set to phase out beginning in the 1998-99 school year.

**Tax Capacity Rate** The rate of taxation for a specific program. Tax capacity rates are expressed as a percent of the adjusted net tax capacity. Many tax capacity rates are set in law.

**U****FARS, Uniform Financial Accounting and Reporting Standards** – A statewide accounting procedure that must be used by school districts to record financial transactions and report financial information to the State Department of Education.

**W****ADM, Weighted Average Daily Membership** – The acronym used to indicate pupil units.

**Y****outh Works and AmeriCorps** The state and federal programs that provide learning opportunities for students in conjunction with providing services to their communities.

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## Higher Education Finance Terms and Acronyms

**B****oard of Trustees of the Minnesota State Colleges and Universities** Also known as the *Higher Education Board (HEB)*, or “*the Merger Board*.” Newly created (1991) board that has governance authority over the State Universities, Community Colleges and Technical Colleges after the formal merging of these three systems on July 1, 1995. Members of the Board of Trustees are appointed by the governor.

**B****oard of Regents** Board which has governance authority over the University of Minnesota. The members of the Board of Regents are elected by both houses of the legislature meeting in joint convention.

**D****esign for Shared Responsibility** Defines how state financial aid is allocated to Minnesota undergraduate students. This policy distributes the responsibility for paying the cost of attending college among the student, the student’s family, and the state and federal governments. Shared Responsibility expects the student to finance 50 percent of the cost; the family is expected to pay the other half. In general, grant aid from the federal and/or state government applies to the family share and loans or work study apply to the student share.

**E****dVest** College savings program enacted by the 1997

Legislature. Allows families to set up state managed, tax deferred, savings accounts for educational expenses. Contributions are matched by the state up to a maximum \$300 annual benefit. Families with incomes under \$50,000 receive a 15% match, families with incomes between \$50,000 and \$80,000 receive a 5% match. The program is still in the set-up phase and accounts will not be available until 1999. (See also Qualified state tuition programs)

**F****AFFSA, Free Application For Federal Financial Aid** Federal form that provides financial information to complete the Federal Needs Analysis (see below) when applying for financial aid. Submitting this completed form with a copy of current tax information is a prerequisite for all state and federal need based aid.

**F****ederal Needs Analysis** Federal Methodology Used to assess a student eligibility for both state and federal need based financial aid programs. Financial information about the student and/or family and the student’s cost of attendance are used to determine the students financial need.

**F****unding Formula** Method by which the Legislature determines system allocations. Minnesota is in the process of converting from a formula that was known as “Average Cost Funding,” which based funding on the full average cost per student and was entirely dependent on enrollment

volume. The new formula is being called a “fixed and variable” cost model which recognizes that a portion of the cost of running a college does not vary greatly with minor differences in enrollment.

**FYE S Full Year Equivalents** A measure of enrollment equating total credit based enrollment (including full and part time students) to the equivalent number of full time students. Calculated by taking total credit hours generated and dividing by 45.

**Gopher State Bonds S** Program which will offer State general obligation bonds issued in small denominations to help families save for college. These bonds are state and federally tax exempt. Bonds are not yet available but should be late in 1998.

**H****eadcount S** Total number of students regardless of their enrollment status (number of individuals).

**HEFA Higher Education Facilities Authority** Statutory entity which assists (primarily private) colleges with financing of capitol projects. The Authority is empowered to issue revenue bonds which in aggregate do not exceed \$500 million. The Authority does not receive an funding from the state.

**HESO Higher Education Services Office**, formerly the Higher Education Coordinating Board) – State agency that is responsible for administering state financial aid programs and collecting statewide data on enrollments and aid distribution.

**I****nstructional Expenditure** Includes both direct (e.g. faculty salaries) and indirect costs (e.g. heat) assignable to academic programs.

**L****egislative Intent Tuition S** Estimate of revenues collected by the higher education systems attributable to the student (tuition) portion of the formula (see *Uniform Cost Related Tuition*). Because system boards have authority in statute to set their own tuition rates, the revenue they collect may vary some from the tuition assumptions made by the funding formula and the legislature. The difference (if positive) is sometimes referred to as excess tuition.

**N****onInstructional Expenditure S** Includes funding for activities such as research, athletics, financial aid, and community service. Non instructional activities, as a percentage of total state appropriations, vary greatly by

system and mission.

**P****ELL Grant Program S** Main Federal need based financial aid program. Grants range from \$400 to \$3000 annually and apply to undergraduate studies only.

**Perkins Loan S** Major supplemental federal loan program. Provides long term, low interest loans to undergraduate and graduate students. Students must show need (see Federal Needs Analysis). Undergraduates may borrow \$3,000 annually up to \$15,000 in total, graduates may borrow \$5,000 annually up to \$30,000 in total.

**PSEO Postsecondary Enrollment Options** State program that allows high school juniors and seniors to enroll in postsecondary courses. These students are accepted on a space available basis and are funded at marginal (32 percent) cost in the higher education funding formula.

**R****eciprocity** Agreements that Minnesota has with other states and provinces that allow students to attend colleges in those areas at lower than nonresident cost and vice versa. The agreements vary by state as to scope and cost, but most include a provision for equalization payments between states based on enrollment volume.

**S****ELF Loan, Student Educational Loan Fund** State run revolving loan fund. Loans are not need based but require a credit worthy co-signer (usually a parent). Interest on SELF loans is not deferred but must be paid quarterly while the student is in school. Undergraduates may borrow \$4,500 annually for the first two years and \$6,000 annually thereafter up to \$25,000 in total. Graduates may borrow \$9,000 annually up to \$40,000 total.

**Series EE U.S. Savings Bonds** Federally issued savings bonds. Bonds are available in small denominations and purchase methods such as payroll deduction are available. Interest on EE bonds is state and federal tax exempt when used for educational purposes.

**Stafford Loan Program S** Federal loan program that includes both need based, subsidized loans and non-need based, unsubsidized loans for undergraduate, graduate and professional students. Both programs are traditional college loan programs handled through private lenders, however, since 1994, both programs are also available at certain schools as Federal Direct Student Loans where the U.S. Department of Education is the lender. Annual loan amounts and aggregate limits vary by year in school and

dependency status.

**State Spending** Equals appropriations plus tuition. Tuition money is not appropriated, but is treated as dedicated revenue that is retained by the higher education systems.

Because Minnesota links tuition and state funding levels (see [Uniform Cost Related Tuition](#)), the higher education funding bill appropriates the state share of costs, but also sets an expectation for overall state spending (see *Legislative Intent Tuition*).

**State Grant Program S** Main state need based financial aid program. This program works in conjunction with the federal

PELL program to provide grants to students with assessed need (see Federal Needs Assessment and Design for Shared Responsibility). After the amount of total grant aid that a student is eligible for is determined any PELL grant which a student will receive is deducted and the remainder is the amount of the State Grant.

**Uniform Cost Related Tuition S** Relates the price of public higher education (tuition) to the cost of providing instruction. The state is expected to fund two thirds of the cost of instruction (slightly more at the Technical Colleges) and students are expected to pay one third.

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## Family and Early Childhood Education Terms and Acronyms

See [Family and Early Childhood](#) section.



# Environment and Natural Resources

## Terms and Acronyms

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**A****URI** – Acronym for the Agricultural Utilization Research Institute.

**B****OWSR** – Acronym for **Board of Water and Soil Resources**.

**D****NR** – Acronym for the Minnesota **Department of Natural Resources**.

**E****nvironmental Fund** – Fund in the state treasury that accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems.

**Environment and Natural Resources Expendable Trust Fund** – Fund in the state treasury that receives the investment earnings and a portion of the net lottery proceeds deposited in the Environment and Natural Resources Nonexpendable Trust Fund to be expended in for natural resources purposes.

**G****ame and Fish Fund** – Fund in the state treasury that receives revenues from license fees and fines related to hunting and fishing that are spent for related purposes.

**L****egislative Commission on Minnesota Resource** – The commission consists of 18 legislators selected to serve by their respective body of the legislature. The commission recommends a biennial budget plan for the expenditure of the Environment and Natural Resources Trust Fund dollars.

**M****innesota Resources Fund** – Fund in the state treasury that receives a portion of the cigarette and tobacco taxes that are appropriated for various natural resource development purposes.

**N****atural Resources Funds** – Fund in the state treasury that receives taxes from fuel used in recreational vehicles, fees and donations that are used to fund management of the related natural resource programs.

**P****CA** – Acronym for the Minnesota **Pollution Control Agency**.

**Petroleum Tank Cleanup Fund** – Fund in the state treasury that receives funding from a fee imposed on petroleum distributors for the purpose of reimbursing responsible parties for most of their costs to cleanup environmental contamination from petroleum tanks.

**R****IM** – Acronym for the **Reinvest in Minnesota** Program. RIM is Minnesota's premier conservation program, designed to protect, restore and improve the natural resource habitat.

**S****olid Waste Fund** – Fund established in the state treasury of monies credited to the account. Funding is from the solid waste fees and the proceeds of bond sales. The fund is used for costs associated with the closed landfill cleanup program or other costs as appropriated by law.

# Family and Early Childhood Terms and Acronyms

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**Note:** Additional terms and acronyms relevant to family and early childhood fiscal policy may be found in the Education, Health and Human Services, Housing and Taxes sections.

**A****BE** — Adult Basic Education.

**B****asic Sliding Fee Child Care** — A state subsidized child care program for low-income families not enrolled in TANF/MFIP Child Care assistance. Funding for this program is capped and allocated to counties on a calendar year cycle. Counties are required to contribute a fixed minimum direct service match and in many cases choose to contribute additional county funds.

**C****AP, Community Action Program** — A community action program is a community based and operated program that provides a range of services and activities having a major impact on the causes of poverty in the community. Operated by community action agencies, community action programs are also designed to achieve increased self sufficiency and greater participation in the affairs of the community.

**CCA, Community Action Agency** — A community action agency is a political subdivision of the state, a combination of political subdivisions, a public agency, or a private non profit agency that receives funds to support community action programs.

**CCDF, Child Care Development Fund** — A five-year federal block grant for child care. The CCDF has three components: discretionary, mandatory, and matching funds. Each component has separate requirements and Minnesota must comply with each component annually through FY 2002 in order to leverage available federal block grant funding.

**Child Care Wraparound** — A full day of child care using a combination of state and federal Head Start and child care funding.

**Child Care Fund** — Funds designated to help low income families pay for child care so that parents may pursue employment or education and training leading to employment. The Child Care Fund is composed of State General Fund appropriation and federal Child Care and Development Fund (CCDF) monies.

**CSBG, Community Services Block Grant** — A federal block grant, under P.L. 97-35, that supports the infrastructure of community action agencies. Community action agency programs help fight poverty by providing low-income Minnesota citizens with self sufficiency skills and training.

**E****arly Childhood Health and Developmental Screening** — Minnesota school districts are required to offer health and developmental screening for four-year-old children. The state provides \$25 per child as reimbursement for health and developmental screening for children between the ages of 3.5 to 5 years old.

**Educational Excess and Deficiency Transfer** — At the end of a fiscal year, any excess general fund appropriations to the Department of Children, Families, & Learning for an aid or grant program specified in M.S. 124.14 (subd. 7 - 7a) may be transferred to programs that had deficiencies and could not sufficiently fund its formula. This transfer of excess funds is sometimes referred to as the “commissioner’s reserve.”

