

# *Fiscal Review*

*Minnesota State Senate*

*2014 Session*



**A**

**Fiscal Review**

**of the**

**2014 Legislative Session**

**Prepared by**  
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# **Dates of the 2014 Legislative Session**

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**To**

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## **Cover Photography**

The Minnesota State Capitol is currently undergoing a multiyear, multiphase renovation. This renovation will affect the operations of the House of Representatives and Senate, and the executive and judicial branches of Minnesota government, for several years. The reconstruction of the State Capitol will result in many changes. Typically, the cover of the annual *Fiscal Review* has featured picturesque photographs of the State Capitol made by David Oakes, Senate Photographer. During the renovation, the cover of the *Fiscal Review* will feature various changes and construction scenes at the State Capitol as it progresses in the years to come. This year's report shows two construction contractors closing access to the grand staircase outside the Senate Chamber. Marble floors and the bases of columns have been covered for protection as major construction moves to the State Capitol's interior. Beginning this year, the back cover of the report will show additional photographs of State Capitol scenes that have occurred in the past year. The office of Senate Counsel, Research and Fiscal Analysis acknowledges and appreciates David Oakes's efforts to document the changing face of the Minnesota State Capitol.

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## REPORT PREFACE

The *Fiscal Review* is an annual report of budget and fiscal policy actions taken by the Minnesota Legislature. The report covers all budgetary funds (all funds), with special attention given to the General Fund, which must be in balance at the close of each biennium. Budgetary funds reflect the operating budget for the state but do exclude some state funds not budgeted for operations, such as pension funds, trust funds, and enterprise funds.

Minnesota operates on a two-year (biennial) budget enacted in odd-year legislative sessions; biennial budget revisions and major capital investments tend to be the focus of even-year legislative sessions. While most revenue and expenditure amounts are presented as biennial amounts, annual amounts may provide a more complete understanding of the timing of revenue and appropriations. Additional detail is available by consulting legislative budget tracking sheets or by contacting the relevant Senate fiscal staff.

Link to detailed budget tracking sheets:

<http://www.senate.mn/departments/fiscalpol/tracking/index.php?ls=#header>

### Appropriations Defined

Appropriations are authorizations made by the Legislature to spend money from the state treasury for the purposes established by law. The Minnesota Constitution prohibits the payment of money out of the treasury unless appropriated by the Legislature. The Governor may veto appropriations but cannot create appropriations.

Direct appropriations are authorizations to spend a specific dollar amount, usually for a limited time period such as one year or a biennium. Open appropriations, which are less common, authorize an open-ended spending level, such as a “sum-sufficient” to meet a defined need or formula. The amounts shown in the *Fiscal Review* for open appropriations reflect estimates of expected spending.

Most direct appropriations are established in session law and expire at the end of the biennium, or other specified time, and must be renewed every two years in order to continue spending authority. Statutory appropriations, on the other hand, are set in state statutes and provide ongoing authority to spend money from the treasury even if a biennial budget is not adopted. Statutory appropriations may authorize either a specific dollar amount or an open-ended amount, and may provide a specific time period for the appropriation.

Distinct from the various appropriation types, dedicated revenues and expenditures refer to sources of revenue that are dedicated to specific purposes. Amounts shown for authorized spending levels from dedicated revenues reflect estimates of the revenues to be generated and the allocation of those revenues established in law.

Further, it should be noted that significant portions of some state agency operations, such as in the department of Administration or Management and Budget, are funded through charges to the

other state agencies. In other words, monies appropriated to an agency may be used to purchase services from another state agency whose mission is, in part, to provide for centralized operating functions. To fully describe budget activity while avoiding double-counting, budget totals are reported based on the agency that receives an appropriation. Please note that some *Fiscal Review* chapters also discuss agency activities that are supported through charges to other state agencies.

### **Appropriations versus Spending**

Amounts shown in the *Fiscal Review* for the current biennium (FY 2014-15) reflect appropriation levels authorized by the Legislature. Amounts shown for the next biennium, often referred to as appropriation “tails,” reflect estimates of future biennial spending, assuming current law programs are carried forward for another two years. This *Fiscal Review* compares current biennial appropriations to budgeted spending in the previous biennium (FY 2012-13), as well as to the February 2014 Forecast “base.” The base in this document is the spending for FY 2014-15 as it was projected by the February 2014 forecast.

### **Methodology Change**

Beginning with the FY 2014-15 budget process, the Department of Management and Budget (MMB) has implemented two new financial management systems. These new systems have changed the consolidated financial statement (CFS) from one that reports General Fund appropriations to one that reports projected expenditures for the General Fund. The 2013 *Fiscal Review* accounted for the new CFS with a methodology that reported on legislative actions while also reconciling to the CFS with a series of internal adjustments. In certain budget areas, such as Higher Education; Environment, Economic Development and Agriculture; State Departments and Veterans; and Debt Service and Capital Projects, existing law or custom and practice requires immediate transfers of certain appropriations from the General Fund to other funds – some of which are not reported in the CFS. The 2013 *Fiscal Review* reconciliation practice, while directly reconciling to the CFS, did not provide consistent treatment of appropriations between the all funds budget and the General Fund budget.

The 2014 *Fiscal Review* changes the method used in 2013 for reconciling appropriations between the all funds budget and the General Fund budget. In most cases, this report will continue to reconcile the all funds budget to the CFS. However, in budget areas where certain appropriations are immediately transferred out of the General Fund, these transfers will be reversed and displayed where the Legislature appropriated the money. In some cases, these transfers are appropriated to funds, such as the State Colleges and Universities Fund, which are not tracked as part of the CFS. Therefore, by reversing these transfers, the 2014 *Fiscal Review* will report all funds totals, in certain budget areas, that are different from the CFS. However, as a document that is intended to report actions of the 2014 legislative session, this method more accurately reflects legislative decisions in 2014. Where appropriate, these adjustments are noted in individual chapters and tables.

## Questions

For general or specific questions about the content of this report please contact the Fiscal Analyst for the appropriate budget area.

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## CHAPTER 1 STATE BUDGET OVERVIEW

The dual focus of the 2014 legislative session was the adoption of a capital investment bonding bill and a supplement to the existing FY 2014-15 budget. Typically, the even-numbered year legislative session focuses on the adoption of a capital investment act that makes improvements to public infrastructure throughout Minnesota. The 2014 session enacted over \$1.2 billion in new capital improvement projects. Of this amount, the state authorized \$856.8 million in capital investments supported by \$846.0 million in general obligation bonds (after \$10.8 million in prior year cancellations). Also, the session made direct General Fund appropriations of \$198.7 million to pay for several additional capital projects.

The 2014 session also enacted \$482.5 million in state tax reductions from the General Fund in FY 2014-15, and increased General Fund appropriations by an additional \$568.4 million, including the direct General Fund appropriations and debt service for capital investments. \$150.0 million was also allocated in FY 2015 to the state's budget reserve.

Chapter 1 of this report provides a general overview of all legislative actions with fiscal implications that were taken during the 2014 session. Chapter 2 details the capital investments made in Chapters 294 and 295. Chapter 3 examines changes to state tax revenues. Chapter 4 discusses changes to the Health and Human Services (HHS) budget. (The FY 2014-15 HHS budget was significantly changed in 2014 and is examined separately from the other budget areas.) Chapter 5 outlines budget changes in E-12 Education; Higher Education; Environment, Economic Development and

Agriculture; Judiciary; State Departments and Veterans Affairs; Transportation and Public Safety; and Tax Aids and Credits. Appendix A shows fiscal changes adopted at the agency level during the 2014 session and their effect on the FY 2014-15 budget. Appendix B shows a project-by-project accounting of all capital investments approved during the 2014 session. Appendix C displays the details of nongeneral fund expenditures enacted in 2014. Finally, Appendix D lists the chapters enacted in the 2014 session that contained fiscal changes to the FY 2014-15 budget.

Although the capital investments and the FY 2014-15 supplemental budget were of top priority in the 2014 session, the Legislature also addressed a series of other noteworthy fiscal issues that are examined in separate sections of this report. They include:

- a significant increase to the state budget reserve and a new deposit law to establish the conditions for further increases to the reserve (page 13);
- a new medical cannabis law that creates a program for the use of medical cannabis by patients with specific medical conditions to manage their symptoms (page 30);
- the Women's Economic Security Act, which contained a number of provisions to address economic security, labor standards and wages, and employment protections for women in the workplace (page 40);
- the Omnibus Retirement Act, which contained changes to state and local

**Table 1**  
**All Funds Biennial Budget -- FY 2014-15**  
**Comparison of Enacted FY 2014-15 Budget to FY 2012-13 and to Forecast**  
*(dollars in millions)*

	FY 2012-13	FY 2014-15 Forecast Base	FY 2014-15 Enacted Budget	Change: Enacted - FY 2012-13	Change: Enacted - Fcst Base
General Fund	35,319.3	39,019.0	39,587.4	4,268.1	568.4
General Fund Transfer Out	(839.6)	(1,600.4)	(1,610.7)	(771.1)	(10.3)
Federal Funds	16,444.2	19,598.9	19,852.0	3,407.8	253.1
Other Funds	10,902.1	13,432.4	13,578.2	2,676.1	145.8
<b>All Funds Total</b>	<b>61,826.1</b>	<b>70,449.8</b>	<b>71,406.9</b>	<b>9,580.8</b>	<b>957.0</b>

pension plans, including increases to employee and employer pension contribution rates, allowing for the full consolidation of the Duluth Teachers Retirement Fund Association into the Teachers Retirement Association, and additional state aid to the St. Paul Teachers Retirement Fund Association beginning in FY 2016 (page 47);

- a new mechanism to manage the effects of natural disasters and to pay for their costs (page 51); and
- funding for the Lewis and Clark Regional Water System project through a combination of local bonding, state bonding, state aid, and local sales tax authorization (page 55).

## STATE BUDGET OVERVIEW

### Expenditures

When all funding sources are taken into account, the enacted FY 2014-15 supplemental budget totaled \$71.4 billion, as shown in Table 1. This includes the two-year budget for the General Fund and all other state funds from which operating budget appropriations are made. Total spending is \$9.6 billion (15.5 percent) greater than in the previous biennium, and

\$957.0 million (1.4 percent) greater than in the February 2014 forecast for FY 2014-15.

Total General Fund spending is \$39.6 billion, which accounts for 55.4 percent of the state's operating budget.

Federal funds, the largest category of nongeneral fund resources, are budgeted at \$19.8 billion for FY 2014-15. This total is \$253.1 million greater than in the February 2014 forecast, and is \$3.4 billion greater than in the FY 2012-13 biennium.

Table 2 on the next page displays the state's all funds budget by major budget area. Spending in all budget areas is greater in FY 2014-15 than in the previous biennium. These increases reflect the expansion of General Fund resources as a result of the improving economy and also tax increases enacted in the 2013 session. Enacted FY 2014-15 spending in all budget areas is also greater than in the February 2014 forecast due to appropriation increases made in the 2014 session, the most noteworthy in percentage terms were in Property Tax Aids and Credits (1.6 percent); Environment, Economic Development and Agriculture (5.4 percent); Public Safety and Transportation (2.1 percent); and Debt Service and Capital Projects (9.4 percent).

**Table 2**  
**All Funds Biennial Budget -- FY 2014-15**  
**Comparison of Enacted FY 2014-15 Budget to FY 2012-13 and to Forecast**  
*(dollars in millions)*

	<b>FY 2012-13</b>	<b>FY 2014-15 Forecast Base</b>	<b>FY 2014-15 Enacted Budget</b>	<b>Change: Enacted - FY 2012-13</b>	<b>Change: Enacted - Fest Base</b>
E-12 Education	17,092.8	18,284.3	18,338.9	1,246.1	54.5
Higher Education	2,634.9	2,889.3	2,928.5	293.6	39.2
Property Tax Aids & Credits	2,773.2	2,916.0	2,962.9	189.6	46.8
Health & Human Services	25,100.8	29,298.6	29,493.5	4,392.6	194.9
Env, Econ Dev & Agric	3,250.9	3,733.4	3,935.2	684.3	201.7
Judiciary	1,744.4	1,868.8	1,899.8	155.5	31.0
Transportation & Public Safety	6,233.6	7,515.9	7,675.7	1,442.1	159.8
State Dept & Veterans Affairs	1,378.5	1,724.5	1,745.6	367.1	21.1
Debt Service/Capital Projects/Other	1,616.9	2,218.9	2,426.8	809.9	208.0
<b>Total for Budget Area</b>	<b>61,826.1</b>	<b>70,449.8</b>	<b>71,406.9</b>	<b>9,580.8</b>	<b>957.0</b>

Revenues

Total enacted FY 2014-15 revenues are estimated to be \$70.5 billion for the biennium for the all funds budget, a decrease of \$393.2 million compared to the February 2014 forecast. FY 2014-15 General Fund revenue is estimated to be \$482.7 million less than in the February 2014 forecast. Federal funds in the biennium, however, increased by \$252.2 million over forecast amounts. FY 2014-15 revenues in the enacted supplemental budget total \$3.4 billion higher than in FY 2012-13. Table 3

shows the total state revenue by fund, breaking out the General Fund and other state funds with noteworthy changes during the 2014 session. Chapter 3 of this report provides additional detail on state revenues.

**GENERAL FUND SUMMARY**

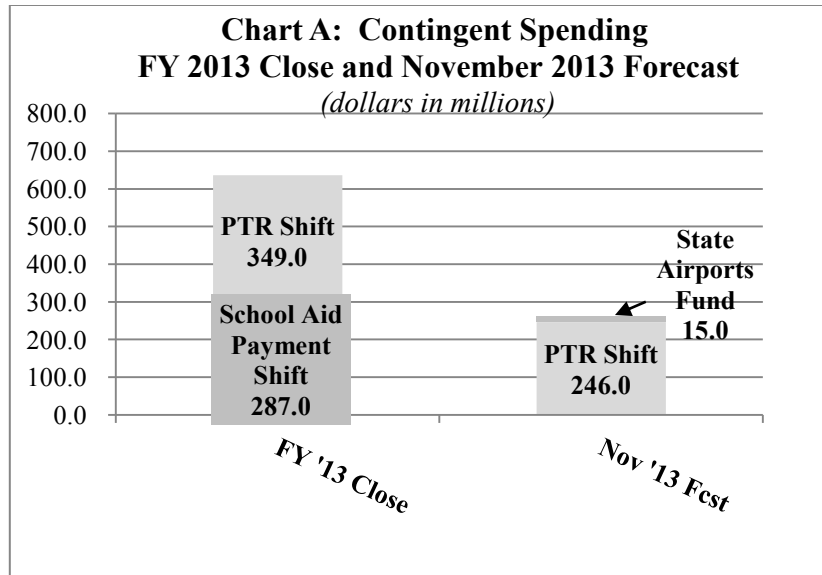
**A Look Back: General Fund Activity in the 2013 Interim**

During the 2013 session, Chapter 116, the Education Finance Act, established a onetime provision that required any positive

**Table 3**  
**All Funds Biennial Revenues -- FY 2014-15**  
**Comparison of Enacted FY 2014-15 Budget to FY 2012-13 and to Forecast**  
*(dollars in millions)*

	<b>FY 2012-13</b>	<b>FY 2014-15 Forecast Base</b>	<b>FY 2014-15 Enacted Budget</b>	<b>Change: Enacted - FY 2012-13</b>	<b>Change: Enacted - Fest Base</b>
General Fund *	34,372.3	39,245.3	38,762.6	4,390.3	(482.7)
Nongeneral Funds					
Health Care Access Fund	1,163.7	1,470.5	1,316.7	153.1	(153.8)
Federal Funds	15,941.8	19,115.5	19,367.7	3,425.9	252.2
Other	10,437.6	11,079.7	11,070.8	633.1	(8.9)
Subtotal, Nongeneral Funds	27,543.1	31,665.8	31,755.2	4,212.1	89.4
<b>Total for Budget Area</b>	<b>61,915.4</b>	<b>70,911.1</b>	<b>70,517.8</b>	<b>8,602.4</b>	<b>(393.2)</b>

\* Does not include transfers from other funds and prior year adjustments.



General Fund balance at the conclusion of the FY 2012-13 biennium to be used to reduce education shifts. Shifts in the education payment schedule and the recognition of education property taxes had been enacted during the 2010 and 2011 sessions as part of budget balancing efforts in those years. Under current law, if any November or February General Fund forecast projects a positive balance, it is required that the projected positive balance in each forecast be used to buy back education shifts and reimburse money transferred from the State Airports Fund, after the cash flow account and budget reserve have been restored to statutory levels. The law enacted in 2013 required that the positive balance at the conclusion of the FY 2012-13 biennium be allocated to buy back shifts prior to the November 2013 forecast.

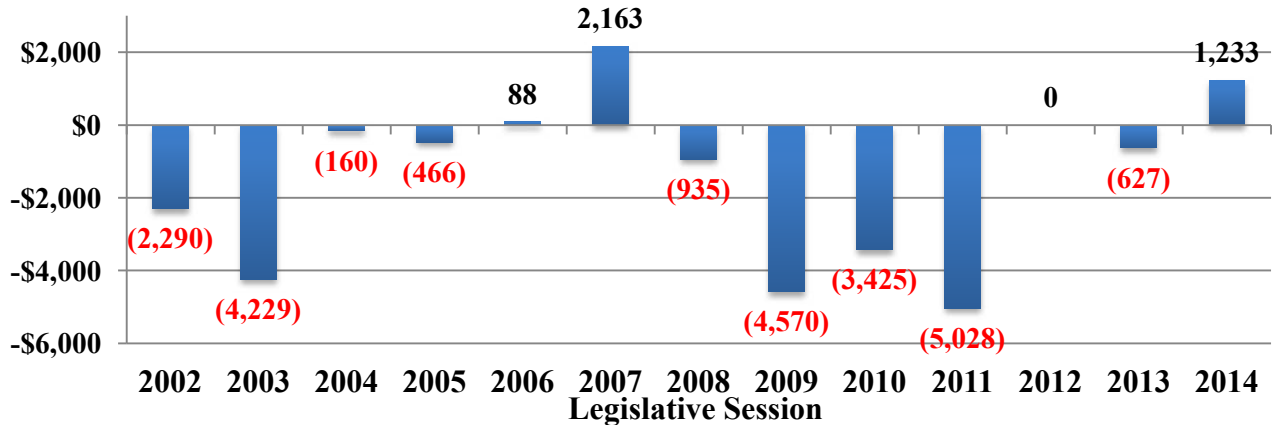
Under the law enacted in 2013, the Department of Management and Budget certified a FY 2012-13 closing balance of \$636.1 million in October 2013. Of that amount, \$287 million was used to restore education aids to 90 percent, which eliminated that shift. The remaining \$349

million was used to begin paying back the property tax recognition shift. After this closing balance allocation, an estimated \$238 million remained to be paid back on the property tax recognition shift.

The November 2013 forecast projected a positive General Fund balance of \$1.1 billion. However, based on the requirements of the contingent appropriations law (Minnesota Statutes, section 16A.152, subdivision 2), \$261 million of the projected positive balance was allocated to complete the payback of the property tax recognition shift and the reimbursement of the State Airports Fund. (The final payment of the property tax recognition shift increased to \$246 million with the November 2013 forecast.) After these allocations were made, the November 2013 forecast projected an \$825 million positive balance. Chart A displays the allocation of contingent spending for the FY 2013 Close and the November 2013 Forecast. (See the 2013 *Fiscal Review* for further discussion about contingent spending in previous forecasts.)

The February 2014 forecast reflected a continued improvement of the overall state

**Chart B: Prior Budgetary Balance Levels  
Based on February Forecast for Session\*  
Legislative Sessions 2002-2014**  
(dollars in millions)



\* Budget balance as projected by February forecast for current biennium in even-numbered calendar years and subsequent biennium in odd-numbered calendar years.

budget. The February 2014 forecast projected an increase of \$366 million in revenues and a decrease of \$48 million in spending for FY 2014-15, compared to the November 2013 forecast. As a result, the overall positive General Fund balance for FY 2014-15 improved to \$1.2 billion, and was the first positive General Fund balance projected in a February forecast since the 2007 legislative session. Chart B displays the projected General Fund balance for each

February forecast for the past 13 years.

**FY 2014-2015 General Fund Budget Supplemental**

Although the even-numbered year session typically focuses on capital investment legislation, the positive General Fund balance projected for FY 2014-15 also allowed for the enactment of a significant supplemental budget. Table 4 summarizes the enacted General Fund budget.

**Table 4  
FY 2014-2015 General Fund Budget  
Comparison of Enacted FY 2014-15 Budget to FY 2012-13 and to Forecast**  
(dollars in millions)

	FY 2012-13	FY 2014-15 Forecast Base	FY 2014-15 Enacted Budget	Change: Enacted - FY 2012-13	Change: Enacted Fcst Base
Balance Forward (Including Reserves)	1,288.7	1,711.9	1,711.9	423.2	0.0
Current Revenues	35,742.6	39,574.6	39,092.1	3,349.5	(482.5)
Total Resources	37,031.2	41,286.5	40,804.0	3,772.8	(482.5)
Spending	35,319.3	39,019.0	39,587.4	4,268.1	568.4
Reserves	1,075.8	1,034.4	1,184.4	108.6	150.0
<b>Budgetary Balance</b>	<b>636.1</b>	<b>1,233.2</b>	<b>32.3</b>		

The \$1.2 billion positive General Fund balance was allocated in a variety of ways that both reduced taxes and increased appropriations. At the conclusion of the 2014 session, General Fund revenues in FY 2014-15 were reduced by \$482.5 million (including transfers), expenditures increased by \$568.4 million, and \$150 million was added to the budget reserve.

Table 5 and Chart C display more detail on how the \$1.2 billion positive General Fund budget balance projected in the February 2014 forecast was allocated to supplement the FY 2014-15 budget.

Enacted FY 2014-15 General Fund revenues were projected to be \$40.8 billion for the biennium and expenditures were projected to be \$39.6 billion, producing a budgetary balance before reserves of \$1.2 billion. Of this balance, \$350 million was allocated to the cash flow account; \$811 million was

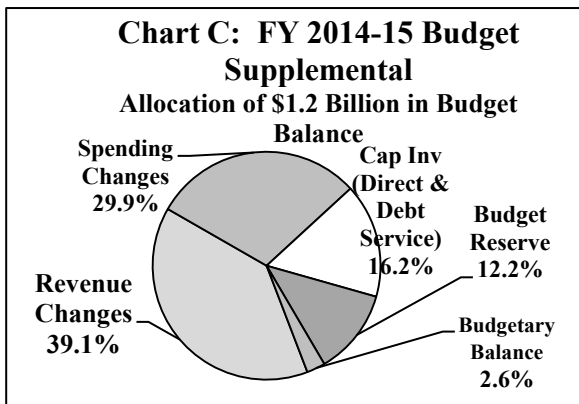
allocated to the budget reserve, and \$23.4 million was allocated to the Vikings Stadium reserve, leaving a projected budgetary balance of \$32.3 million at the end of the FY 2014-15 biennium.