**G****ED Test Reimbursement** — Provides 60 percent reimbursement to eligible individuals for completing the full battery of General Education Development tests.

**I****DA, Individual Development Accounts** — A federal initiative that enables low-income families to build assets and save money for economic self sufficiency. Use of savings accrued in IDA’s is limited to post secondary education related expenses and training, business development and home ownership. In Minnesota, the family assets for independence initiative is modeled after that the federal IDA initiative.

**P****ortability Pool** — Up to 5 percent of the annual appropriation for Basic Sliding Fee (BSF) may be earmarked for continuous child care assistance to eligible families who move between Minnesota counties. Under the portability pool, the family must have been in Basic Sliding Fee child care, moved to

a county with a waiting list, and apply for BSF within 30 days. The receiving county must accept responsibility after two months, continue basic sliding fee for the lesser of six months or until the family is under the regular county basic sliding fee program.

**Sliding Fee Scale** — A family's monthly parent fee for basic sliding fee child care services. Parent fees are established in rule and must provide for graduated movement to full payment. The minimum parent fees for families between 75 percent and 100 percent of poverty level must be \$5 per month. Finally, parent fees for families with income at or above the poverty level must not decrease due to the addition of family members after the family's initial eligibility determination.

**Summer Fuel Pre-purchase Program** — The Energy Assistance Program in the Department of Children, Families and Learning (DCFL) awards grants to community action agencies for a summer fuel pre-purchase program. Once awarded a grant, a community action agency will work with oil and petroleum vendors to pre-purchase heating fuel for the winter at summer prices. Any difference between summer fuel price and winter fuel prices may result in cost savings for the

energy assistance program that will allow the program to maximize the number of program beneficiaries.

**Temporary Assistance for Needy Family (TANF)/ Minnesota Family Investment Program (MFIP) Child Care** — TANF/MFIP Child Care helps cash assistance families and families moving off of cash assistance (Transition Year Families) pay for child care while participating in authorized activities. Families who are employed or pursuing employment, or are participating in employment and training activities authorized in an approved employment services plan, or employed families who are in their transition year are eligible to receive cash assistance. MFIP Child Care is available as a forecasted program without an allocation ceiling. Counties are reimbursed, from state and federal funds, for 100% of their expenditures.

**Transition Year Child Care** — Transition year child care is available for up to one year for families who have received cash assistance for at least three of the last six months before losing eligibility due to increased hours of employment, increased income or child or spousal support, or the loss of income disregards due to time limitations.

# Health and Human Services

## Terms and Acronyms

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**1115 Medicaid Waiver S** refers to section 1115 of the Social Security Act that grants the U.S. Department Health and Human Services the authority to waive certain Medicaid laws to allow states flexibility in designing their Medicaid programs; these waivers are also known as research and demonstration waivers. Minnesota pursued and received a waiver as part of the MinnesotaCare program, allowing the state to reduce expenditure growth, include both short- and long-term care in managed care delivery systems, eliminate barriers to health care access, and coordinate and integrate the delivery of services to those with special needs.

**1915 (c) Waivers** refers to section 1915 (c) of the Social Security Act that allows the Health Care Financing Administration (HCFA) the authority to waive federal Medicaid requirements to allow states to experiment with providing health care services in home and community-based settings as opposed to institutional settings (e.g., hospitals, nursing homes). These waiver services, often referred to as home and community-based waivers, include day treatment, habilitation, supported employment, respite care, semi-independent living services, and adaptive equipment. Waivers may also allow reimbursement for services not usually covered by Medicaid but are provided to help an individual stay out of an institution.

*Home and community-based waiver categories are:*

- ▶ **CAC, Community Alternative for Children/Community Alternative Care** pays for health care of individuals who requires the level of care of a hospital due to chronic illness.
- ▶ **CADI, Community Alternatives for Disabled Individuals** – pays for health care of individuals who require the level of care of a nursing facility.
- ▶ **DD, Developmental Disabilities (see also MR/RC (Mental Retardation or Related Conditions))** – pays for health care for individuals requiring 24-hour plan of care and need the level of services provided in an ICF/MR.
- ▶ **EW, Elderly Waiver** – pays for health care for individuals over 65 years of age who need the level of services provided by nursing facilities.

- ▶ **MR/RC, Mental Retardation or Related Conditions** (see DD above).
- ▶ **TBIW, Traumatic Brain Injury Waiver** – pays for health care for persons diagnosed with Traumatic Brain Injuries who need nursing or facility or neuro-behavioral hospital level of care.

**ACG, Alternative Care Grants** pay for health care in the home of an elderly person who is at risk of requiring nursing facility care but ineligible for medical assistance. Program funding comes from the General Fund.

**ADL, Activities of Daily Living** an index measuring a patient's degree of independence in bathing, dressing, using the toilet, cooking, eating, and moving about. The index is used to determine the level of care needed in a nursing home or other residential facility. Payment rates for some services are based on ADL's.

**AFDC, Aid to Families with Dependent Children** provided a cash grant for very low income families when one parent was absent, incapacitated or unemployed. The federal government ended the program and replaced it with the federal [Temporary Assistance to Needy Families](#) (TANF) block grant program. Minnesota's TANF program is called Statewide [MFIP](#) (or [MFIP-S](#)).

**APS, Alternative Payment System** (also called the contract payment system) — the more recent of two reimbursement methodologies used to pay for nursing facility services under the MA program.

**Capitation** A method of payment for health services in which an individual or institutional provider is paid a fixed amount for each person served, without regard to the actual number or nature of services provided in a set period of time. HMOs characteristically use this payment method.

**Carve out** An arrangement whereby specific services are eliminated from health insurance coverage under a capitated rate. The carved-out services may then be obtained on a fee-for-service basis.

**Case Management S** The planning, referral, monitoring, and coordination of services provided to clients with complex needs and services.

**CCDTE, Consolidated Chemical Dependency Treatment Fund** – combines MA, General Assistance (GA), and Regional Treatment Centers (RTC), and state and federal grants into one fund to pay for CD treatment. Counties are given an allocation from which to pay for CD treatment of their residents.

**CD, Chemical Dependency** related to frequent or repetitive use of alcohol or other drugs which adversely affects the health, interpersonal relationships, employment, or safety of the user or others.

**CHB, Community Health Board** A local board of health established for better coordination of local health needs. CHBs must have jurisdiction over a minimum population and geographical area.

**CHIPS, Children in Need of Protective Services** – a minor child whom a court has found to be in need of protection or services because the child has been abandoned, abused, neglected or who meets one of the other criteria specified in M.S. section 260.015, subd. 2a.

**CHS, Community Health Services Act** legislation passed in 1976 to provide state subsidies to local government to perform core public health functions.

**CISN, Community Integrated Service Network** – a formal arrangement of physicians, hospitals, and other health care providers that provide a continuum of prepaid health services to a defined population of no more than 50,000 enrollees, including residents of other states.

**Community Rating** A method of calculating health plan premiums using the average cost of actual or anticipated health services for all enrollees within a specific area. Variances for different group characteristics such as age or sex are not allowed.

**County-Based Purchasing** an option that allows counties to assume the responsibility for purchasing health services for recipients eligible for PMAP.

**CPI-U, Consumer Price Index-All Items (United States City Average)** – an inflation adjustment index often used in rate-setting for human services programs.

**CSE** acronym for **Child Support Enforcement**.

**CSIS, Community Services Information System** – a computer-based social services tracking system that provides

for caseload information, program planning, and administration. Scheduled to be replaced by SSIS.

**CSSA, Community Social Services Act** M. S. 256E specifies a planning process for the provision of social services administered by the boards of county commissioners under the supervision of the Commissioner of Human Services. The Legislature also provides a block grant to counties to assist in carrying out these services; this block grant is combined with the federal social services block grant (Title XX) to provide an important source of funding for counties.

**CTC, Child and Teen Check-ups** Minnesota's version of the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program, which is mandated by federal Medicaid laws. CTC is a comprehensive health program for infants and children under age 21. The program is designed to identify potentially handicapping conditions, diagnose and treat specific medical conditions, and encourage the development of good health habits.

**DAC, Development Achievement Centers**, see [DT&H](#).

**DD, Developmentally Disabled** – people diagnosed with mental retardation or a related condition (MR/RC) who have substantial functional limitations or deficits in adaptive behavior and who manifest these conditions before their twenty-second birthday.

**DHS S** acronym for the Minnesota **Department of Human Services**.

**DME, Durable Medical Equipment** – prescribed medical equipment (e.g., wheelchair, hospital bed, respirator) that can be used for an extended period of time.

**DRG, Diagnosis-related Group S** classification of procedures used to sort hospital patients by discharge diagnosis into categories that are medically similar and have approximately equivalent lengths of stay. DRGs are used in determining MA and GAMC payment levels.

**DT&H, Day Training and Habilitation** (formerly known as [DACs](#)) – out-of-home, non-residential program services provided for six or more developmentally disabled individuals for part of a 24-hour day.

**E&T, Employment and Training** – generally used to describe services to individuals who must work toward employment in lieu of receiving public assistance.

**EA, Emergency Assistance** a state program that provides cash assistance to help families respond to a crisis that could result in risking the health and safety of the children if immediate aid is not provided. This assistance is available once a year. This program was formerly known as AFDC-EA.

**EBT, Electronic Benefits Transfer** an automated system that permits public assistance recipients to access cash benefits and food stamps through the use of a card similar to an ATM or debit card.

**EGA, Emergency General Assistance** money provided to eligible persons with a crisis situation that could result in severe hardship except for the provision of Emergency Assistance. Applicants must be eligible for GA.

**ENABL, Education Now and Babies Later** – a program designed to reduce adolescent pregnancy (targeted to teens aged 12-14) through prevention, community health promotion approach to educating, and supporting adolescents in the decision to postpone sexual involvement.

**Enhanced PMAP** – a term used to describe the greater or “enhanced” role of county boards in the transition to PMAP in respective counties.

**EPSDT, Early and Periodic Screening, Diagnosis, and Treatment**, see [Child and Teen Checkups](#).

**ERISA, Employee Retirement Income Security Act** – 1974 federal law that preempts state regulation of self-funded health benefit plans.

**ESL, English as a Second Language** – training to help non-English speaking persons communicate in English.

**Experience Rating** A method of adjusting health plan premiums based on their historical utilization data and the distinguishing characteristics of a specific subscriber group.

**FAS, Fetal Alcohol Syndrome** – a medical diagnosis describing children who have been exposed to alcohol during fetal growth, characterized by a) decreased height and weight, b) unique facial features, and c) damage to the brain and nervous system.

**FAE, Fetal Alcohol Effect** – a controversial term used to describe a child who has been effected by alcohol but may not have all of the characteristics of FAS.

**FFS, Fee-for-service** A method of purchasing health care services under which a physician or other practitioner charges separately for each patient encounter or service rendered, as opposed to the capitated method of payment.

**FFP, Federal Financial Participation** federal monies, matched by state and sometimes local monies, used to provide services to eligible individuals in federally authorized programs (e.g., AFDC and MA).

**FMAP, Federal Medical Assistance Participation** The federal share of payments for eligible MA services. The share is also applied to AFDC and foster care maintenance reimbursements. The FMAP rate is based on a formula driven by each state’s per capita income and ranges from 50–83 percent. For example, Minnesota is generally at 51–52 percent while Mississippi is approximately 80 percent.

**FPG, Federal Poverty Guidelines** – an index of poverty in the United States that is updated annually; the measure forms the basis of eligibility for a number of means-tested programs.

**Food Stamps** – benefits issued through paper coupons or electronic means used to purchase food and food products in approved stores. The food stamp program is administered by the U.S.D.A. at the federal level and by county social services agencies at the local level.

**FSET, Food Stamp Employment and Training Program** – a federal/state program that provides employment and training services for food stamp recipients.

**GA, General Assistance** – state program providing financial assistance to eligible people who are unable to provide for themselves. The grant for a single adult living independently is \$203/month.

**GAMC, General Assistance Medical Care** – state-funded health care program for income eligible individuals who are either GA recipients or who do not meet the categorical requirements of MA. Typically these are adults under age 65 and financially destitute.

**Gatekeeper** The primary care practitioner in managed care organizations who determines whether a patient needs to see a specialist or needs other non-routine services. The goal is to guide the patient to appropriate services while avoiding unnecessary and costly referrals to specialists.

**GRH, Group Residential Housing Act** – a system of rates and payments that provides for the room and board expenses for people who are aged, blind, and disabled (over 18 years of age), or categorically eligible for GA, who reside in a group residential housing setting.

**HCAF, Health Care Access Fund** – Comprised of provider taxes and enrollee premiums, this fund is the source of money for payments to providers of Minnesota Care Services, administration of the MinnesotaCare programs, and related activities.

**HCFA, Health Care Financing Administration** The federal umbrella agency for the federal Medicaid and Medicare programs, which are part of the U.S. Department of Health and Human Services.

**HHS, the U.S. Department of Health and Human Services.**

**HMO, Health Maintenance Organization** – a non-profit organization that provides an agreed upon set of basic and supplemental health maintenance and treatment services to enrolled group members in a geographic area for a predetermined fixed price.

**Housing with Services Establishment** – a facility providing sleeping accommodations to one or more adult residents (primarily over 55 years of age), and offering or providing regularly scheduled health-related or supportive services for a fee. This designation does not include nursing facilities, hospitals, boarding care homes, supervised living facilities, battered women's shelters, family foster homes, and setting licensed under DHS rules 34, 35, 36, or 18.

**HUD, the U.S. Department of Housing and Urban Development.**

**ICF/MR, Intermediate Care Facility [for the Mentally Retarded].** A facility licensed by the Department of Human Services to provide health or rehabilitative services for mentally retarded individuals or persons with related conditions who require active treatment but not the level provided in a hospital or nursing home.

**IHP, Individual Habilitation Plan** – a detailed plan developed by the county case manager for people receiving services for MR/RC, which lists short-term objectives related to the client's annual and long-term goals and the methods for achieving the objectives.

**IMD, Institutions for Mental Diseases** – A hospital, nursing facility, or other institution of more than 16 beds, that is primarily engaged in providing diagnosis, treatment, or care of persons aged 18-65 years with mental diseases, including medical attention, nursing care, and other services. IMD's are not eligible for MA funding.

**Income disregard** – a term used to describe the exclusion of income when determining an applicant's program eligibility.

**Indemnity** Health insurance benefits provided in the form of cash payments rather than services. An indemnity insurance contract usually defines the maximum amounts that will be paid for covered services.

**INS, the U.S. Immigration and Naturalization Service.**

**IPP, Individual Program Plan** – A detailed plan by the service provider specifying methods to reach the short and long term goals of the ISP.

**ISP, Individual Service Plan** – a plan developed by the county case manager for a person receiving services for MR/RC. Developed prior to the IHP, it includes assessments, diagnosis, needed services, an annual and long-term goals for the client.

**ITP, Individual Treatment Plan** A plan of intervention, treatment, and services for a person with mental illness developed by a service provider under the clinical supervision of mental health professional on the basis of a diagnostic assessment. The plan identifies goals and objectives of treatment, treatment strategy, a schedule for accomplishing the goals and the individual responsible for providing treatment to the person.

**LTC, Long Term Care** – generally refers to facilities for persons who are elderly, physically handicapped, or developmentally disabled and expected to need care for an extensive period of time. The facilities provide a range of medical and supportive services, most of which are paid for by MA.

**MA, Medical Assistance** S is a federal-aided, state operated and administered program that provides medical benefits for certain low-income individuals. Medical Assistance is Minnesota's version of the federal Medicaid program.

**MAXIS, Minnesota Axis** – a computer system that tracks and makes payments for public assistance benefits for AFDC, MA, GA, Food Stamps, and MSA.

**MCHA, Minnesota Comprehensive Health Association** – A state operated insurance program for people whose health coverage was either denied or terminated because of severe or chronic illness.

**MDH S** Acronym for **Minnesota Department of Health**.

**MERC, Medical Education and Research Costs** – refers to a pool of funds used to supplement medical education and research activities supported by diminishing patient care revenues in an increasingly competitive health care market.

**METO, Minnesota Extended Treatment Options** – a program that provides secure treatment beds for people with mental retardation who exhibit severe behaviors which present a risk to public safety. The program provides specialized residential services on the Cambridge campus and an array of community support services statewide.

**MFIP, Minnesota Family Investment Plan** – This pilot program, which ends on June 30, 1998, is the model Minnesota used to develop a new state program called MFIP-S to replace the old AFDC program.

**MFIP-S, Minnesota Family Investment Program-Statewide (also called statewide MFIP)** – a program that redesigned public assistance by consolidating benefits (former AFDC, former Family General Assistance, and Food Stamps) by streamlining requirements and providing incentives to recipients to stay employed and move off public assistance. MFIP-S replaces the AFDC program, the Family General Assistance program, and the MFIP pilot program. The program took effect on January 1, 1998.

**MMIS II, Medicaid Management Information System** – the information system that processes provider invoices, edits for recipient and service eligibility, pays allowed charges, and provides recipient's payment history.

**MI, Mental Illness** – all forms of illness in which psychological, emotional, or behavioral disturbances are the dominating feature. MI often seriously limits a person's capacity to function in primary aspects of daily living such as relationships, living arrangements, work, and recreation. The term is relative and variable in different cultures, schools of thought, and definitions.

**MOE, Maintenance of effort** – describes a specific amount

of money the state (or county) is required to spend in order to continue receiving funding from the federal (or state) government. It is designed to assure that the state (or county) does not reduce its level of funding support for a program that the federal (or state) government provides an increase in funding.

**MR, Mentally Retarded** (see [Developmentally Disabled](#) (DD)).

**MSA, Minnesota Supplemental Assistance** – a state program that provides financial assistance to elderly, blind, and disabled recipients of SSI. In some cases, the assistance is a supplemental cash grant; in others, it is in the form of payment to a provider of residential services where the recipient lives.

**MSHO, Minnesota Senior Health Options** – a demonstration project within PMAP that integrates, under combined Medicare and MA capitation payments, the purchase of health care for seniors age 65 or older who are eligible for Medicare and MA. Enrollees are eligible to receive services under PMAP and Parts A and B of the Medicare program.

**NF, Nursing Facility or Skilled Nursing Facility S** A nursing home, certified by the State Department of Health, which must meet MA and Medicare provider requirements related to service, staffing, and safety.

**PA, Prior Authorization** – refers to the review and authorization of MA and GAMC payment for certain restricted services, prior to the services being provided.

**PAS/ACG, Pre-admission Screening-Alternative Care Grants Program** – a screening program that people must pass before being approved for an Alternative Care Grant or an MA funded services under the elderly waiver program. The program is designed to prevent or delay certified nursing facility placements by assessing applicants and residents of nursing facilities and offering cost-effective, community-based alternatives appropriate for the person's needs.

**PCA, Personal Care Assistant** – a person who assists sick or disabled individuals in their home with tasks of daily living (cooking, bathing, shopping).

**PMAP, Prepaid Medical Assistance Program** – an alternative to the fee-for-service (see [FFS](#)) method of purchasing health care for public assistance clients (families and children, elderly public assistance); prepayment to the health plans contracting with the state to provide all the



health care services required by law for eligible persons.

**PPO, Preferred Provider Organization** – A formally organized entity usually consisting of hospitals and physician providers. PPOs provide health care services to purchasers usually based on discounted rates in return for expedited claims processing and a predictable volume of the health care market.

**PPS, Prospective Payment System** – A payment system, usually associated with Medicare, in which payments are paid under a fixed fee schedule and are not retroactively settled based on actual costs incurred.

**PRISM, Providing Resources to Improve Support in Minnesota** – automated statewide child support system.

**Provider tax** – a reference to the tax imposed on the providers of health care services for payments received for such services. In calendar years 1998 and 1999, the tax is set at 1.5%. The tax is the primary source of funding for the MinnesotaCare program.

**PRWORA, Personal Responsibility and Work Opportunity Reconciliation Act** – the federal *Welfare Reform Act of 1996*, Public Law Number 104-193.

**QI, Qualified Individual** – a person entitled to Medicare Part A (Hospital Insurance), whose income is greater than 120% of FPG but less than 175% of FPG, and whose assets are below two times the SSI asset limit. Subject to available funding, this new eligibility category will pay all of the Part B (Medical Insurance) premiums for Medicare recipients whose income is greater than 120% of FPG but less than 135% of FPG and/or part of the Part B premiums if income is greater than 135% of FPG but less than 175% of FPG.

**QMB, Qualified Medicare Beneficiary** – a person entitled to Medicare Part A, whose income is at or below 100% of FPG, and whose assets are below two times the SSI asset limit. This category of eligibility allows MA to pay the out-of-pocket Medicare costs of a recipient (e.g., coinsurance, deductibles) and the monthly Part B premiums (\$43.80/month in 1998) for Medicare recipients. QMBs, SLMBs, and QIs are often referred to as “dual-eligibles” since they are eligible for both MA and Medicare.

**RCBs, Regional Coordinating Boards in Minnesota** – Six boards that provide a forum to evaluate regional health care needs and delivery systems. Includes insurers, employers,

unions, elected officials and consumers.

**RTC, Regional Treatment Center** – State residential institutions that provide 24-hour care and treatment for people with developmental disabilities, mental illnesses, chemical dependencies, traumatic brain injuries, sexual psychopathic personalities, and behavioral problems who are elderly. Formerly known as *state hospitals*.

**Rule 50** – refers to the cost-based, rate-setting payment system used to reimburse nursing facilities for MA. The other rate-setting methodology is the *Alternative Payment System*.

**SCHSAC, State Community Health Services Advisory Committee** – this entity is responsible for providing advice and counsel to the Commissioner of Health on issues related to the development, funding and evaluation of community health services.

**SILS, Semi-Independent Living Services** – training and assistance in managing money, preparing meals, shopping, maintaining personal care, and other activities necessary to maintain and improve the capability of an adult with developmental disabilities to live in the community.

**SLMB, Specified Low-income Medicare Beneficiary** – a person entitled to Medicare Part A, whose income is greater than 100% of FPG but less than 120% of FPG, and whose assets are below two times the SSI asset limit. This category of eligibility allows MA to pay the monthly Part B premiums for Medicare recipients.