**Net Spending Increases:** The \$568.4 million General Fund increase in projected spending for FY 2014-15 was concentrated in capital projects (\$200 million); Human Services (\$109.5 million); Environment, Economic Development and Agriculture (\$61.2 million); and E-12 Education (\$54.0 million). Of the total FY 2014-15 spending increases, \$307.5 million is onetime and will not continue in the FY 2016-17 biennium. Each budget area is examined in detail in subsequent chapters.

**Net Revenue Reductions:** Net revenue to the General Fund in FY 2014-15 will be \$482.5 million lower than was projected in the February 2014 forecast. These changes were enacted primarily in two omnibus tax bills. Chapter 150 reduced revenues by \$443.3 million in FY 2014-15 and included federal conformity changes that reduced income tax and the corporate franchise tax. Chapter 150 also repealed the sales tax on warehousing and storage services, repair and maintenance for electronic and precision equipment, and industrial and commercial equipment. Chapter 308 further reduced revenues by \$52.5 million and included adjustments to the June accelerated payments on the sales tax. Chapter 3 of this report examines state revenues in detail.

**Budget Reserve Increase:** Chapter 150 allocated \$150 million in FY 2015 to increase the state's budget reserve from \$660.9 million to \$810.9 million. In addition, Chapter 150 enacted a change that will allocate 33 percent of positive General Fund balances projected in future November forecasts to the budget reserve. A detailed

<b>Table 5</b> <b>FY 2014-15 Budget Solution</b> <b>Allocation of \$1.2 Billion Budget Balance</b> <i>(dollars in millions)</i>	
Revenue Changes	482.5
Spending Changes	368.4
Cap Inv (Direct & Debt Service)	200.0
Budget Reserve	150.0
Budgetary Balance	32.3
<b>Feb 14 Forecast Budgetary Balance</b>	<b>1,233.2</b>





discussion of these changes is examined on page 13 at the conclusion of this chapter.

**Capital Investment:** Chapter 294, the Capital Investment Act, authorized \$846 million in general obligation bonds to support capital improvements throughout the state. Chapter 295 appropriated an additional \$198.7 million for capital improvements statewide; however, this chapter enacted direct appropriations for projects from the positive General Fund balance that was projected in the February 2014 forecast, rather than authorizing general obligation bonds to provide the financing. The capital investments enacted during the 2014 session are detailed in Chapter 2 and Appendix B of this report.

**FY 2014-2015 Appropriations and Spending Changes by Budget Area**

Table 6 summarizes FY 2014-15 spending and appropriations by budget area. The FY 2014-15 supplemental budget contained appropriations of \$39.6 billion, an increase of \$568.4 million over projected appropriations in the February 2014 forecast, and \$4.2 billion over FY 2012-13

spending. Most of the increase between the two biennia can be explained by the increases enacted in the 2013 session. (See the 2013 *Fiscal Review* for more information on these changes.)

**HIGHLIGHTS BY BUDGET AREA**

The following summaries highlight the changes made in each budget area as compared to the projections in the February 2014 state budget forecast. The overall budgets and budget changes are discussed more fully in the subsequent chapters of this report.

**E-12 Education Budget**

State appropriations from all sources for E-12 Education total \$18.3 billion for the FY 2014-15 biennium, of which \$16.7 billion, or 91 percent, is from the General Fund. Education appropriations from the General Fund are \$54.0 million above the February 2014 forecast and are primarily allocated to a \$25 (0.4 percent) per pupil increase to the basic per pupil funding formula in FY 2015, several early childhood education programs, a new onetime categorical teacher

	<b>FY 2012-13</b>	<b>FY 2014-15 Forecast Base</b>	<b>FY 2014-15 Enacted Budget</b>	<b>Change: Enacted - FY 2012-13</b>	<b>Change: Enacted - Fcst Base</b>
E-12 Education	15,481.0	16,625.3	16,679.3	1,180.7	54.0
Higher Education	2,570.5	2,813.8	2,840.4	269.9	26.7
Property Tax Aids & Credits	2,776.9	2,922.6	2,969.4	192.6	46.8
Health & Human Services	10,592.7	11,343.5	11,452.9	860.2	109.5
Env, Econ Dev & Agric	583.2	698.3	759.4	176.3	61.2
Judiciary	1,655.1	1,765.7	1,796.8	141.7	31.0
Transportation & Public Safety	311.2	437.5	457.6	146.4	20.1
State Dept & Veterans Affairs	865.7	967.1	986.4	120.6	19.2
Debt Service & Capital Projects	483.1	1,445.2	1,645.2	1,179.7	200.0
<b>Total Spending</b>	<b>35,319.3</b>	<b>39,019.0</b>	<b>39,587.4</b>	<b>4,268.1</b>	<b>568.4</b>

development and evaluation program, expanded school breakfast and nutrition, and the English learner revenue program.

### **Higher Education Budget**

The overall operating budget for Higher Education totals \$2.9 billion for FY 2014-15, with virtually all appropriations (97 percent) from the General Fund. Compared to the February 2014 forecast, this is a \$26.7 million increase in General Fund appropriations. The MNSCU system received an increase of \$17 million and the University of Minnesota received an increase of \$8.9 million.

### **Environment, Economic Development and Agriculture Budget**

Total funding for Environment, Economic Development and Agriculture equals \$3.9 billion for the FY 2014-2015 biennium. The General Fund budget totals \$759.4 million (19.3 percent of total) for the same period, and is \$61.2 million above the February 2014 forecast. Most of the FY 2014-15 increases enacted during the 2014 session are onetime and are not included in the FY 2016-17 base. The increases were allocated primarily to the low-income home energy assistance program, broadband development grants, rural development grants, the Minnesota Initiative Foundations and Urban Initiative Board, and a transfer to the 21<sup>st</sup> Century Fund.

### **Health and Human Services Budget**

The appropriations for Health and Human Services total \$29.5 billion for all funds in FY 2014-15, of which \$11.5 billion, or 38.8 percent, is from the General Fund. Compared to the February 2014 forecast, General Fund appropriations are \$109.5 million higher for FY 2014-15 and planning estimates are \$655.1 million higher for FY 2016-17. This increase to the planning budget in FY 2016-17 reflects a change that

converts anticipated Medical Assistance spending from the Health Care Access Fund to the General Fund.

### **Judiciary Budget**

The total Judiciary budget for FY 2014-15 totals \$1.9 billion, with \$1.8 billion, or 94.6 percent, of these funds coming from the General Fund. General Fund appropriations were increased in the 2014 session by \$31.0 million above the February 2014 forecast, and include Department of Corrections funding for critical staffing needs and county correctional bed rentals. Legislation was enacted during the 2014 session that established a process to provide monetary damages to exonerated persons.

### **State Departments and Veterans Budget**

The total budget for State Departments and Veterans is \$1.7 billion in FY 2014-15. General Fund appropriations are \$986.4 million, or 56.5 percent, of this total. The enacted FY 2014-15 General Fund budget is \$19.2 million higher than in the February 2014 forecast. These increased appropriations are primarily for pension payments associated with the Duluth Teacher Retirement Association's merger with the Minnesota Teacher Association and for increased state aid for the St. Paul Retirement Fund Association. The Department of Revenue also received an appropriation increase for the cost of administering changes to the state tax code.

### **Transportation and Public Safety Budget**

Funding for Transportation and Public Safety programs totals \$7.7 billion for the FY 2014-15 biennium. General Fund appropriations account for only 4.6 percent of the total, as this budget is primarily supported by nongeneral fund sources. The 2014 session increased the FY 2014-15 General Fund budget by \$20.1 million, which was primarily allocated to Greater

Minnesota Transit, railroad crossing safety improvements, Metropolitan Council transit operations and capital investments, Minnesota capitol security, and the new disaster assistance contingency account. Legislation was enacted that increased appropriations from the Trunk Highway Fund by \$123.1 million, for snow and ice removal, the Trunk Highway 14 turnback project, the corridors of commerce program, maintenance on the Stillwater Lift Bridge, and other state road operations and maintenance projects. Legislation was also enacted that expanded judicial authority to expunge criminal records.

**Property Tax Aids and Credits**

FY 2014-15 funding of tax aids and credits totals \$2.9 billion, mostly from the General Fund. The tax aids and credits budget for FY 2014-15 increased by \$46.8 million over the amount projected in the February 2014 forecast. The increases were concentrated in the agriculture homestead market value credit, local government aid formula adjustments (including a new county aid program for prevention of aquatic invasive species), and a onetime increase to the homestead credit and renter property tax refund programs.

**Debt Service and Capital Projects Budget**

Total spending for debt service and capital projects for FY 2014-15 is \$2.4 billion from all funding sources, an increase of \$208 million over the February 2014 forecast. Total bond authorizations in Chapter 294, the Capital Investment Act, were higher than

assumed in the forecast, requiring a \$1.2 million increase in FY 2015 debt service appropriations. In addition, Chapter 295 appropriated \$198.7 million for additional capital projects directly from the General Fund balance projected in the February 2014 forecast.

**GENERAL FUND BUDGET TAILS –  
FY 2016-2017 BIENNIUM**

A look ahead at the effect of the FY 2014-15 supplemental budget on the next biennium shows the projected General Fund balance to be positive, although lower than was forecasted in February 2014. Current revenues for FY 2016-17 are projected to total \$42.3 billion, while projected appropriations are estimated at \$41.7 billion. The result is a structural General Fund balance of \$547.8 million for the next biennium. If the projected carryforward from FY 2014-15 and reserves are included, the projected budgetary balance for FY 2016-17 is projected to be \$603.4 million.

The February 2014 forecast estimated that FY 2016-17 revenues would exceed FY 2016-17 appropriations by \$2.6 billion. However, the FY 2014-15 supplemental budget reduced projected FY 2016-17 revenues by \$991.0 million and increased FY 2016-17 appropriations by \$1.1 billion. Table 7 displays a comparison of FY 2016-17 based on the FY 2014-15 enacted supplemental budget and the February 2014 forecast.

<b>Table 7</b>			
<b>General Fund Biennial Budget -- FY 2016-17 Planning Estimates</b>			
<i>(dollars in millions)</i>			
	<b>Feb 2014 Forecast Base</b>	<b>Enacted Budget Base</b>	<b>Change: Enacted - Fest Base</b>
Current Resources (excluding carryforward)	43,283.6	42,292.6	(991.0)
Total Expenditures	40,684.7	41,744.8	1,060.1
<b>Projected Structural Balance</b>	<b>2,598.9</b>	<b>547.8</b>	<b>(2,051.1)</b>

Current General Fund revenue is projected to grow by \$3.2 billion in FY 2016-17 when compared to FY 2014-15, and appropriations are projected to grow by \$2.2 billion over the same period. Overall, this indicates that projected appropriations are growing at a slower pace than projected revenues over FY 2014 – FY 2017.

expenditures by \$398.9 million in FY 2014-15. Most of this increase was from the Trunk Highway Fund (\$131.0 million) and the Outdoor Heritage Fund (\$109.3 million). Appendix C details the nongeneral fund expenditures enacted during the 2014 Session. See page 82 for Appendix C.