The (federal) **Social Security Act** provides a variety of funding and program Titles:

- ▶ **Title I** – Grants to States for Old-Age Assistance for the Aged.
- ▶ **Title IV–A** – Temporary Assistance for Needy Families (TANF) block grant.
- ▶ **Title IV–B** – child welfare services and funding in the form of a block grant.
- ▶ **Title IV–D** – Child Support.
- ▶ **Title IV–E** – foster care, training, and related case management requirements and funding. Also pays for out-of-home placement costs for eligible children.
- ▶ **Title V** – Maternal and Child Health Services Block Grant.
- ▶ **Title X** – Grants to States for Aid to the Blind.

- ▶ **Title XI** – Demonstration Grants – used to fund demonstration projects to prove the feasibility of a social services program or service before it is fully funded.
- ▶ **Title XIV** – Grants to States for Aid to the Permanently and Totally Disabled.
- ▶ **Title XVI-A** – Grants to States for the Aged, Blind, or Disabled.
- ▶ **Title XVI-B** – Supplemental Security Income for the Aged, Blind, and Disabled.
- ▶ **Title XVIII** – Medicare, provides payment of needed medical care for persons age 65 and older.
- ▶ **Title XIX** – Medical Assistance Program.
- ▶ **Title XX** – Grants to States for Social Services.
- ▶ **Title XXI** – State Children’s Health Insurance Program (SCHIP) is a new federal program included in the 1997 Balanced Budget Act that provides enhanced federal funding to states that expand health insurance coverage for children.

**SOCS, State Operated Community-based Services** – program services provided to persons with developmental disabilities that include but are not limited to community group homes, foster care, supportive living services, day training and habilitation, respite care, and crisis services.

**Spenddown** – a process that allows an individual to qualify for MA by deducting (“spending down”) out-of-pocket medical expenditures from their excess income – the amount of income that exceeds eligibility standards – to the income standard. MA eligibility begins when the spenddown is satisfied by the applicant.

**SSIS, Social Services Information System** – a personal computer-based information system in development that will provide uniform access to data and social services information.

**SSI, Supplemental Security Income** is a federal cash assistance program that provides monthly payments to eligible aged, blind, and disabled individuals.

**STRIDE, Success Through Reaching Individual Development and Employment** was Minnesota’s version of the employment and training program for AFDC recipients. STRIDE ended January 1, 1998, when it was replaced by the

employment and training component of MFIP-S.

**TANF, Temporary Assistance for Needy Families** – the federal program that replaces the [AFDC](#) program. The federal government eliminated AFDC and replaced it with the Temporary Assistance for Needy Families program with passage of the PRWORA, which required states to redesign their programs to correspond with new program and funding requirements. The TANF program is funded by the federal TANF block grant. Minnesota’s TANF program is known as MFIP-S.

**TANF Reserve Account** – a reserve account comprised of federal and state funds designated for MFIP-S and/or programs related to MFIP-S (including child care).

**TBI or BI, Traumatic Brain Injury or Brain Injured** – Individuals with deficits in adaptive behavior or substantial functional limitations caused by injury to the brain.

**TEFRA, Tax Equity and Fiscal Responsibility Act** – the 1982 federal law that authorized MA eligibility for children with disabilities, regardless of their parents’ income, to enable them to receive services in their own homes, instead of having to be institutionalized.

**TPR, Termination of Parental Rights** – the process under M.S. section 260.221 by which a parent’s rights to his or her child are legally ended. Parental rights must be terminated, before a child is available for adoption.

**Uncompensated Care** Health care provided without payment from a patient or third-party payer. Includes charity care and care for people unwilling or unable to pay their bills.

**USDA, the U.S. Department of Agriculture**, which is the agency responsible for the food stamp and WIC programs.

**WIC, Women, Infants and Children** – a program that provides supplemental foods, nutritional counseling, and health screening for low-income, high-risk pregnant, breast-feeding, and post-partum women, infants, and children under the age of five. Federal funds and an infant formula rebate comprise 95 percent of the program’s funding.

**Note:** See [Family and Early Childhood](#) section for health and human services terms specific to those issues.

# Housing Terms and Acronyms

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**A****mortization** — Repayment of a mortgage loan by installments. Repayment installments include both the principal and interest of the loan.

**ARIE, Affordable Rental Investment Program** — A Minnesota Housing Finance Agency (MHFA) program that provides zero percent interest-deferred loans for the production and rehabilitation of low and moderate income rental housing.

**B****ridges Rental Assistance** — A Minnesota Housing Finance Agency program that provides temporary rental housing payment assistance on behalf of an income-eligible participant until a permanent housing subsidy becomes available.

**C****DBG, Community Development Block Grant** — A federal entitlement program first authorized in 1974 and administered by the Department of Housing and Urban Development (HUD). Local governments automatically receive a portion of these funds and participate in either the entitlement program or the states and small cities program. Grant amounts are determined by a formula based on the community's populations, population growth lag, the number of persons in poverty, the extent of overcrowded housing and the amount of housing built prior to 1940. These funds are for improving communities by providing decent housing and suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes.

**Consolidated Plan** — Developed by the Department of Housing and Urban Development (HUD) in 1994 to join together application and submission requirements for the community development block grant program (CDBG), the HOME Investment Partnerships program (HOME), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA).

**CRF, Community Rehabilitation Fund** — A Minnesota Housing Finance Agency program that provides grants to cities and non profit agencies for the preservation or improvement of designated neighborhoods or areas. A CRF grant may be used for single-family construction, acquisition, rehabilitation, demolition, permanent financing, and

refinancing.

**E****quity** — The difference between the fair market value of the property and the amount still owed on its mortgage.

**Equity Take-Out Loans** — Minnesota Housing Finance Agency (MHFA) loans offered as an incentive to keep owners of federal assisted properties from prepaying their mortgage and discontinuing participation in federal affordable housing program. Equity take-out loans are frequently used for rehabilitation of rental housing property. The agency may make equity take-out loans on all federally assisted properties including properties where the agency does not hold the first mortgage.

**F****MR, Fair Market Rent** — An amount determined by HUD to be a fair amount on which to base its subsidy contribution. The amount determined by HUD to be fair is derived from a survey of privately-owned, safe, non-luxury rental units to find out what it costs to rent in the area. The FMR is set as a percentile of rents reported in the survey. Currently, the 40<sup>th</sup> percentile represents FMR. This percentile is used to figure out how much to reimburse private property owners who rent to families or individuals with Section 8.

**Fannie Mae** — A congressionally chartered, shareholder-owned corporation that supplies mortgage funds to home buyers and investors.

**FHA mortgage** — a mortgage that is insured by the Federal Housing Administration (FHA).

**FHA** — Acronym for Federal Housing Administration

**Freddie Mac** — A congressionally chartered, shareholder-owned corporation that supplies mortgage funds to home buyers and investors.

**G****ap Financing** — The difference between the cost of producing or rehabilitating a building and the appraised value upon completion. When the cost of producing or rehabilitating a building is higher than the appraised value upon completion, gap financing assistance is provided in the form of grants or

loans to help mitigate the difference.

**Housing Development Fund** — A revolving fund under the control and jurisdiction of the Minnesota Housing Finance Agency (MHFA). Moneys deposited into the revolving fund include: (1) moneys appropriated and made available by the state for the purposes of the fund, (2) moneys which MHFA receives in repayment of advances made from the fund, (3) other moneys which may be made available to MHFA for purposes of the fund from any other source or sources, (4) all fees and charges collected by MHFA, and (4) all interest income or other income not required by the provisions of a resolution or indenture securing notes or bonds to be paid into another special fund. *M.S. 462A.20*

**HRA** — Acronym for the Housing and Redevelopment Authority.

**HUD** — Acronym for the Department of Housing and Urban Development.

**MHFA** — Acronym for Minnesota Housing Finance Agency

**PHA, Public Housing Agency** — Cities with public housing will have a public housing agency to manage and operate the building. Public housing is usually federally-built and locally-owned.

**Neighborhood Land Trust** — A neighborhood land trust must have as one of its purposes the holding of land and the leasing of land for the purpose of preserving the affordability of housing on that land for persons and families of low and moderate income. *MN. Stat. 462A.31*

**RHS, Rural Housing Service** — An agency within the U.S. Department of Agriculture, which operates under the Consolidated Farm and Rural Development Act of 1921 and Title V of the Housing Act of 1949, that provides financing to farmers and other qualified borrowers buying property in rural areas who are unable to obtain loans elsewhere.

**Right of First Refusal** — A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

**Section 236** — A federal insurance interest reduction program which subsidizes interest rates for owners of housing developments in exchange for restricting rent levels to a certain level of affordability for low and moderate income renters. The term of the mortgage is between 30-40 years and owners have the option to prepay the remaining balance of the mortgage at any time after 20 years of affordable rents have been provided.

**Section 8** — A federal rental assistance program that allows participants to pay 30 percent of their income for rent and the remainder of the rent is subsidized by the Section 8 program.

# Judiciary Finance Terms and Acronyms

**ACA** — Acronym for **American Correctional Association**.

**BCA** — Acronym for the Minnesota **Bureau of Criminal Apprehension**.

**CCA** **Community Corrections Act** — Thirty-one counties participate in the CCA (“CCA counties”). They receive a subsidy from the state and are responsible for developing, implementing and evaluating both traditional and non-traditional local corrections programs. Each jurisdiction adopts an annual plan and submits it to the Department of Corrections.

**CHIPS** — Children in Need of Protection or Services.

**CIP** — Challenge Incarceration Program.

**CJA** — Criminal Justice Aid.

**County Probation Officer Counties, “CPO Counties”** — Thirty counties are under this designation. In these counties the juvenile and misdemeanor probation officers are employees of the county. Each of these counties receives a subsidy from the state that pays up to one half of the salaries for these officers. Felony probation and supervised release cases in these counties are handled by probation officers employed by the state.

**Crime Victims Fund** -- This fund was authorized by the Victims of Crime Act. The money comes from criminal fines, forfeited bail bonds, penalty fees, and special assessments collected by the U.S. Attorneys Offices, the U.S. Courts, and the Bureau of Prisons. The money is distributed to States to fund victim assistance and compensation programs.

**Criminal Justice Aid** — State aid to county governments that is intended to reduce the reliance of county criminal justice and corrections programs on property taxes.

**CSTS** — Court Services Tracking System (software program used by several counties for probation tracking)

**DEM** — Division of Emergency Management, in the Department of Public Safety.

**DOC** — Department of Corrections.

**DPS** — Acronym for the Minnesota **Department of Public Safety**.

**EJ** — Extended Juvenile Jurisdiction.

**Fire State Aid** — State payments to municipalities and independent nonprofit firefighters’ relief associations from proceeds of the Fire Marshall Tax on insurance premiums. The aid applies to the employers’ contribution to firefighters’ pensions.

**FVPSA** — Family Violence Prevention and Services Act.

**ICSP** — Intensive Community Supervision Program.

**MACCAC** — Minnesota Association of Community Correction Act Counties.

**MACPO** — Minnesota Association of County Probation Officers.

**MCCCA** — Minnesota Council of Child Caring Agencies.

**Peace Officer State Aid, “Police State Aid”** — State payments to counties and municipalities, the Metropolitan Airport Commission and independent nonprofit police and peace officers’ relief associations from proceeds of a state surtax on auto insurance gross premiums. The aid is applied to the employers’ contribution to peace officers’ pensions.

**Per Diem** — As the term is used in corrections, the daily cost

of housing an inmate.