## **NONGENERAL FUND EXPENDITURE CHANGES**

The Legislature increased nongeneral fund

### **Budget Reserve**

Chapter 150 made the first significant increase to the level of the budget reserve since 2001 and included a policy change to the law governing future deposits to the reserve. The budget reserve is a special account in the General Fund that serves as a savings account for the purpose of offsetting budget shortfalls during economic downturns. Most states have a budget reserve for the purpose of managing volatility in revenue collections and spending. In past years, when revenue collections have decreased or spending has increased creating a negative General Fund balance, Minnesota's budget reserve has allowed policymakers to first use the resources in the reserve to offset the immediate need for revenue increases or spending reductions.

The statutory level of Minnesota's budget reserve has not changed since 2001, when it was increased from \$622 million to \$653 million. (Other increases have occurred based on certain statutory requirements.) In FY 2002-03, the reserve level would have represented 2.6 percent of General Fund biennial revenues, but the full amount of the reserve was cancelled to the General Fund in the 2002 session. Over time, the General Fund revenues grew, but the reserve level was not increased. By FY 2014, the budget reserve stood at \$660.9 million, which was 1.7 percent of General Fund biennial revenues. Therefore, the budget reserve had significantly less capacity to cushion the General Fund in times of economic distress.

Since 2010, the Department of Management and Budget (MMB) has been required by law to prepare an annual analysis of the volatility of Minnesota's tax structure. The analysis is required to estimate the appropriate size of the state's budget reserve necessary to manage risk associated with revenue volatility. Since the inception of this analysis, the amount of Minnesota's budget reserve has not met the levels recommended in the report. In January 2014, the most recent report recommended a budget reserve equal to 4.9 percent of state general fund revenues, or approximately \$1.9 billion. The 2014 MMB report indicated that a budget reserve of this size would "adequately manage cyclical risk in the coming biennium." After the February 2014 forecast, which predicted a \$1.2 billion positive unrestricted budgetary balance in the General Fund, the Legislature made significant changes to the budget reserve for the first time since 2001.

*(See next page)*

### **Budget Reserve (continued)**

The 2014 budget reserve legislation made two primary changes. First, Chapter 150 increased the budget reserve by \$150 million to a total of \$811 million, which was 2.1 percent of FY 2014-15 General Fund revenues, including revenue changes enacted in Chapters 150 and 308. This additional transfer to the reserve was made on July 1, 2014. Chapter 150 also enacted a new requirement governing future deposits to the reserve. The new law requires that 33 percent of a positive unrestricted budgetary balance projected in a November General Fund forecast to be transferred to the reserve. Under the new law, these transfers will continue until the reserve reaches the level of MMB's most recent budget reserve recommendation.

Although the new deposit law requires transfers to the budget reserve when a positive budgetary balance is projected in a November forecast, there is a set of conditions in existing law that must be met before any transfers can occur. Each of the following obligations must be satisfied before additional transfers to the reserve can be made:

- (1) the cash flow account balance is \$350 million;
- (2) the budget reserve account is \$811 million;
- (3) the education aid payments shift is restored to the 90 percent level; and
- (4) the property tax recognition shift is paid back.

Chapter 150 changed this priority list to remove an obsolete reference to the State Airports Fund and to update the reference to the new budget reserve amount.

Once these conditions have been met (as they are as of this report's publication date), MMB will be required to allocate 33 percent of a positive General Fund balance projected in a November forecast to the budget reserve. (Transfers to the budget reserve under this law are not required after a February forecast.) If subsequent November forecasts are positive, the budget reserve transfers will continue until the reserve reaches the percentage of General Fund revenues recommended in the MMB report. The report is updated each January to reflect the current mix and level of tax revenue in the General Fund. Therefore, the recommended reserve level will likely change over time.

## CHAPTER 2 CAPITAL INVESTMENT

Two chapters enacted during the 2014 session contained funding for capital improvements. Chapter 294 approved capital investment projects that were primarily paid for with general obligation debt financing, and Chapter 295 approved capital investment projects using funds from the positive budgetary balance (sometimes referred to as “cash”) that was projected in the 2014 February forecast. Together, these chapters provided new authorizations of \$1.2 billion for capital improvement projects.

Chapter 294 authorized \$856.8 million in new general obligation bonds, for which the debt service is to be paid from the General Fund, and another \$39.1 million of general obligation bonds financed by Minnesota State Colleges and Universities user-fee revenues. In addition to these authorizations, the Minnesota Housing Finance Agency received \$80 million in housing infrastructure bonds. The housing infrastructure bonds generate a \$6.4 million annual General Fund debt service cost, beginning in FY 2016. \$7.9 million was appropriated from the trunk highway fund for supplemental funding of two Department of Transportation building projects. There were \$10.8 million in cancellations from 44 projects in previous bonding acts, resulting in net general obligation bond authorizations of \$846 million in Chapter 294 for the 2014 session.

The 2014 session also appropriated \$200 million from the General Fund for capital investment projects. Chapter 295 directly appropriated \$198.8 million from the positive General Fund balance

projected in the February 2014 forecast for a variety of projects. Also, \$1.2 million was appropriated in FY 2015 to pay for the debt service on the general obligation bonds authorized by Chapter 294.

### **State Government Debt Service Costs**

The Department of Management and Budget is the state agency primarily responsible for borrowing money to finance capital projects and for managing debt. The Commissioner of Management and Budget can issue general obligation bonds, general obligation trunk highway bonds, appropriation bonds, and certain types of revenue bonds. Most bond issuances are general obligation bonds paid with General Fund appropriations.

Table 1 displays the debt service paid from the Debt Service Fund in FY 2012-13; debt service estimated for FY 2014-15 in the February 2014 forecast; and debt service projected in FY 2014-15 under the enacted budget. Relative to the February 2014 forecast, debt service paid from the General Fund in FY 2014-15 increased by \$1.2 million because the general obligation bonds authorized in Chapter 294 were higher than the amount assumed in the forecast. The General Fund debt service in the enacted FY 2014-15 budget is \$840.6 million higher than that paid in FY 2012-13. This difference is explained, in part, by the use of tobacco revenue bond sale proceeds that reduced General Fund debt service appropriations in FY 2012-13 by \$635.7 million. (See the *Fiscal Review* document for 2011, 2012, and 2013 sessions for further discussion of tobacco revenue bonds.)



Several other state government entities have authority to issue bonds. They include the Agricultural and Economic Development Authority, Higher Education Facilities Authority, Housing Finance Authority, Iron Range Resources and Rehabilitation Agency, the Office of Higher Education, Public Facilities Authority, State Armory Building Commission, and the Minnesota State Colleges and Universities. Payments to service state debt are made from the Debt Service Fund. Transfers from other funds are

made to the Debt Service Fund to make these payments.

Table 1 shows transfers by fund to the Debt Service Fund for interest expenses and principal to pay off the bonds that have been issued by these agencies.

<b>Table 1</b> <b>Debt Service Fund - FY 2012-13 and FY2014-15</b> <b>Comparison of 2014 End-of-Session to February Forecast</b> <i>(dollars in thousands)</i>				
<b>Transfer in by Fund</b>	<b>FY 2012 - 13 Spending</b>	<b>FY 2014 - 15 February Forecast</b>	<b>2014 Legislative Changes</b>	<b>Current FY 2014-15 Budget</b>
Agriculture Fund	43	-	-	-
Building Fund	120	-	-	-
General Fund	413,383	1,252,740	1,252	1,253,992
Tobacco Settlement Bond Fund	635,745	-	-	-
Maximum Effort School Loan	46,967	1,355	-	1,355
MN State Colleges and Universities	54,689	59,272	-	59,272
Natural Resources Fund	16	8	-	8
Rural Farm Administration	28,154	24,507	-	24,507
Special Revenue Fund	393	276	-	276
Trunk Highway Fund	192,906	325,676	-	325,676
Investment Receipts	236,501	515,671	-	515,671
Balance Forward	392,262	510,649	-	510,649
<b>Total Transfers In</b>	<b>2,001,179</b>	<b>2,690,154</b>	<b>1,252</b>	<b>2,691,406</b>
<b>Spending</b>	<b>1,490,530</b>	<b>1,943,280</b>	<b>1,252</b>	<b>1,944,532</b>
<b>Budgetary Balance</b>	<b>510,649</b>	<b>746,874</b>	<b>-</b>	<b>746,874</b>

### Summary of Authorized Projects

Appendix B details the approved capital improvement projects by agency (See page 74). Significant capital investments authorized in Chapters 294 and 295 include:

- \$42.5 million for each of the higher education systems for asset preservation and replacement projects on the University of Minnesota and Minnesota State Colleges and Universities (MnSCU) campuses. Another \$194.2 million was authorized for a variety of building projects statewide for the campuses in the two systems. The \$194.2 million represents two-thirds of the building projects costs, with another one-third paid for by University of Minnesota and MnSCU student fees and resources.
- \$10.7 million to construct a new residence hall for the Minnesota State Academies for the Deaf.
- \$14 million to continue development of the Lake Vermilion State Park.
- \$17.7 million for acquisition and development of 13 state trails.
- \$12 million for flood hazard mitigation projects in counties, municipalities, and watershed districts.
- \$6.5 million to repair three dams: Champlin Mill Pond, Rapidan, and Lake Byllesby.
- \$12 million for the Minnesota Zoological Gardens, including funding to complete the Discovery Bay exhibit.
- \$126.3 million for the State Capitol restoration program. (The total funding authorized for this project is now \$272.2 million, including authorizations from previous years. The project is scheduled for completion in 2017.)
- \$4.3 million for a new Southwest Regional Sports Center in Marshall.
- \$3.8 million to renovate skiing facilities at Giants Ridge Resort in Biwabik.
- \$4.3 million for public safety facilities in Cottage Grove/Woodbury, Cyrus, Maplewood, Montgomery, and St. Louis County.
- \$33 million for the local bridge replacement program, including the Franklin Avenue Bridge in Minneapolis.
- \$54.4 million for the local road improvement fund, including economic development and safety projects.
- \$15 million for various transit improvement projects.
- \$29 million for various parks and trails improvements in the metropolitan area, including the Sculpture Garden, which will display Walker Art Center artworks.
- \$56.3 million for phase II of improvements at the Minnesota Security Hospital in St. Peter. (See discussion on page 19.)

- \$7.4 million for the Minnesota Sex Offender Program to remodel facilities on the St. Peter campus. (See discussion on page 19.)
- \$6 million for new emergency services facilities at the Dorothy Day Center in St. Paul. (The center is also eligible to apply to the Housing Finance Agency for assistance with the housing facility portion of the project.)
- \$6.8 million for facilities relating to children’s health programs in Hennepin County and mental health programs in St. Louis County.
- \$5.4 million for a perimeter fence around the Minnesota Correctional Facility for Women in Shakopee.
- \$18 million to improve the intake facilities at the Minnesota Correctional Facility in St. Cloud.
- \$33.5 million for asset preservation (repair and replacement of state property) in 11 state agencies.
- \$61.1 million for remodeling and expansion of civic centers in Mankato, Rochester, and St. Cloud.
- \$64.4 million for renovations at various arts and theater facilities in Chatfield, Duluth, Grand Rapids, Minneapolis, Park Rapids, and St. Paul.
- \$9 million for improvements at Twin Cities Public Television facilities in St. Paul.
- \$24.6 million for expansion of the Minnesota Children’s Museum in St. Paul and the Oliver H. Kelley Farm, a historic site in Elk River.
- \$19.5 million to relocate utilities and trails along U.S. Highway 53 near the city of Virginia.
- \$22 million for the Lewis and Clark Regional Water System project, with a local match of \$5 million. Additional funding from local property taxes is estimated at \$47 million. (See discussion on pages 19 and 55.)
- \$19.0 million for a variety of clean water-related projects, including \$7 million for Lake Elmo and Spirit Mountain and \$12 million to meet federal match requirements in other projects throughout the state.
- \$31.4 million for projects related to funding for wastewater improvement, including Voyageurs National Park in International Falls.
- \$100 million to the Minnesota Housing Finance Agency, with \$20 million for public housing rehabilitation from general obligations bonds and \$80 million in housing infrastructure bonds. The housing infrastructure bonds are more flexible and can be used on private projects.

The 2014 session included a number of notable capital investment projects. There are four projects that require additional explanation as a result of each project’s complexity or the combination of legislative funding authorization that was provided for the project. These four projects are discussed below.

## **Minnesota Security Hospital & Minnesota Sex Offender Program**

Chapter 294 authorized \$63.7 million for the first phase of two significant capital projects for the St. Peter Regional Treatment Center. The center operates two distinct programs: (1) the Minnesota Security Hospital, which treats people who have been civilly committed as mentally ill and dangerous and people with mental illness for whom a criminal court has ordered evaluation and treatment before trial; and (2) the Minnesota Sex Offender Treatment Program (MSOP). The St. Peter Regional Treatment Center currently includes buildings on an upper and on a lower area of the campus. These areas are separated by a natural bluff. Because of the current building configuration, the population in the Minnesota Security Hospital needs additional separation from the population in the Sex Offender Treatment Program to prevent exposing vulnerable individuals committed to the Security Hospital to safety risks.

Chapter 294 funded two projects at the St. Peter Regional Treatment Center to reduce these risks. The projects continue to reorganize the St. Peter campus, taking advantage of the natural barrier of the bluff. When all phases of this project are complete, the patients in the Security Hospital will be housed and served in the upper level, while the MSOP will be served on the lower areas.

Specifically, Chapter 294 provided \$56.3 million for phase I of the Minnesota Security Hospital project to improve the facilities for patient living, treatment, and work activity. The project also addresses concerns about hospital staff safety. Chapter 294 also provided \$7.4

million for phase I to improve the MSOP facilities. Phase I funding is for construction and furnishing of two buildings on the St. Peter Regional Treatment Center lower campus, and will provide approximately 60 additional beds. Phase I also included funding for the design of the project's second phase.

Both projects are multiphased endeavors that are anticipated to require several years and several capital investment appropriations to complete. The Department of Human Services will likely request funding for additional phases of these projects in the next two biennia. The second phase of the security hospital's capital budget request will be in 2016. It is anticipated that the request will be for \$47.5 million for the development of additional housing for intake, acute care, and transition units. The total cost of the improvements and new facilities for the security hospital is currently estimated to be \$103.8 million.

Phase II of the MSOP facility project will be in 2016. It is anticipated that the capital budget request will be for \$14.1 million to add 144 beds for the sex offender program and remodel two buildings on the lower campus for residential treatment and extended program activities. The MSOP project will also require a phase III in 2018, and is anticipated to be \$13.2 million for additional bed capacity and to improve treatment program activities within two buildings.

## **Bell Museum**

Chapter 312, the Supplemental Finance Act, facilitated the planned construction of a new Bell Museum of Natural History on the St. Paul campus of the University of Minnesota. Although the

state of Minnesota will not issue debt for this project and it was not approved as part of Chapters 294 or 295, Chapter 312 increased the General Fund base appropriation of the University of Minnesota by \$3.5 million per year beginning in FY 2016 to offset the cost of the debt that the University will issue to pay for the project. (See page 35 for additional discussion of the Bell Museum.)

**Lewis & Clark Regional Water System**

The Lewis and Clark Regional Water System will serve Nobles and Rock

Counties in southwestern Minnesota. Chapter 295 directly appropriated \$22 million from the General Fund to provide potable water to cities using large water pipeline supply systems with water from the Missouri River. This appropriation includes a requirement for a \$5 million matching appropriation from local or federal sources. Additional funding from local and state sources is authorized for completion of the project. (See page 55 for additional discussion of the Lewis and Clark Regional Water System project.)

## CHAPTER 3 TAX REVENUES

Total revenues are estimated to be \$70.5 billion for FY 2014-15 for all funds after changes enacted during the 2014 legislative session. Compared to the February 2014 forecast, these changes decreased revenues by \$393.2 million, including a \$482.7 million decrease to the General Fund and a net increase of \$89.4 million to the other funds. Major changes to the General Fund and the nongeneral funds are summarized in Table 1 below. Changes in revenue to the other funds are discussed in their respective chapters. Incremental revenue changes to the General Fund are shown in Table 2 of this chapter and Table 1 of Chapter 4 on Health and Human Services.

### GENERAL FUND SUMMARY

Chapter 150 and Chapter 308 provided several tax exemptions and reductions, including conforming changes to the individual and corporate franchise tax code, repeal of certain sales taxes enacted in the 2013 session, repeal of the gift tax enacted in the 2013 session, and a modification of the estate tax to provide a stand-alone rate structure no longer linked to the federal estate tax structure. The changes reduced total General Fund tax revenues by \$495.8 million in FY 2014-15. Total General Fund tax revenues are \$37.8 billion for FY 2014-15.

<b>Table 1 - Tax Revenues</b> <b>All Funds Biennial Revenues by Fund</b> <i>(dollars in thousands)</i>				
<b>By Fund</b>	<b>FY 2012-13 Revenues</b>	<b>FY 2014-15 February Forecast</b>	<b>Enacted FY 2014-15 Budget</b>	<b>Difference</b>
<b>General Fund</b>				
Tax Revenues				
Individual Income Tax	16,984,960	19,559,600	19,325,705	(233,895)
Corporate Franchise Tax	2,324,902	2,713,517	2,708,917	(4,600)
Sales Tax	9,386,336	10,280,915	10,071,721	(209,194)
Statewide Property Tax	1,610,721	1,665,361	1,665,361	-
Estate Tax	324,214	362,200	319,500	(42,700)
Cigarette, Tobacco, & Alcohol Tax	540,628	1,342,941	1,337,518	(5,423)
All Other Taxes	1,500,862	1,888,100	1,888,100	-
Nontax Revenues	569,675	570,395	583,516	13,121
Other/Adjustments	1,130,017	862,281	862,281	-
<b>Total General Fund*</b>	<b>34,372,315</b>	<b>39,245,310</b>	<b>38,762,619</b>	<b>(482,691)</b>
<b>Nongeneral Funds</b>				
Transit Assistance Fund	486,418	591,683	578,998	(12,685)
County State Aid Highway Fund	28,541	23,123	35,808	12,685
Special Revenue Fund	1,846,366	2,035,840	2,038,152	2,312
Health Care Access Fund	1,163,674	1,470,516	1,316,727	(153,789)
Legacy Funds	543,696	599,022	587,031	(11,991)
Federal Funds (Not Incl. Fed TANF)	15,941,809	19,115,541	19,367,719	252,178
Other Funds	7,532,612	7,830,032	7,830,771	739
<b>Subtotal Nongeneral Funds:</b>	<b>27,543,116</b>	<b>31,665,757</b>	<b>31,755,206</b>	<b>89,449</b>
<b>TOTAL ALL REVENUES:</b>	<b>61,915,431</b>	<b>70,911,067</b>	<b>70,517,825</b>	<b>(393,242)</b>
* Does not include transfers from other funds and prior year adjustments.				



## **Individual Income and Corporate Franchise Tax**

Individual income tax revenue changes reduced General Fund revenues by \$233.9 million in FY 2014-15. The predominant changes to the individual income tax were federal conformity adjustments. Minnesota taxable income is calculated using federal taxable income (FTI) as the starting point. FTI is calculated by subtracting standard or itemized deductions and personal exemptions from federal adjusted gross income (FAGI). When the federal government changes the types and level of income included in FAGI or modifies the deductions and exemptions, Minnesota must also separately adopt those changes for any tax year, thus conforming to the federal income tax structure. Without the federal conformity changes enacted in Chapter 150, filers would have been required to add income back to their taxable income on the state tax return for the tax benefits that were authorized at the federal level but not recognized by Minnesota. The effect of these “add-backs” for a Minnesota taxpayer would have been higher taxable income than that recognized by the federal government. Several of the federal conformity changes became effective retroactively to tax year 2013. Therefore, revenue reductions in certain cases began in FY 2014. Federal conformity alone reduced General Fund individual income tax revenues by \$195.7 million and corporate franchise tax revenues by \$4.6 million in the first biennium. The single largest income tax revenue conformity change resulted from an increase to the standard deduction for married filers filing jointly, reducing revenue by \$111 million in FY 2014-15.

Other changes to the individual income tax resulted in a General Fund revenue reduction of \$38.3 million. The changes included a modification to the working

family credit, an increase to the angel investment credit, an extension of the military pay subtraction from the income of active National Guard members, and a refundable credit for filers who claim tutoring expenses spent on behalf of eligible dependents (effective for tax year 2014 and a revenue loss to the General Fund in FY 2015 only).

## **Sales Tax**

Changes to the sales tax base composed the second largest category of revenue reductions during the 2014 session, resulting in a General Fund reduction of \$209.2 million in FY 2014-15. Chapter 150 repealed the sales tax on warehousing and storage services, repair and maintenance for electronic and precision equipment, and industrial and commercial equipment. In addition, the sales tax exemption for telecommunications equipment was reinstated. These changes reduced General Fund sales tax revenue by \$231.7 million in FY 2014-15. Chapter 150 offset those revenue reductions with a delay of the capital equipment upfront sales tax exemption that was scheduled to go into effect on September 1, 2014. The delayed enactment of the upfront exemption until FY 2016 resulted in a revenue increase of \$64.6 million in FY 2014-15 and a \$50.1 million decrease in General Fund sales tax revenues in FY 2016-17. Chapter 308 further reduced sales tax revenues by expanding the local government sales tax exemption to all local entities and modifying the list of goods and services that are classified as taxable. The General Fund revenue reduction associated with this exemption expansion begins in FY 2016-17 and the effective dates for specific provisions within the exemption vary. Full implementation begins on January 1, 2017.

Chapter 308 also enacted sales tax exemptions for coin-operated entertainment and amusement devices, snowmobile trail-grooming equipment for nonprofit clubs, purchases for the annual meetings of certain organizations, construction materials donated for a city library addition, nonprofit animal shelters, and a retroactive exemption

for certain medical devices. The threshold amount of an existing sales tax exemption for fund-raising by certain groups was also increased. These various exemptions reduced General Fund revenues by \$1.8 million in FY 2014-15.