**POST** — Board of Peace Officer Standards and Training (this board regulates the practice of law enforcement in Minnesota).

**Probation S** A court-ordered sanction placing certain conditions on a convicted offender, which could include some local jail or workhouse time, but allowing the offender to remain in the community under the supervision of a probation officer.

**PSI** — Presentence Investigation.

**S****State Contract Counties S** In the remaining 26 counties that are not CCA or CPO counties, the juvenile and misdemeanor probation officers are employees of the State

Department of Corrections. The funding is just the reverse of CPO Counties in that the counties pay the state for up to one-half of the salaries of the officers.

**STS** — Sentencing to Serve.

**T****CIS** — Total Court Information System

**Title IV-E** — See definition in Health and Human Services Section.

**V****AWA** — Violence Against Women Act.

**VOCA** — Victims of Crime Act.

# State Government Finance

## Terms and Acronyms

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**AG** – acronym for the office of the Attorney General.

**CAAPB, Capitol Area Architectural Planning Board** – responsible for architecture and comprehensive land use planning in the Capitol area of St. Paul. CAAPB exercises zoning authority and controls redevelopment of the north Capitol area.

**DOER** – acronym for Department of Employee Relations.

**EQB, Environmental Quality Board** – consists of five citizens and the heads of ten state agencies that play a key role in Minnesota's environment. The board develops policy, creates long-range plans and reviews proposed projects that would significantly influence Minnesota's environment. The EQB is a division of Minnesota Planning.

**ISISAC, Intergovernmental Information Systems Advisory Council** – established to build state and local government information systems partnerships, and to promote exchange of information among government entities. Members include representatives from local governments, state agencies and the legislature.

**Internal Service Fund** – account for the financing of goods and services provided by one state agency to other state agencies on a recurring cost reimbursement basis. These funds do not generate additional receipts to total state revenues because the goods or services are internal to state government agencies only.

**InterTech, InterTechnologies Group** – the core computer operations organization for state agencies, including mainframe operations and telecommunications. InterTech is a division of the Department of Administration, and provides its services through the InterTechnologies revolving fund.

**IPC, Information Policy Council** works with the Office of Technology and the Department of Administration in developing the information management and operational

direction for state government. Comprised of representatives from state agencies, IPC's responsibilities include the initiation, review and approval of information management policies.

**LCC, Legislative Coordinating Commission** coordinates the administrative activities of the legislative commissions, the Senate and the House of Representatives. Six House members and six Senate members sit on the LCC.

**LCPR, Legislative Commission on Pensions and Retirement** (*usually referred to as the Pension Commission*) provides legislative oversight for Minnesota's system of public employee pension plans by reviewing proposed public pension legislation, conducting research on pension policy issues and assessing the sufficiency of current public pension plan funding. Six House members and six Senate members sit on the LCPR.

**MASC** acronym for the Minnesota Amateur Sports Commission

**Master Lease** a lease-purchase option only available to the Department of Administration. It is used to finance purchases with money from an internal service fund or to refinance equipment already purchased under a master lease. Additionally, it may be used to finance purchases of capital equipment valued over \$100,000 with a useful life of more than ten years. The Legislature does have authority to specifically authorize certain purchases to be financed using a master lease as long as the purchase is for major equipment with a capital value of more than \$10,000. This process reduces agencies' administrative work and significantly decreases interest rates paid by the agencies.

**MCE, Minnesota Collections Enterprise** a division of the Department of Revenue, MCE is responsible for the state's debt collections activities.

**MnASSIST** defined as the inter-agency support organization for the operation and maintenance of the statewide administrative systems (*see SSP*).

**OA**H acronym for the Office of Administrative Hearings.

**OT, Minnesota Office of Technology** established in 1996, OT provides leadership and direction for information and communications technology policy in Minnesota.

**PEIP, Public Employees Insurance Program** – a statewide program created in 1987 to provide local governments and other public employers with the advantages of a large pool for purchasing medical, dental and life insurance for their employees. The PEIP trust fund holds premium deposits received from employers participating in the plan.

#### **Pension Systems:**

- ▶ **DTRFA** Duluth Teachers Retirement Fund Association.
- ▶ **IRAP** Individual Retirement Account Plan, defined contribution plan primarily covering many recently hired state university, community college, and technical college personnel.
- ▶ **MERF** Minneapolis Employees Retirement Fund, only applies to employees hired before July 1, 1978.
- ▶ **MSRS** Minnesota State Retirement System, administers various pension plans that cover state employees. Includes the MSRS General Plan for most executive branch employees, the MSRS Unclassified Plan for legislative staff and unclassified executive branch employees, the Correctional Plan for employees in state correctional institutions that have sufficient inmate contact, the State Patrol Plan for state peace officers, and legislators' and constitutional officers' plans.
- ▶ **MTRFA** Minneapolis Teachers Retirement Fund Association.
- ▶ **PERA** Public Employees Retirement Association, administers pension plan that covers local, county, and school district non-teaching employees.
- ▶ **PERA Police and Fire** provides coverage for many local police officers and paid firefighters.
- ▶ **StPTRFA** St. Paul Teachers Retirement Fund Association.
- ▶ **TRA** Teachers Retirement Association, provides coverage for public school teachers throughout the state, except for teachers in the first class cities, and some teachers in community colleges, state universities, and technical colleges.

#### **Pension Terms:**

- ▶ **Actuary** professional trained in mathematics, statistics and economic techniques that allow them to put a financial value on future events. The Pension Commission retains a consulting actuarial firm to perform the regular annual actuarial valuations of the various statewide and major local pension plans and to prepare cost estimates for pending pension legislation.
- ▶ **Actuarial Report** a study performed annually by the actuary to examine whether the contributions made to a defined benefit plan are likely to be adequate, given the benefits offered, the mortality and other demographic factors of the membership and pension fund investment performance.
- ▶ **Contribution Sufficiency / Deficiency** a comparison of required contributions to statutory contributions indicating that current contribution rates are (are not) sufficient to cover expenses, normal cost, and necessary payments to retire the unfunded accrued liability by the full funding date.
- ▶ **Defined Benefit Plan** system providing an eventual pension benefit determined by a formula based on age, service credit and final salary. Most Minnesota public pension plans are defined benefit plans.
- ▶ **Defined Contribution Plan** system providing a pension benefit equal to the combined employee and employer benefits plus investment earnings. No particular level of benefit is guaranteed. The MSRS unclassified plan is an example of a defined contribution plan.
- ▶ **Full Funding Date** the target date established for paying off a plan's unfunded accrued liability, usually June 30, 2020 for Minnesota public pension plans.
- ▶ **Normal Cost** the amount of money that must be contributed each year to pay for the benefits that members have earned that year. Normal cost is usually expressed as a percentage of payroll.
- ▶ **Required Contributions** the level of contributions, usually expressed as a percentage of covered salary, determined by the actuary to be necessary to fully fund a pension plan by the full funding date.
- ▶ **Statutory Contributions** contributions to be paid to a defined benefit plan, generally specified in statute.
- ▶ **Unfunded Accrued Liability** amount by which a fund's estimated benefit obligations exceed the assets projected to be available to pay those benefits.

**Police State Aid** See "[Judiciary Finance](#)" section.



**SBI, State Board of Investment** constitutionally established to invest all state funds. Invests pension fund assets of TRA, MSRS, and PERA. Members include the governor, the state auditor, the state treasurer, the secretary of state, and the attorney general.

**SEGIP, State Employees Group Insurance Program** provides Minnesota state employees (as well as people employed by the University of Minnesota and other quasi-state organizations) with employee/dependent group medical, dental and life insurance.

**SSP, Statewide Systems Project** renamed **Statewide Administrative Systems (SAS)** – executive branch, statewide, computerized business systems, which replaced agencies' outdated accounting procurement and payroll systems. The system includes MAPS (an accounting and procurement system), GFS (*Government Financial System*), SEMA 4 (human resources management system) and AGPS (*Advanced Government Purchasing System*). The system is administered by the Department of Finance.

**State Information Infrastructure** provides voice, data, video, and other telecommunications transmission services to state agencies, educational institutions, public corporations; and state political subdivisions. Managed by the Commissioner of Administration through an account in the InterTechnologies revolving fund.

**State Lottery Fund** fund containing all gross revenues of the lottery, except those deposited in the State Lottery Prize Fund (see below). Lottery operating costs are paid from this fund, but may not exceed 15 percent of gross revenues.

**State Lottery Net Proceeds** the balance in the lottery fund after transfers to the lottery prize fund and credits to the lottery operations account. Of the net proceeds, 40 percent must be credited to the Minnesota environment and natural resources trust fund, and the remaining 60 percent must be credited to the Cambridge Bank special revenue account.

**State Lottery Prize Fund** separate prize account funded by lottery receipts. The lottery director must deposit an amount sufficient to pay lottery prizes. Any prize money unclaimed after one year is also deposited in the lottery prize fund.

**Statewide Indirect Costs** all General Fund expenditures made by a state agency to provide general support services to any other state agency. Agencies must allocate these costs to programs supported by non-General Fund sources (usually federal or fee-based programs), and reimburse the General Fund with the recoveries. Indirect cost recoveries ensure that general tax revenues do not pay a disproportionate share of administrative costs.

# Tax Terms and Acronyms

**Ad valorem Tax** – A tax that is measured by value; that is, calculated based on the value of the asset, good or transaction; for example the *ad valorem* property tax, the mortgage registration tax. Other types of taxes include those based on consumption (e.g., sales), volume (e.g., gas) and ability to pay (e.g., income).

**AGI, Adjusted Gross Income** – An intermediate amount between total annual income and taxable income for income tax purposes. (AGI includes wages, salary, tips, certain pension benefits, interest, dividends, rents royalties and self-employment income *minus* business expenses, depreciation, and adjustments for the cost of goods sold, IRA and Keogh deductions.) Also see: **FAGI**, Federal Adjusted Gross Income.

**AMT, Alternative Minimum Tax** – The tax laws give special treatment to some kinds of income and allow special deductions and credits for some kinds of expenses. Taxpayers who benefit from these laws may have to pay at least a minimum amount of tax through an additional tax ... called the *alternative minimum tax*. –IRS, *Publication 17*.

**Apportionment of Income** – A method by which businesses with income from within and without a state allocate that income between or among states.

**Assess** – (1) Establish a value. (2) Impose a tax, charge, fee, fine, interest or penalty.

**Assessment** – (1) Appraisal or estimation of value, specifically the arms-length market value of taxable real or personal property. (2) The amount of tax imposed, particularly by (3) a tax for improvements that directly benefit property as in “a special assessment.”

**Audit** – Examination of tax returns, accounts or financial records to verify their correctness.

**Basis** – A taxpayer’s interest in a property, used to determine the gain or loss for tax purposes from the sale or other disposition of the property.

**Capital Equipment**— For Minnesota Sales and Use tax, machinery and equipment used in this state by the purchaser

or lessee primarily for manufacturing, fabricating, mining or refining tangible personal property for sale at retail and that is essential to the integrated production process. (For a full statutory definition, see *M.S. 297A.01*, subd. 16.)

**Capital Gain or Loss**– Net amount of income realized or lost from the sale or exchange of property defined by law as a capital asset (e.g., stocks and bonds).

**CRV, Certificate of Real Estate Value** – A form that is required to be filed (*M.S. 272.115*) with the county auditor whenever real estate is sold for consideration in excess of \$1,000. The certificate, or “CRV” must show the property class and full price paid, or to be paid, including any liens assumed and other information (such as the value of personal property conveyed with real property) that is necessary to determine the fair market value of the property. Information from CRV’s is used in the state *sales ratio study* for purposes of property *equalization* for the state *school aid formula* and property tax *assessment*.

**Child and Dependent Care Credit** – An income tax credit for expenses paid to someone who cares for the taxpayer’s child under age 13, or for a spouse or dependent who is not capable of self-care, to enable the taxpayer to work or look for work. The Minnesota credit is refundable.

**Children’s Credit** (Minnesota) – A refundable income tax credit for married parents of infants less than one year of age. The credit may be claimed in the child’s birth year only, provided that the parents do not take the child care credit or use an employer plan to pay for child care from pre-tax income.

**Child Tax Credit**— A partly-refundable federal income tax credit for parents of dependent children age 16 and younger, with incomes in a qualifying range that varies by filing status, first available for tax year 1998.

**“Circuit Breaker”** – Direct state property tax relief to owners of residential and farm homestead property on the basis of local property tax burden relative to household income, in the manner that an electrical circuit breaker relieves an overburden on a circuit. (See *Property Tax Refund*.)

**Class, or Property Classification** – The Minnesota property tax system imposes different property tax burdens on different

types, or classifications, of property. For example, residential property, commercial industrial property, rental property, and seasonal recreational property are separate classifications that are treated differently under the Minnesota property tax system. The *Minnesota State Constitution* provides in Article X, Sec. 1 that, "Taxes shall be uniform upon the same class of subjects ... ." For property equalization purposes, equal assessment is measured among properties in the same class.

**Class Rate** – A state-determined rate that establishes the relative property tax burdens among different classes of property.

**Combined Receipts Tax** – Applies at graduated rates to gross receipts over \$500,000 per year from a non-profit organization's (gambling) sales of pull tabs and/or tipboards.

**Controlled Substances Tax ("Grass Tax")** – An excise tax imposed by weight or dosage unit. Applies to marijuana and illegal controlled substances held, transported, possessed, transferred, sold or offered for sale in Minnesota.

**Corporation Franchise Tax** – The state tax on domestic and foreign (i.e. non-Minnesota based) corporations and financial institutions (including state and national banks) that do business in Minnesota. Proceeds go to the general fund.

**Contamination Tax** – A property tax on the contamination value of taxable real property (up to the estimated cost of a response plan), applicable to market value reductions in effect during the taxable year.

**CJA, Criminal Justice Aid**— See [Judiciary Finance Terms](#).

**Deduction** – A sum or amount subtracted, or allowed by law to be subtracted, from otherwise taxable income; amounts subtracted from adjusted gross income for documented, specific uses of money (*itemized deductions*), and fixed amounts varying by filing status that filers may subtract in lieu of itemized deductions.

**Deed Transfer Tax** – A tax paid at the time of transfer to the county treasurer by a person who grants, assigns, transfers or conveys real estate.

**Dependent** – A member of a taxpayer's household (other than a spouse), whom the taxpayer supported and who is a U.S. citizen or resident during the calendar year.

**Depreciation** – Recovery through an income tax deduction, spread over several years, of some or all of the amount a

taxpayer paid for property that is used to produce income (such as rental property or an automobile).

The amount of expense charged against earnings by a company to write off the cost of a plant or machine over its useful life, giving consideration to wear and tear, obsolescence, and salvage value.

▶ **Accelerated depreciation:** An accounting method whereby the expense is assumed to be incurred in decreasing amounts in each business period over the life of the asset. Two commonly used variations of accelerated depreciation are the sum-of-years digits (SYD) and the double-declining balance (DDB) methods.

▶ **Straight line (SL) depreciation:** An accounting method whereby the expense is assumed to be incurred in equal amounts in each business period over the life of the asset.

Businesses commonly use accelerated depreciation tax purposes and straight line depreciation for financial reporting. —**Source:** Murphy Green & Company, *Glossary of Tax and Accounting Terms*, © June 1, 1997

**Disparity Reduction Credit (Border Cities)**— A state-paid property tax credit in certain border cities that reduces by roughly one-third the effective property tax rate of commercial-industrial property.

**DOR/MDOR** — Minnesota Department of Revenue. The agency that administers the state tax system, revenue collections and refunds, state aid to municipalities, and oversees local property tax assessment, property equalization, and administrative practices.

**Education Homestead Credit**— A state-paid property tax credit for residential homesteads, and the house, garage and one acre of surrounding land on an agricultural homestead that is a statutory percentage of the *general education levy* up to a maximum dollar amount.

**Education Tax Credit and Deduction (Minnesota)** – A refundable income tax credit and an itemized deduction for eligible education expenses of a dependent child enrolled in a public or non-public school, grades K-12. The credit is limited to families with household income of \$33,500 or less. Amounts paid for instruction as part of the regular school day only qualify for the deduction. Some qualifying expenses for both the credit and deduction are: fees paid for instruction of a student through tutoring, enrichment programs, or academic summer camps; costs paid to others to transport a student to and from school during the normal school day; nonreligious

textbooks and instruction materials for use during the regular school day; drivers education classes taken as part of the school curriculum; and home personal computer hardware and educational software up to \$200 per family annually.

**Education Credits (Federal)** — Two federal income tax credits for higher education, the “HOPE Scholarship Credit” and the “Lifetime Learning Credit,” that apply to qualifying education expenses for tuition and course fees paid for degree credit.

**Education Interest Deduction (Federal)**— A limited federal income tax deduction for interest paid on qualifying out-of-pocket cost of post-secondary and graduate school loans for qualifying students. The federal deduction carries over to the Minnesota state income tax return.

**EITC, Earned Income Tax Credit** – A federal income tax credit for low-income persons who work, primarily those with children, to partly-offset the burden of Social Security taxes and a rising cost-of-living. The credit reduces the amount of taxes owed (if any) or, if the credit is more than the taxpayer’s liability the difference is paid as a refund. Minnesota’s companion credit is called the [Working Family Credit](#).

**Elasticity** –A measure of the change in consumer demand resulting from a change in the tax or cost of a product or service. More elastic goods are ones where the price can be increased with little effect on demand (e.g., cigarettes).

**“Elderly Subtraction” or “Senior Subtraction”** – A mechanism in the Minnesota income tax that allows eligible taxpayers age 65 and older (and permanently and totally disabled taxpayers of any age) whose income is primarily from taxable sources to reduce their taxable income on the state return.

**Enterprise Zone** – A business tax credit to qualifying businesses within a targeted zone in participating communities. The credits act as an incentive to create investment, development and job creation or retention in areas where there is a high percentage of substandard housing, there is at least twenty percent of the households are below the poverty level, commercial and industrial property values are falling, or the area’s unemployment rate is above the statewide average. An area is designated an enterprise zone for seven years. The Department of Trade and Economic Development administers this program.

**Equalization** – The process of: (1) reducing tax rate or tax base disparities among different taxing jurisdictions; or (2) reducing net tax disparities among different properties within

the same class in a given taxing jurisdiction. (See *State Board of Equalization*, [State Board Order](#).)

(1) **Tax Rate or Tax Base Equalization** – Two different taxing jurisdictions with similar spending needs but vastly disparate tax bases would be required to set local tax rates at substantially different levels in order to raise the same total revenue. Tax Rate or Tax Base Equalization is the process of providing additional state aid to the taxing jurisdiction with the lesser taxable base.

(2) **Equalization (of property values)** – A property’s assessed value represents the baseline for determination of the payable property tax. Since the assessed value is determined by local property tax assessors, the system does not guarantee that values will be interpreted consistently by all property assessors in the state. *Equalization* is the term that is used to describe the process of ensuring that **all** taxable property is assessed at or near its actual market value as required by state law.

**Estate** — The entire group of assets owned by an individual at the time of his or her death. The estate includes all funds, personal effects, interests in business enterprises, titles to property-real estate and chattels, and evidences of ownership such as stocks, bonds and mortgages owned, notes receivable, etc. — **Source:** Murphy Green & Company, *Glossary of Tax and Accounting Terms, Ibid.*

**Estate Tax** – The Federal taxes levied on the transfer of property from the deceased to his or her heirs, legatees or devisees. Applies to estates with gross federal estate value more than the “unified credit” per decedent (\$625,000 for tax year 1998, incrementally phased up to \$1,000,000 in tax year 2006 and after).

An additional special exemption applies to qualifying family owned businesses and family farms. The Minnesota estate tax is known as the “*pick-up tax*” because the state tax amount is equal to Minnesota’s portion of the federal estate tax credit for state taxes.

**EMV, Estimated Market Value** – The amount that a local assessor determines to be the value of that real estate in an open market in an arms-length transaction, less any deductions or adjustments provided by law. This value is multiplied by the appropriate [class rate](#) to arrive at the [tax capacity](#) of the property.

**Estimated Tax** – The method used to [calculate and pay](#) income tax on income that is not subject to withholding.

**Excise Tax** – A tax on the sale, consumption or manufacture

of a product or substance; usually, a tax measured by unit or volume (rather than by value).

**Exemption** – the exclusion from an individual's taxable income of a specified amount for that person and each of his/her dependents; the amount specified to be free of tax liability.

**FAGI, Federal Adjusted Gross Income**— An intermediate figure [in the computation of individual income tax] between gross income and taxable income. The starting point [on the federal individual tax return] for computing deductions that are based on, or limited by, a percentage of income. —*Source: The 1998 U.S. Master Tax Guide*, Commerce Clearinghouse Inc, Chicago Illinois.

**Family Preservation Aid**— A state aid paid to counties primarily to reduce local property tax burdens for the county costs of providing out-of-home placement programs for children and other family preservation programs.

**FTI, Federal Taxable Income** – Adjusted Gross Income minus personal exemptions and deductions.

**Fire Aid** – See [Judiciary Finance](#) section.

**Fiscal Disparities (“FD”) Program** – Often referred to simply as “FD,” requires every taxing jurisdiction within a geographic area, *e.g.*, the seven county metropolitan area and the taconite relief area, to contribute 40 percent of the growth (measured from a specified base year) in the commercial/industrial property taxable base to an area wide pool. This tax base is distributed among all taxing jurisdictions in the geographic area on the basis of population and taxable real property. The principle behind FD was to discourage unbalanced development, especially the concentration of new development in high property wealth/low-tax areas, and to redress the imbalance between public service needs and financial resources in certain “low-wealth” communities.

**Flood Loss Replacement Aid**— A temporary aid program (for assessment years 1998-2000) for counties that lost significant amounts of tax base value as a result of the floods of 1997.

**Franchise Tax** – See [Corporation Franchise Tax](#).

**FUTA, Federal Unemployment Tax Act** – Imposes a federal tax on employers, for purposes of financing unemployment insurance (which is administered by the states). The Minnesota “*reemployment insurance tax*” is administered by the

Department of Economic Security.

**Gas Tax** – Technically the *Motor Fuels Excise Tax*, applies to gasoline and diesel fuels used in highway vehicles, aircraft, boats, snowmobiles and all-terrain vehicles at a statutory rate per gallon. An annual fee by vehicle weight and mileage applies to compressed natural gas, propane and other alternative highway fuels. Proceeds are required in the State Constitution to go to the Highway Users fund for road construction, airport improvements and maintenance, leaking underground storage tank clean up, petroleum grade inspection.