**Table 2: Tax Revenues**  
**General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b>Tax Revenue Changes</b>						
<b>Individual Income Tax</b>						
Federal Conformity	(52,670)	(143,025)	(195,695)	(106,880)	(110,405)	(217,285)
Working Family Credit	-	(30,200)	(30,200)	(31,100)	(31,700)	(62,800)
Modify Angel Invest Credit	-	(3,000)	(3,000)	(15,000)	(15,000)	(30,000)
Extend the Military Pay Sub to Active Guard Income	-	(3,000)	(3,000)	(2,100)	(2,200)	(4,300)
Authorize a Refundable Credit for Expenses Related to Tutoring	-	(2,600)	(2,600)	-	-	-
Other Changes	-	600	600	-	(60)	(60)
<b>Corporate Franchise Tax</b>						
Federal Conformity	(4,055)	(545)	(4,600)	(425)	(380)	(805)
Other Changes	-	-	-	60	50	110
<b>Sales Tax</b>						
Repeal Sales Tax on Storage & Warehousing Services	(13,000)	(82,400)	(95,400)	(88,800)	(95,600)	(184,400)
Repeal Sales Tax on Elec. & Comm. Equip. Repair and Maintenance	(12,900)	(81,700)	(94,600)	(88,000)	(94,700)	(182,700)
Reinstate Telecommunications Equip. Exemption	(5,500)	(36,200)	(41,700)	(39,500)	(42,700)	(82,200)
Delay Capital Equip. Upfront Exemption	-	64,600	64,600	(29,400)	(20,700)	(50,100)
Expand Local Gov't Sales Tax Exemption	-	(150)	(150)	(8,570)	(23,270)	(31,840)
Other Exemptions	(1,124)	(660)	(1,784)	(700)	(730)	(1,430)
Modify June Acceleration	(39,200)	(960)	(40,160)	(1,570)	(1,950)	(3,520)
<b>Estate Tax</b>						
Stand-alone Rates and Increased Exemption Amount	-	(25,000)	(25,000)	(47,800)	(63,800)	(111,600)
Repeal of the Gift Tax	(5,600)	(12,100)	(17,700)	(14,500)	(18,200)	(32,700)

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b>Cigarettes, Tobacco and Alcoholic Beverage Tax</b>						
Modify June Acceleration	(5,280)	(33)	(5,313)	(50)	(70)	(120)
Other Changes	=	(110)	(110)	(130)	(150)	(280)
<b>Total Tax Revenue Changes</b>	<b>(139,329)</b>	<b>(356,483)</b>	<b>(495,812)</b>	<b>(474,465)</b>	<b>(521,565)</b>	<b>(996,030)</b>
<b><u>Tax Revenue Changes</u></b>						
Trans. from the Assigned Risk Account	-	10,500	10,500	-	-	-
Nontax Revenue Changes	=	<u>2,621</u>	<u>2,621</u>	<u>2,614</u>	<u>1,984</u>	<u>4,598</u>
<b>Total Nontax Revenue Changes</b>	<b>-</b>	<b>13,121</b>	<b>13,121</b>	<b>2,614</b>	<b>1,984</b>	<b>4,598</b>
<b>Total General Fund Revenue Changes</b>	<b>(139,329)</b>	<b>(343,362)</b>	<b>(482,691)</b>	<b>(471,851)</b>	<b>(519,581)</b>	<b>(991,432)</b>

### June Accelerated Sales Tax Payments

The June sales tax payment has historically been used as a mechanism to provide a onetime revenue increase in a single biennium. Typically, sales taxes are remitted in the month following the month in which the sales tax is collected by Minnesota retailers. Originally enacted for 1982 sales tax liabilities, the accelerated payment schedule required retailers to estimate the June sales tax liability and remit the payments in June instead of the following month when the sales tax liability payments are typically due. This accounting practice was used to increase revenue in one biennium by accelerating the remittance from July to June, resulting in a biennial shift. Over time, the percent required to be remitted fluctuated to either generate revenue on a onetime basis or provide sales tax relief to retailers. The percentage has been set at 90 percent since FY 2009. Chapter 308 reduced that percentage to 81.4 percent of the estimated June liability, resulting in a onetime General Fund revenue loss in FY 2015. This accelerated payment is only required for retailers with certain minimum tax liabilities. Chapter 308 also increased the retailer threshold effective for the June 2014 payment from retailers with

tax liabilities in excess of \$120,000 per fiscal year to those with liabilities in excess of \$250,000 per fiscal year. For FY 2014-15, the change in the percentage required to be remitted reduced General Fund sales tax revenues by \$23.5 million, and the threshold increase reduced revenues by \$16.7 million.

The June accelerated payment applied to retailers remitting the sales tax, but also to taxpayers liable for the cigarette excise and sales taxes, the tobacco products excise tax, and the alcoholic beverages excise taxes. In FY 2014-15, the threshold increase combined with the payment requirement reduction from 90 percent to 81.4 percent reduced cigarette and tobacco products tax revenue by \$4.7 million and alcoholic beverages tax revenue by \$720,000.

### Estate and Gift Tax

Estate and gift tax changes reduced General Fund revenues by \$42.7 million in FY 2014-15. During the 2014 session, policy changes were discussed regarding the extent to which Minnesota's estate and gift tax revenue should contribute to the General Fund and the method by which these taxes should be calculated. This particular tax area was highlighted this session for two primary reasons. First, during the 2013 session, a gift

tax was imposed for the first time since its repeal in 1979 and the estate tax was extended to certain nonresident estates. Second, the Department of Revenue published a study in March 2014, as required by statute, that examined the estate tax and proposed several policy options that were recommended for consideration in 2014.

Chapter 150 enacted several major changes in the estate and gift tax revenue system. Minnesota's estate tax had become cumbersome because of linkages to the federal estate tax from a previous point in time. As estate tax policy at the federal level evolved, Minnesota maintained static linkages to the old federal rate system and referenced the current rate system. The result was a multi-level calculation that toggled between rates based on a former federal system and the current federal structure, depending on the size of the estate.

In addition, Minnesota law differed from federal law on the exclusion amount. Prior to the 2014 session, Minnesota excluded the first \$1 million of an estate, far less than the \$5 million exclusion amount allowed by the federal system. In addition, unlike the Minnesota exclusion amount, the federal exclusion amount is annually adjusted for inflation. For tax year 2014, the federal exclusion amount is \$5.34 million. Chapter 150 enacted a stand-alone rate structure for Minnesota with rates ranging from ten to 16 percent, severing the linkages to the bifurcated federal rate structure. Chapter 150 also moved closer to the federal exclusion amount by enacting an exclusion amount up to \$2 million. This change is phased in by \$200,000 annual increments over a five-year period and will be fully phased in for a death occurring in 2018. Chapter 150 also repealed the gift tax, effective retroactively to the date of its enactment in 2013.

## CHAPTER 4 HEALTH AND HUMAN SERVICES

The FY 2014-15 all funds budget included \$29.5 billion for Health and Human Services (HHS), with General Fund spending estimated at \$11.5 billion. There were three chapters approved in the 2014 Legislative session that made changes to the HHS budget area for FY 2014-15. Chapter 312, the Omnibus Supplemental Finance Act, included the majority of changes to the HHS budget; Chapter 311 established a medical cannabis program; and Chapter 285 made changes related to regulation of synthetic drugs.

As indicated in Table 1, in the 2014 session, the Legislature increased FY 2014-15 forecasted HHS General Fund appropriations by \$109.5 million. Details of this increase are the focus of the information provided in this chapter.

In addition to the General Fund increase, appropriations from the Federal TANF (Temporary Assistance for Needy Families) Fund were increased by \$548,000, the Federal Fund appropriation was increased by \$240.1 million and additional

appropriations of \$2.9 million were made from the State Government Special Revenue Fund. Appropriations and forecasted spending from the Health Care Access Fund was reduced by \$155.8 million. (These nongeneral fund changes are detailed in Appendix A).

### GENERAL FUND CHANGE SUMMARY

The 2014 Legislature enacted a General Fund spending increase of \$109.5 million in the HHS budget area. The majority of General Fund appropriations were to the Department of Human Services (DHS), with new appropriations of \$101.6 million and related revenue of \$2.4 million. In addition, there were new appropriations to the Department of Health (MDH) totaling \$7.4 million. Finally, there was a \$150,000 supplemental appropriation to the Ombudsman for Mental Health and Developmental Disabilities.

**Table 1: Health and Human Services  
General Fund Changes  
FY 2014-15 and FY 2016-17**  
*(dollars in thousands)*

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014-15</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
<b>DEPARTMENT OF HUMAN SERVICES</b>	<b>(2,120)</b>	<b>104,066</b>	<b>101,946</b>	<b>316,718</b>	<b>331,862</b>	<b>648,580</b>
HCBS Providers 5% Rate Increase	-	80,364	80,364	93,293	99,412	192,705
Nursing Facility Rate Adjustment	-	636	636	2,071	2,888	4,959
Critical Access Nursing Facilities	-	1,500	1,500	1,500	1,500	3,000
Nursing Facility LOC Appeal Process	-	21	21	26	-	26
Grant Reductions	(175)	(175)	(350)	(175)	(175)	(350)
HIV Rebate Account Adjustment	-	(2,219)	(2,219)	-	-	-
Delay Autism Benefit Implementation to 7-1-14	(1,072)	(3,631)	(4,703)	-	-	-
Culturally Appropriate Autism Provider Training	-	530	530	218	133	351
Respite Service Development Grants	-	2,500	2,500	-	-	-
Interagency Web Site for Autism	-	500	500	-	-	-
Repeal 10% FFS Hospital Rate Reduction 11-1-14	-	7,216	7,216	2,405	-	2,405
Delay DME Competitive Bidding	-	(2)	(2)	-	-	-
Clarify Children's Hospital Rate Reduction	-	800	800	-	-	-

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
Delay Presumptive Eligibility Implementation to 7-1-14	(1,858)	(5,861)	(7,719)	-	-	-
Mental Health Crisis Intervention Services	-	312	312	310	310	620
Detox Services Plan	-	75	75	-	-	-
Personal Needs Allowance	-	65	65	181	301	482
Civil Commitment Act Training	-	35	35	-	-	-
MFIP Educational Requirements	-	122	122	-	-	-
Uniform Public Assistance Program Eligibility Requirements	-	54	54	1,947	5,892	7,839
Nursing Facility Moratorium Exception Projects	-	-	-	25	99	124
MA HCAF Base Adjustment	-	-	-	198,903	204,659	403,562
HCBS PIPP and Quality Add-On Correction	(15)	(74)	(89)	446	1,005	1,451
Home & Community Based Settings Moratorium Exception	-	-	-	-	251	251
GRH Administrative Support	-	26	26	-	-	-
Jensen Settlement Compliance	-	1,400	1,400	1,117	1,109	2,226
Northstar Technical Correction	-	(3)	(3)	(3)	6	3
Safe Harbor for Sexually Exploited Youth	-	500	500	500	500	1,000
Homeless Youth Act	-	1,000	1,000	1,000	1,000	2,000
C.A.R.E. Deficiency Funding	1,000	1,000	2,000	-	-	-
Andrew Residence Rate Adjustment	-	681	681	697	715	1,412
Senior Nutrition Programs	-	250	250	-	-	-
Coordination of Benefits Registry	-	81	81	148	148	296
SOS and MSH Salary Supplement	-	12,050	12,050	12,050	12,050	24,100
MSOP Salary Supplement	-	1,177	1,177	-	-	-
MSOP Court Ordered Expert Reviews	-	3,000	3,000	-	-	-
Expungement	-	30	30	59	59	118
Synthetic Drug Regulations	-	106	106	-	-	-
<b>DEPARTMENT OF HEALTH</b>	<b>975</b>	<b>6,381</b>	<b>7,356</b>	<b>3,139</b>	<b>3,038</b>	<b>6,177</b>
Legal Settlement	975	-	975	-	-	-
Safe Harbor for Sexually Exploited Youth	-	1,000	1,000	1,000	1,000	2,000
Healthy Homes	-	300	300	300	300	600
Health Care Grants for Uninsured Individuals	-	1,700	1,700	1,000	1,000	2,000
Health Care Workforce Study	-	75	75	-	-	-
Health Equity Initiatives	-	501	501	-	-	-
NF Moratorium Exception-Administration	-	10	10	10	10	20
Medical Cannabis Regulation	-	2,795	2,795	829	728	1,557
<b>OMBUDSMAN FOR MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES</b>	<b>-</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>300</b>
Supplemental Appropriation	-	150	150	150	150	300
<b>Total General Fund Appropriation Changes</b>	<b>(1,145)</b>	<b>110,597</b>	<b>109,452</b>	<b>320,007</b>	<b>335,050</b>	<b>655,057</b>
<b>Nondedicated Revenue</b>						
Reduce TEFRA Fees	-	(423)	(423)	(423)	(423)	(846)
Reallocate SSI Interim Assistance Recoveries	-	642	642	637	-	637
SOS and MSH Salary Supplement	-	2,050	2,050	2,050	2,050	4,100