**“Green Acres”** — Land that qualifies by its long-term agricultural use and zoning under the Minnesota *Metropolitan Agricultural Preserves Act (M.S. 473H)*, for reduced assessment valuation based only on agricultural factors, and deferral of property assessment. The act is designed to preserve farmland in agricultural use and open space within the 7-county metropolitan area.

**HACA, Homestead Agricultural Credit Aid** – A state property tax relief program to all municipal governments, school districts, and special taxing districts in the state. The program was initially designed to replicate the amount of relief formerly provided by the separate homestead and agricultural credits under the property tax system in place prior to the 1988 property tax reforms.

**Head of household** – Income tax filing status for unmarried persons who provide more than half the cost of keeping up a home for a qualifying dependent. A head-of household qualifies for a tax rate lower than those for single or married-filing-separate filing statuses.

**Impact of Taxation** – The person, company or transaction on which a tax initially is levied; person, company or transaction having a legal responsibility to remit the tax to the government.

**Incidence of Taxation** – The final burden of a tax or taxes. *Incidence* usually refers to the individual, company, demographic unit or group, economic sector or income stratum that ultimately bears the burden of a tax or total taxes. The person or entity with an initial tax impact will attempt to pass the tax to others, with success dependent on a variety of factors.

**Income** – “Income has different meanings depending on both

the agency or department collecting income data, as well as the specific program under which the data is being collected. ... The concept of income can vary not only between federal [state] departments but within a department itself. ... Even if the definition is the same in two programs, there may be methodological differences in collected the data. To really understand income data, it is essential to identify the source of data and to be aware of the specific definitions and limitations in effect for that program at the time the data was collected.”

— *U.S. Department of Commerce, Bureau of the Census.*

- ▶ **Income before taxes** (“*pretax income*”) – In the *Consumer Expenditure Survey* includes: wages and salaries; self-employment income including losses; Social Security, private and government retirement income; interest, dividends, rental income and other property income; unemployment and workers’ compensation; veterans’ benefits; public assistance, supplemental security income, food stamps; regular contributions for support including alimony and child support, foster care payments; cash scholarships, fellowships, stipends; meals and rent as pay.
- ▶ **Disposable Personal Income** – Personal income less personal tax and non-tax payments, a measure that represents a portion of personal income available to persons for consumption and saving.
- ▶ **Personal Income** – In national economic accounting, personal income is the income received by persons: individuals, owners of unincorporated businesses (including partnerships), non-profit institutions, private trust funds, and private non-insured welfare funds. Personal income is the sum of wage and salary disbursements, other labor income, proprietors’ income, rental income of persons, dividends, and personal interest income and transfer payments, less personal contributions for social insurance.

—**Source:** *Dictionary of U.S. Government Statistical Terms*, U.S. Dept. of Commerce, Bureau of Economic Analysis, Washington, D.C..

- ▶ **Self-Employment Income** – A type of money income which comprises the net income received by persons from an unincorporated business, profession, or from the operation of a farm as a farm owner, tenant or sharecropper.
- ▶ **Net income** – gross receipts minus operating expenses.

—**Source:** *Dictionary of U.S. Government Statistical Terms*, U.S. Dept. of Commerce, Bureau of the Census.

**Income Tax** – A tax levied on *taxable income* of individuals and businesses. (*Taxable income* is defined by law).

**Indexation, Indexing** – A mechanism for periodic adjustment of tax thresholds and/or progressive tax brackets to keep taxes constant in real terms (*e.g.*, after inflation). In Minnesota, some tax benefits thresholds, such as property tax refunds and certain tax credits also are indexed.

**IRA, Individual Retirement Account** – Tax preference for long-term savers to encourage the establishment of special accounts and regular annual deposits to the accounts over a lifetime for retirement and certain other major expenses such as a child’s post-secondary education.

- ▶ A “**regular**” **IRA** provides that an annual contribution may be tax deductible and the investment growth value is tax-deferred until proceeds are withdrawn, usually after retirement.
- ▶ A “**back-loaded**” **IRA**, such as an Education IRA or a Roth IRA, provides for income taxes to be paid on an initial investment, which, after a specified minimum holding period, may be withdrawn tax-free together with any profits.
- ▶ **Education IRA**— A savings account vehicle similar to a “back-loaded” individual retirement account whereby a taxpayer may give up to \$500 per year (in aggregate per beneficiary, nondeductible) as an irrevocable gift to a child under the age of 18 for that child’s higher education expenses. Qualifying withdrawals are tax-free to the beneficiary.

**IRC** – The Federal *Internal Revenue Code*.

**IRS** – *Internal Revenue Service*, U.S. Department of Treasury.

**Joint return**— Federal and state income tax filing status that can be used by a married couple. The married couple must be married as of the last day of their tax year in order to qualify for this filing status. —**Source:** Murphy Green & Company, *Glossary of Tax and Accounting Terms, Ibid.*

**LGA, Local Government Aid** – A primary source of state property tax relief aid to cities and townships distributed in part on a grandfathered basis and in part according to “need factors” that include population, the percent of commercial and industrial property in the taxable base, and the percentage of older housing

**Lawful Gambling Tax** – State tax paid by organizations that

legally conduct bingo, raffles and paddle wheels, with exemptions for limited occasional sales, small raffles and certain fairs and festivals. Applies to gross receipts minus actual prizes paid from these fundraising activities.

**Levy** – (1) The total dollar amount raised in property taxes by a local unit of government. (2) A tax, fee or surcharge. (3) The imposition of such a charge.

**Levy Limit(s)**— A restriction, usually by statute, on the total amount to be raised by a levy or on the tax rate; or, restrictions on the year-to-year growth in the rate or revenue yield of a levy.

**LLC, Limited Liability Company**— A state-registered business operating form that among its features, allows the firm to be taxed like a partnership or S-corporation (only at the individual level rather than being subject to corporate-level taxes) but its owners (like corporate shareholders) are not personally responsible for the entity's debts and liabilities.

**Limited Market Value**— A mechanism in the property tax system that provides for disregard, or deferred or incremental recognition of an increase in the market value of qualifying property.

**Local Impact Note** An estimate of the cost of certain legislation or administrative rules (after January 1, 1999) proposing state-mandates that have fiscal impacts on political subdivisions. Notes are prepared by the Department of Finance at the request of the chair of the House or Senate Tax Committee.

**LIHC, Low Income Housing Tax Credit** – A tax credit created by the federal Tax Reform Act of 1986 in order to encourage the private sector to invest in the construction and rehabilitation of housing for low- and moderate-income families. The law gives states an annual tax credit allocation based upon population. The Minnesota Housing Finance Agency administers this program in Minnesota. The LIHC are awarded on a competitive basis to nonprofit and for-profit sponsors of eligible housing projects. Awards are based on the criteria outlined in the Minnesota's Allocation Plan. Project sponsors, or in the case of syndication, investors claim the tax credit on their federal income tax return.

**M-1** – Minnesota income tax return form for individuals.

**MAGICC, Minnesota Adjusted Gross Income Childcare Credit.** Taxable and nontaxable income as reported for purposes of the Minnesota income tax child and dependent

care credit, commonly used in tax research and analysis as "household income" data.

**Minnesota Care Taxes** – Provider tax applied to hospitals and surgical centers, health care providers, prescription drugs, and some medical supplies and equipment at wholesale. Proceeds fund the Minnesota **Health Care Access Fund** for the Minnesota Care health insurance program.

**MTI, Minnesota Taxable Income** – Federal Taxable Income minus any U.S. Bond interest, qualifying K-12 education expenses, elderly exclusion income, Railroad Retirement income, previously-taxed retirement contributions, plus any non-Minnesota state-municipal bond interest and certain state tax refunds.

**Mortgage Registry Tax** – An *ad valorem* tax on principal debt secured by a mortgage of real property, paid by the lender who records or registers the mortgage.

**"MVET"** – Formerly, the **Motor Vehicle Excise Tax**, now officially, the "**Sales Tax on Motor Vehicles**" or "**STMV**".

**Motor Vehicle Registration Tax** – Tax imposed at registration, then annually, on motor vehicles using the public streets and highways, evidenced by a license plate with current-year tag. The tax is in lieu of a property tax. Administered by the Department of Public Safety, revenues are deposited in the **Highway User Tax Distribution Fund**.

**Nexus** – Economic connections or links to a state that result in a legal liability to pay or remit taxes to that state.

**Net Income** — The difference between a business' total revenues and its total expenses. —**Source:** Murphy Green & Company, *Glossary of Tax and Accounting Terms, Ibid.*

**Net Operating Loss, "NOL"** — A net operating loss is experienced by a business when business deductions exceed business income for the fiscal year. For income tax purposes, a net operating loss can be used to offset income in a prior year, or a taxpayer can elect to forego the carry back and carry the net operating loss forward.

**Notice of Proposed Property Tax** – Part of the **Truth-in-Taxation** process, an estimated statement of property tax for to each political subdivision that levies a tax on that parcel payable in the following year under hypothetical budget and levy assumptions. Notices are distributed to property owners prior to Truth-in-Taxation hearings and the hypothetical levies on the notices establish an upper limit on local levies.

**Original Issue Discount, "OID"** — When a long-term

debt instrument is issued at a price that is lower than its stated redemption value, the difference is called *Original Issue Discount*. —Source: Murphy Green & Company, *Glossary of Tax and Accounting Terms*, Ibid.

**Passive Activity** — Investment in one or more trade, business or rental activities that the taxpayer does not materially participate in managing or running. All income and losses from passive activities are grouped together on an income tax return and generally, loss deductions are limited or suspended until the passive activity that generated them is disposed of in its entirety. —Source: Murphy Green & Company, *Glossary of Tax and Accounting Terms*, Ibid.

**Property Tax Rebate** – For property taxes payable in 1997 and 1998, a state-paid rebate for Minnesota homeowners and farmers equal to 20 percent of the local property tax on a residential homestead or agricultural homestead; and for renters, equal to 20 percent of rent constituting property taxes (e.g., 20% X 19% of rent = 3.8% of rent paid). The rebate, which has a \$1,500 maximum in 1998, is claimed on the individual income tax return.

**Property Tax Reform Account** – An account within the general fund, which receives its revenues from budget surpluses based on the November revenue forecast in odd-numbered years. Funds in the account may only be used for specified property tax reform expenses and property tax rebates.

**PTR, Property Tax Refund** – Property tax relief programs administered as direct payments to individuals: the “Circuit Breaker” refund for homeowners and the “[Renters Credit](#)” are based on net property taxes relative to income; and the “[Targeting](#)” Refund for homeowners that is based on the percentage increase in tax above a statutory dollar threshold.

**Pull-Tab & Tipboard Tax** – State tax on lawful gambling activities applied at a 2 percent rate to each “deal” (package or game) of pull tabs or tipboards sold by a distributor.

**Refundable credit**— In the income tax, an after-tax credit whereby a filer who does not owe a tax receives the full credit amount or, if the credit amount exceeds a taxpayer’s liability the balance is paid as a refund.

**RDCs, Regional Development Commissions** – Multi-county and multi-jurisdictional statutory commissions created in the regional development act for the purpose of intergovernmental cooperation.

**Renters Credit** – A property tax relief program provided to

occupants of rental property, complement to the homeowners’ “circuit breaker.” The credit is based on a statutory percentage of rent deemed to constitute property taxes and renters’ household income. (See [Property Tax Refund](#).)

**RRTA, Rail Road Retirement Act.** Tier I railroad retirement is an employer-employee tax in lieu of the Social Security Tax (OASDI/HI), on railroad employment.

**Revenue Estimate** — Official fiscal analysis (similar to a fiscal note) prepared by an Executive branch agency, forecasting the revenue loss or gain from the enactment of proposed tax legislation. Usually prepared by the Research Division of the Department of Revenue.

**Sales Ratio** – The term for a type of analysis (“sales ratio study”) used by the Department of Revenue to measure the accuracy of local assessors’ estimates of taxable property values. A sales ratio of 100 percent suggests that the aggregate estimated market values of properties selling within a geographical boundary are exactly equal to the actual sales prices of those properties. When the sales ratio for a particular class of property falls below 90 percent or exceeds 105 percent, the [State Board of Equalization](#) is authorized to issue a [State Board Order](#) increasing or decreasing the taxable values of all properties in that class and assessment area by a flat percentage across the board, in order to achieve greater *equalization* of taxes among like properties.

**Sales and Use Tax** – The taxes on the purchase of taxable goods and services (as defined in law) used or consumed in Minnesota, paid by the final consumer. Sales tax is paid by the purchaser to the seller who remits the tax to the state. The use tax normally is paid directly by the purchaser to the state.

**STMV, Sales Tax on Motor Vehicles** – Applies to purchases of motor vehicles required to be registered in Minnesota; applies at the same rate as the state sales and use tax. Receipts are deposited in the general fund. (Formerly, the Motor Vehicle Excise Tax, or “MVET.”)

**Self-Employment Tax** – A tax that applies to earnings from self-employment *in lieu* of the Social Security Tax (OASDI/HI). A self-employed individual pays both the employer and employee share.

**Severance Taxes** – Taxes imposed distinctively on the removal of natural products from land or water and measured by value of quantity of products removed or sold. These may include oil, gas, minerals, gravel, timber and fish.

**Special Assessment** – A means of collecting compulsory



contributions from property owners benefitted by a municipal improvement to real property (such as installation or repair of a sidewalk or sewer) where the assessment is proportional to benefit, and the property owner has the option to spread the charges over multiple years and to pay the bill with real property taxes.

**Special Service District** – An area within a city where special services are provided and the cost of providing these services is funded from revenues generated from special service charges imposed upon the district. Property included in a special service district is usually classified as commercial, industrial or public utility. Examples of special services are: maintenance of sidewalks, streets or special street lighting, or provision of security personnel.

**Special Taxing Districts** – Usually created by special legislation, or by citizen or local government initiative under general statutory authority, areas within which a levy is imposed or collected for the delivery of a specified service such as a rural ambulance district, a fire-protection district, or a town subordinate service district.

**Special Taxes** – Taxes on cigarettes, tobacco, beer, wine, liquor, and gambling products, hazardous and solid waste, insurance taxes, and certain compulsory fees.

**State Board of Equalization** – A board of review led by the Commissioner of Revenue which oversees property assessment practices around the state. The Board uses a “*sales ratio study*” to evaluate and —when necessary— to adjust taxable market values for a specific class within a specific geographical boundary when market values are found to be inconsistent with actual sales prices.

**State Board Order** – An order issued by the *State Board of Equalization* requiring that assessed values for a given class within a given geographical boundary be adjusted —usually upward— to reflect the true estimated market value of the class of property in question, based on actual sales prices and other information from the *CRV*.

**Targeting Refund** – A state property tax relief program that ‘refunds’ part of the local property tax bill to the owners of residential homestead property, when there is a relatively large one-year increase in property taxes.

**Taxes** – Compulsory contributions exacted by a government for public purposes.

**Tax Capacity** – A term used to describe the “property taxable base” of a geographic unit or a single parcel of property. The

tax capacity is defined as the estimated market value of a parcel of property multiplied by the appropriate class rate. The tax capacity of a county, for example, is the sum of the tax capacity of all parcels of property in that county. (Also see *ANTC*, Education section.)

**Tax Court**— The 3-judge court created in *M.S. Ch. 271* as an independent agency of the executive branch of government with statewide jurisdiction for hearings and determinations of law arising under the tax laws of the state. Members are appointed by the Governor with the advice and consent of the Senate.

**Tax Expenditure** — Revenue losses attributable to tax preferences such as a tax exemptions, deductions, reduced rates, credits and deferrals of liability. Tax expenditures are alternatives to direct expenditures or mandates in promoting public policy goals. Unlike direct appropriations, tax expenditures usually are not time-limited and need not be re-enacted.

The Department of Revenue calls a provision a *tax expenditure* if it meets *all* of these criteria. It (1) has an impact on a tax that is applied statewide; (2) confers preferential treatment; (3) results in reduced tax revenue in the applicable fiscal years; (4) is not an appropriation; (5) is included in the defined tax base; (6) is not subject to an alternative tax; and (7) can be amended or repealed by a change in state law alone.

**Tax Preference** – Non-taxability of an otherwise-taxable item of income, consumption or expenditure.

**Tax Rate** – Percentage or proportional application of a tax.

▶ **ETR, Effective Tax Rate** – Total tax payments as a percent of income (normally, gross income). May apply to a given tax, such as the individual income tax, or to the total tax burden for an individual, couple, family, household, income group or, an economic sector.

▶ **Local Tax Rate** – The rate of tax determined by dividing the amount of a local government’s *levy* by the total *tax capacity* of all taxable properties within that local government’s taxing jurisdiction.

**Total Local Tax Rate** – The sum of *local tax rates* levied on a parcel of property. A property located in a county with a 50 percent tax rate, a city with a 25 percent tax rate, a school district with a 25 percent tax rate, and special taxing district with a 5 percent tax rate is said to have a total local tax rate of 105 percent.

▶ **Marginal Tax Rate** – The rate of tax on an incremental unit of income (e.g., “the last taxable dollar” or, “the next

dollar earned”).

**“This Old House”**– For property tax purposes, delayed and phased-in recognition of an increase in taxable market value that results from improvements made by the owner to a qualifying residential homestead.

**TIF, Tax Increment Financing** – A development tool used by city governments which applies the additional property taxes generated by a new or improved development (known as the “tax increment”) to pay for the costs of the development. Thus, the added property taxes generated from a development pay for the cost of acquiring the land, preparing the site, or other development costs instead of paying for the cost of general government provided by all units of government in which the development is located. Only after a pre–designated term do the property tax revenues flow to the local governments.

**Truth-in-Taxation, “T-in-T”** – A process designed to involve citizens in local government before budget and tax decisions are made by local units of government. Each December, notices are sent to homeowners and published in local newspapers informing citizens of proposed property tax increases. Citizens are invited to attend a public hearing with local elected officials to voice their opinion about proposed levies and budgets, or other concerns.

**Tax Reform and Reduction Account** – An account within the general fund, which would receive its revenues of up to \$200 million from budget surpluses based on the November 1998 general fund revenue forecast. Funds in the account may only be used for tax reform and reduction. The Governor in the 1999 budget recommendations to the Legislature will propose how funds in the account are to be used.

**Unemployment Insurance Tax** (technically, the *reemployment insurance tax*) – An employer tax, deposited in the Minnesota Unemployment Compensation Fund to pay benefits to eligible unemployed workers. Administered by the Dept. of Economic Security tax under federal law (see [FUTA](#)).

**UBIT, Unrelated Business Income Tax** – A federal and state tax paid by tax–exempt organizations on income attributable to activities unrelated to their exempt purposes.

**Use Tax** – Reciprocal to the sales tax, this tax applies to use or consumption in Minnesota by individual and business consumers who purchase or lease taxable goods and services out of state or from out-of-state firms. The tax is meant to prevent evasion of the sales tax, equalize the tax burden on those who make purchases from within and without their state of residence and to treat competing sellers equitably. An individual may purchase up to \$770 worth of otherwise-taxable items in a calendar year exempt from the use tax, under the *de minimis* exemption. (See also, [Sales and Use Tax](#).)

**UTJ, Unique Taxing Jurisdiction** –A geographical region with a unique total local tax rate, meaning that the sum of the county, city or township, school district, and any special taxing district is unique. In other words, any two properties located in the same county, city or township, school district, and all special taxing districts are said to be in the same UTJ.

**Withholding** – Taking out part of an employee’s wage or salary as a deposit for future tax liability.

**Withholding Tax** – A tax paid by employees through payroll deduction of part of their wages or salaries.

**“WFC,” Minnesota Working Family Credit**– A refundable state tax credit for lower-income wage earners and the self-employed, primarily parents of dependent children, that generally is based on the federal [Earned Income Tax Credit](#) (EITC).

**“WOTC,” Work Opportunity Credit, (Federal)**— A federal income tax credit enacted in 1996 that encourages employers to hire from among 7 targeted groups of job seekers, primarily those in the welfare-to-work transition and their family members.

# Transportation Terms and Acronyms

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**CSAH, County State Aid Highway Fund**, a fund established by the state constitution for distribution of a portion of the Highway User Tax Distribution Fund for construction and maintenance of county roads.

**HUTDF, Highway User Tax Distribution Fund** – A fund established by the Minnesota Constitution to distribute motor fuels tax and vehicle registration tax revenues. The distribution of the combined tax revenue is 62 percent to the Trunk Highway Fund, 29 percent to the County State-Aid Fund and 9 percent to the Municipal State Aid Fund.

**ISTEA, “ice tea”** — The Intermodal Surface Transportation Efficiency Act is the federal law that set the funding distribution formulas for federal transportation trust funds. The six-year act expired in September 1997 and has been replaced by Tea-21.

**MCTO, Metropolitan Council Transit Operations** – agency that supplies bus service to the Twin Cities metro area. Formerly known as the MTC, or Metropolitan Transit Commission.

**Metro Mobility** – The provider of transit services for disabled commuters in most of the Twin Cities area.

**MN/DOT, Minnesota Department of Transportation** – the state agency responsible for road construction and maintenance, as well as airport, waterways and railroad regulation.

**Motor Fuels Tax, “Gas Tax”** — revenues are deposited in the Highway User Fund to be used for transportation purposes. The current 20 cents per gallon rate generates nearly \$550 million annually.

**MVET, Motor Vehicle Excise Tax** — Former name for the tax collected on the sale of motor vehicles (now “sales tax on motor vehicles” or “**STMV**”). Revenues are deposited into the General Fund.

**Motor Vehicle Registration Fee**— “Tab fees” are deposited into the Highway User fund to be used for transportation purposes. Fees are determined on a ten year depreciation schedule based on the vehicle value.

**MSAS, Municipal State Aid Streets Fund**, a fund established by the state constitution for distribution of a portion of the Highway User Tax Distribution Fund for construction and maintenance of local roads.

**STMV, Motor Vehicle Sales Tax** – see [Taxes](#) section.

**TEA 21**— the re-authorization of ISTEA or the federal law that sets funding formulas for distribution of the federal transportation trust funds. The law sets formulas for the next six years.

**Trunk Highway Fund** – A fund established by Article XIV, Section 6 of the State Constitution to pay for the Minnesota Trunk Highway System. The Trunk Highway fund is a portion of state transportation revenue from the Highway User Tax Distribution Fund. (See also [HUTDF](#).)

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