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014-15</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
MSOP Salary Supplement	-	177	177	-	-	-
<b>Total Nondedicated Revenue</b>	-	<b>2,621</b>	<b>2,621</b>	<b>2,614</b>	<b>1,984</b>	<b>4,598</b>
<b>Net General Fund Changes</b>	<b>(1,145)</b>	<b>107,976</b>	<b>106,831</b>	<b>317,393</b>	<b>333,066</b>	<b>650,459</b>
Note: The revenue changes displayed in this table are also referenced in Table 2 of the Tax Revenues Chapter on Page 21.						

## DEPARTMENT OF HUMAN SERVICES

### Continuing Care Changes

Continuing care programs include long-term care services for people with disabilities and elderly individuals. The Legislature enacted several changes that affected continuing care programs. First, Chapter 312 increased FY 2015 General Fund appropriations by \$80.4 million for a five percent rate increase to providers of home and community-based services. These providers deliver services to eligible elderly and disabled individuals, usually in the individuals' home or other community-based housing.

Chapter 312 also included a rate increase for certain nursing facilities to compensate for increased costs related to the higher minimum wage enacted in Chapter 166. This increase targeted facilities most likely to experience increased costs attributable to the higher minimum wage. The rate increase structure follows the indexing provisions in Chapter 166.

In 2013 the Legislature enacted an autism benefit in the Medical Assistance program. The original January 1, 2014, effective date for this provision was delayed by six months in Chapter 312, resulting in a savings of \$4.7 million. Additionally, several provisions were included in Chapter 312 to provide new services to individuals with autism and their families. These provisions include \$530,000 in FY 2015 to provide culturally appropriate autism provider training, \$500,000 to develop an interagency Web site to help people obtain autism services,

and \$2.5 million for respite service development grants for families of individuals with autism. Chapter 312 also included a five percent reduction in TEFRA (Taxpayer and Fiscal Responsibility Act of 1982) fees.

### Health Care Changes

Chapter 312 enacted an initiative to “rebase” hospital payment rates. The initial rebasing is structured to be budget neutral and to not increase Medical Assistance spending for inpatient hospital services. Currently, hospital payment rates are based on costs of services and the mix of cases from 2002. After the rebasing changes are implemented, beginning November 1, 2014, hospital payment rates will be based on the costs of services and the mix of cases from 2012, and will be subsequently updated every two years to reflect the most recent year for which cost data are available. Additionally, a ten percent fee-for-service hospital rate reduction, enacted in 2011 and set to expire on June 30, 2015, was repealed in Chapter 312 effective November 1, 2014. This repeal had a \$7.2 million General Fund cost in FY 2014-15.

Chapter 312 also delayed a provision enacted in 2013 to permit hospitals to do presumptive eligibility determinations for Medical Assistance. The six-month delay, until July 1, 2014, resulted in \$7.7 million in General Fund savings. In addition, Chapter 312 included a provision clarifying which children's hospitals are included under the exemption from a rate reduction for hospitals enacted in 2011. This clarification had a General Fund cost of \$800,000.

Chapter 312 contains several provisions that expand access to mental health crisis intervention services, provide more postcrisis follow up, and clarify and expand mobile mental health crisis intervention services. General Fund appropriations for these changes were \$312,000 in FY 2015. Chapter 312 also enacted changes that allow individuals to develop an advance directive for mental health treatment.

Chapter 312 included a provision that established base funding from the Health Care Access Fund (HCAF) for Medical Assistance in FY 2016-17. Under the provision, the HCAF funding for Medical Assistance will remain at \$221.0 million per year, as established in the 2013 session for FY 2015. This change reduced projected Medical Assistance spending from the HCAF in FY 2016-17 by \$403.6 million and increased projected spending for the program from the General Fund by the same amount.

#### **Economic Support Programs Changes**

Chapter 312 enacted changes to the Minnesota Family Investment Program (MFIP) educational requirements. The new requirements allow a participant to count approved postsecondary education as work activity for up to four years. The funding for the new requirements, totaling \$691,000, was primarily from the TANF Fund (\$569,000) with \$122,000 from the General Fund to meet federal maintenance of effort spending requirements. Beginning in FY 2016, the funding will be entirely from the TANF fund.

Chapter 312 included new uniform public assistance program eligibility requirements for economic support programs, including MFIP, the Diversionary Work Program (DWP), General Assistance (GA), Minnesota Supplemental Aid, and Group

Residential Housing. These provisions simplify administration of these programs. Under the changes, asset limits for establishing program eligibility increased from between \$1,000 and \$5,000 to a uniform maximum of \$10,000. Additionally, households are now permitted to exclude up to one motor vehicle for each household member over age 16 from the asset limitation calculation for the program. Also, the amount of earned income excluded from the calculation used to determine program eligibility changed so that it will be the same amount used by federal Social Security Administration rules. The rule “disregards” an amount equal to \$65 of an individual’s monthly earned income plus 50 percent of any remaining income. Before the changes in Chapter 312 took effect, the income “disregard” in Minnesota ranged from \$50 for the GA program to 18 percent of total income for initial MFIP/DWP eligibility. (However, under law that was already effective, the MFIP/DWP eligibility disregard was already scheduled to increase to 50 percent on October 1, 2014.) A similar requirement was also established for self-employment income.

Chapter 312 increased appropriations previously made in the 2013 legislative session. The safe harbor for sexually exploited youth appropriation was increased by \$500,000 annually for DHS programs. Also, the appropriations for the Homeless Youth Act, which is administered by DHS, was increased by \$1.0 million per year beginning in FY 2015.

#### **State Operated Services and Minnesota Sex Offender Program**

Chapter 312 increased appropriations for State Operated Services (SOS) and the Minnesota Sex Offender Program (MSOP). The increased appropriations for these programs are for compensation and benefits



costs that cannot be accommodated within existing budgets or other cost-saving measures. The SOS appropriation increased by \$12.0 million in FY 2014-15. Of that amount, \$2.0 million will be offset by revenue from the related county share. The MSOP appropriation was increased \$1.2 million, of which \$200,000 of the appropriation will be offset by revenue from the related county share. Nearly 80 percent of the budgets for these areas of DHS are attributable to compensation costs.

#### **DEPARTMENT OF HEALTH**

Chapter 312 appropriated \$7.4 million in FY 2014-15 from the General Fund to MDH. The safe harbor for sexually exploited youth program received \$1.0 million for a new

grant program and staff. Also, Chapter 312 enacted a new program to provide grants to organizations that provide health care to uninsured individuals and appropriated \$1.7 million in FY 2014-15 from the General Fund for the program. Under the new program, grants will be available to providers of services to uninsured children with family income below 275 percent of the federal poverty guidelines. Grants will also be available to dental providers, community mental health programs, and to hospitals for emergency Medical Assistance claims that exceed \$50,000. Finally, \$2.8 million in FY 2015 was appropriated in Chapter 311 for the medical cannabis program (discussed below).

#### **Medical Cannabis**

Chapter 311 established a patient registry program under the administration of MDH for the medical use of cannabis by patients to manage a qualifying medical condition. If a patient meets the eligibility requirement, the patient is required to submit an application to enroll in the program. The application must include a certification from a health care practitioner attesting that the patient has a qualifying medical condition. The certification must be dated within 90 days of the submission of the application, and each patient is required to submit an annual recertification application.

If a patient's application is accepted, the patient is required to pay an annual registration fee before the patient may acquire medical cannabis from a registered manufacturer. Patients also are required to continue receiving treatment for their qualifying medical condition and to report changes in their qualifying medical condition to their health care practitioner.

To be eligible to participate in the medical cannabis program, a patient must have one of the following medical conditions:

- Cancer, if the condition or treatment produces severe or chronic pain, nausea or severe vomiting, or cachexia or severe wasting;
- Glaucoma;
- HIV/AIDS;
- Tourette's syndrome;
- Amyotrophic lateral sclerosis;
- Seizures, including those characteristic of epilepsy;
- Severe and persistent muscle spasms, including those characteristic of multiple sclerosis;

*(See next page)*

## Medical Cannabis (Continued)

- Crohn's disease;
- Terminal illness with a probable life expectancy of under one year, if the illness or its treatment produces severe or chronic pain, nausea or severe vomiting, or cachexia or severe wasting; or
- Any other medical condition or its treatment approved by the Commissioner of Health.

Under the patient registry program, the commissioner must provide information to qualified health care practitioners who request to participate in the registry. The commissioner must also provide a form on which health care practitioners can certify the patient's qualifying medical condition or certify that, because of a disability, the patient is unable to self administer medication or acquire medical cannabis from a distribution facility without assistance.

The new law permits patients with a physical or developmental disability that prevents them from self-administering medication or acquiring medical cannabis from a distribution facility to select a registered designated caregiver. The registered designated caregiver must be at least 21 years old, agree to possess medical cannabis only for purposes of assisting patients, and agree to be a registered caregiver for only one patient. (If two or more patients live at the same residence, a registered designated caregiver may assist more than one patient.) Chapter 311 requires the commissioner to conduct a criminal background check on individuals who wish to become registered designated caregivers. Parents and legal guardians are eligible to act as caregivers without a registration requirement.

The law also provides for certain protections against criminal and civil liability for parties involved in and operating within the specifications of the registry program. Additionally, the law creates civil and criminal penalties for individuals who possess, use, or distribute medical cannabis that are not operating within the specifications of the registry.

The new program also requires the Commissioner of Health to establish regulations for the cultivation, manufacturing, processing, and distribution of medical cannabis. The commissioner is required to register two in-state manufacturers for the production of medical cannabis by December 1, 2014. Each registered manufacturer is required to operate four distribution facilities throughout the state, and at least one distribution facility must be in operation by July 1, 2015.

The law created a task force to conduct an impact assessment on medical cannabis therapeutic research. The Commissioner is required to conduct research based on data collected from patients receiving medical cannabis and submitted to the registry by health care practitioners.

Chapter 311 appropriated \$2.8 million in FY 2015 from the General Fund to MDH for the cost of administering the medical cannabis program. The base amount for this appropriation is \$1.6 million in FY 2016-17.

The law also appropriated \$100,000 in FY 2015 from the State Government Special Revenue Fund to MDH. This appropriation represents the \$200 annual fee enrolled patients must pay and the fees paid by manufacturers for regulation and inspection activities related to the medical cannabis program. The base amount for this appropriation in FY 2016-17 is \$1.6 million.

Finally, Chapter 311 appropriated \$24,000 in FY 2015 from the General Fund to the Legislative Coordinating Commission to administer the costs of the task force. (For the purposes of this report, this appropriation is shown in the State Departments and Veterans section of Chapter 5. See page 43.)

## CHAPTER 5

### HIGHLIGHTS BY BUDGET AREA

The February 2014 forecast projected a positive General Fund balance of \$1.2 billion for FY 2014-15. As a result, the Legislature and the Governor agreed to a series of changes to the FY 2014-15 budget. There were three primary omnibus acts that contained the majority of budget changes enacted during the 2014 session. Chapter 312, the Supplemental Finance Act, made changes to all areas of the state budget and is the primary focus of this chapter. Chapter 150, the first of two Omnibus Tax Acts, was enacted early in the legislative session. It primarily affected state tax revenues and is examined in detail in Chapter 3 of this report. Chapter 308, the second Omnibus Tax Act, included adjustments to state tax revenues and appropriations.

This chapter identifies noteworthy changes, by budget area, that were made to the FY 2014-15 budget during the 2014 session. Changes to the Health and Human Services budget were more extensive and are examined in Chapter 4. Each budget area section in this chapter includes a General Fund table that displays specific line item adjustments from the 2014 session. Appendix A contains the all funds table that details the overall budget changes. This chapter summarizes the fiscal policies contained in those changes.

#### **E-12 EDUCATION**

There were two chapters that enacted changes to the FY 2014-15 E-12 Education budget. Overall, these changes increased appropriations by \$54.5 million above the February 2014 forecast. Of this amount, \$54.0 million was in the General Fund. E-12 Education constitutes the largest General

Fund budget area at 46.0 percent of the General Fund.

The changes discussed in this chapter were enacted in Chapter 312, the Supplemental Finance Act, and Chapter 150, the Omnibus Tax Act. Table 1 outlines the specific changes in FY 2015 and FY 2016-17.

Specific E-12 Education changes included:

- An increase of \$25 to the basic formula allowance (0.4 percent increase), bringing the per pupil amount to \$5,831 for FY 2015 and later. This Chapter 312 change resulted in a \$23.3 million increase in general education appropriations for FY 2015 and a \$52.5 million increase for FY 2016-17. Programs linked to the basic formula allowance also received increases due to this change. These include compensatory, sparsity, transportation sparsity, nonpublic pupil, nonpublic transportation, and tribal contract schools.
- \$11.3 million in new funding in Chapter 312 for several early learning programs in FY 2015. Specifically, the Early Learning Scholarships program was increased by \$4.7 million, the Early Childhood Family Education (ECFE) program was increased by \$4.7 million, and the School Readiness program was increased by \$1.8 million. All three early childhood programs serve prekindergarten students. Collectively, the base for these programs increased by \$24.1 million in FY 2016-17.

**Table 1 – E-12 Education**  
**General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b>Spending Changes</b>						
<b>Education Programs</b>						
\$25 increase to Basic Formula	-	23,250	23,250	26,116	26,375	52,491
ELL 5 years to 6	-	4,900	4,900	5,444	5,444	10,888
Small Schools	-	151	151	168	168	336
Local Optional Aid	-	-	-	19,050	21,166	40,216
PSEO Remedial Credit at ALCs	-	74	74	70	71	141
Crosswinds to Perpich	-	(65)	(65)	(56)	(64)	(120)
PSEO Formula Correction	-	(2,754)	(2,754)	(2,765)	(2,799)	(5,564)
Nonpublic Pupil Transportation	-	64	64	71	71	142
Nonpublic Pupil Aid	-	58	58	64	64	128
Minnesota Reading Corps	-	1,000	1,000	250	250	500
Teacher Development & Evaluation	-	9,000	9,000	1,000	-	1,000
Tribal Contract Schools	-	9	9	9	9	18
IT Certifications	-	300	300	-	-	-
Recovery Programs	-	500	500	500	500	1,000
Northwest Online College in the High School	-	160	160	-	-	-
Q-Comp / Teacher Evaluation Alignment	-	25	25	-	-	-
Inventory of PE programs	-	25	25	-	-	-
Inventory of CTE programs	-	100	100	-	-	-
Special Education	-	-	-	145	152	297
Restrictive Procedures	-	250	250	-	-	-
Debt Service Equalization Aid	-	-	-	1,577	4,562	6,139
Debt Service Equalization Aid (Disasters)	-	-	-	-	2,058	2,058
School Lunch Aid	-	3,519	3,519	3,590	3,662	7,252
School Breakfast Aid	-	569	569	642	682	1,324
Early Learning Scholarships	-	4,650	4,650	4,884	4,884	9,768
Early Childhood Family Education (ECFE)	-	4,650	4,650	5,167	5,167	10,334
Headwaters Science Center	-	50	50	-	-	-
The Works Museum	-	75	75	-	-	-
School Readiness	-	1,800	1,800	2,000	2,000	4,000
Parent-Child Home Grant	-	100	100	-	-	-
Adult Basic Education Aid	-	213	213	461	721	1,182
St. Paul Promise Neighborhood	-	350	350	200	200	400
Northside Achievement Zone	=	<u>350</u>	<u>350</u>	<u>200</u>	<u>200</u>	<u>400</u>
<b>Programs Total</b>	-	<b>53,373</b>	<b>53,373</b>	<b>68,787</b>	<b>75,543</b>	<b>144,330</b>
<b>Department of Education (Operations)</b>						
Operating Budget Increase	-	125	125	85	85	170
Board of Teaching	-	144	144	-	-	-
Board of Administrators	=	<u>58</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>116</u>
<b>Agency Operations Total</b>	-	<b>327</b>	<b>327</b>	<b>143</b>	<b>143</b>	<b>286</b>
<b>State Academies</b>						
Operating Budget Increase	=	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>600</u>
<b>Agency Total</b>	-	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>600</b>
<b>Total General Fund Spending Changes</b>	-	<b>54,000</b>	<b>54,000</b>	<b>69,230</b>	<b>75,986</b>	<b>145,216</b>

- \$4.9 million of additional appropriations in FY 2015 to assist students with limited English language skills. Chapter 312 increased the maximum number of years that a student may generate English learner aid from five to six years. Additionally, an English learner who has met the state minimum cutoff score on an English language proficiency assessment may continue to generate aid if the student's teachers determine that the student needs additional English language services to successfully and fully participate in the general core curriculum in the regular classroom. These changes increase the base in FY 2016-17 by \$10.9 million.
- \$9 million in FY 2015 in Chapter 312 for teacher development and evaluation revenue for districts, charter schools, and intermediate districts that do not participate in the alternative teacher compensation revenue program. Funding is onetime and will be distributed on a per-teacher basis. School districts and charter schools that do not participate in the teacher compensation program receive revenue equal to \$302 multiplied by the number of their full-time teachers. The entitlement is limited to no more than \$10 million in FY 2015. If the formula generates an entitlement in excess of \$10 million, it is capped and prorated at \$10 million. The teacher development and evaluation revenue must be used for peer mentoring, continuing education, professional development, or other training. The entitlement is allocated to eligible districts and charters on the payment shift schedule outlined in Minnesota Statutes, section 127A.45, subdivision 3. As such, the FY 2015 appropriation cannot exceed \$9 million, and the balance will be appropriated in FY 2016.
- Two significant changes to school nutrition programs were made in Chapter 312. First, students currently eligible for reduced-price lunches will be eligible for free lunch beginning in FY 2015. This change increased the school lunch appropriation by \$3.5 million in FY 2015 and by \$7.3 million for FY 2016-17. In addition, schools will be reimbursed for providing free breakfast to kindergarten students in FY 2015 and later. This change increased the school breakfast appropriation by \$569,000 in FY 2015 and \$1.3 million in FY 2016-17.
- An increase to the Adult Basic Education (ABE) program's growth factor from 1.025 to 1.03 for fiscal years 2015 and later. The growth factor adjustment generates a larger entitlement program each year. This change in Chapter 312 increased the ABE appropriation by \$213,000 in FY 2015 and \$1.2 million in FY 2016-17. Additionally, the portion of ABE aid available for supplemental service grants increased from two to three percent of the total program aid. This change, however, did not affect the overall appropriation.
- A \$1.0 million increase in FY 2015, contained in Chapter 312, for early childhood literacy programs provided by the Minnesota Reading Corps. Of that amount, \$750,000 is a onetime increase.
- \$500,000 each year in new ongoing funding in Chapter 312 to support commissioner approved recovery programs at schools throughout the state that offer academic services and care to students recovering from substance abuse or dependency.

- A \$1.5 million increase in Chapter 312 to a series of grant programs (displayed in Table 1 on page 33) in FY 2015. The FY 2016-17 base associated with these changes increased by \$400,000.
- An increase in funding for the Department of Education, the Board of School Administrators, and the Board of Teaching to support a series of policy goals. In total, these changes in Chapter 312 increased the Department of Education's FY 2015 General Fund appropriations by \$327,000. The base increase associated with these changes is \$286,000. Also, Chapter 312 increased the Minnesota State Academies operating base by \$300,000 each year beginning in FY 2015.
- A significant change, with future spending implications, to the Early Childhood Family Education (ECFE) program in Chapter 312. Beginning in FY 2015, the ECFE aid entitlement is indexed to the formula allowance. Therefore, any future increases in the formula allowance will result in a larger entitlement for this program. As noted earlier, programs already linked to the formula allowance include compensatory, sparsity, transportation sparsity, nonpublic pupil, nonpublic transportation, and tribal contract schools. By linking ECFE to the formula allowance, this change also increases the overall cost of adding money to the basic formula.
- Changes to the location equity revenue program in Chapter 150. Beginning in FY 2016, the program, renamed as local optional revenue, will allow all school districts to convert up to \$424 per pupil of existing referendum revenue authority into local optional revenue. Previously,

only districts in the metro area could convert up to \$424 of referendum authority and large districts in greater Minnesota could convert up to \$212. This change increases the general education appropriation by \$19.1 million in FY 2016 and \$21.2 million in FY 2017.

## HIGHER EDUCATION

Two chapters enacted in the 2014 session made changes to the FY 2014-15 Higher Education budget. Chapter 312 increased FY 2014-15 General Fund appropriations by \$26.7 million, and Chapter 226 increased the Environment and Natural Resources Trust Fund by \$12.6 million.

Funding for the University of Minnesota included \$4.5 million in FY 2015 for a collaborative partnership between the University of Minnesota and the Mayo Clinic to conduct regenerative medicine research and for clinical translation and commercialization. The base is increased by \$4.4 million each year beginning in FY 2016.

From FY 2016 to FY 2041, the university's operations and maintenance base is increased by \$3.5 million annually. These funds are to be used to pay the debt service associated with the construction of a new Bell Museum of Natural History. (See Chapter 2, page 19, for further discussion about the Bell Museum.) Other funding received by the University consisted of several onetime appropriations in FY 2015: \$3.4 million from the General Fund and \$490,000 from the Environmental and Natural Resources Trust Fund for the Invasive Terrestrial Plants and Pests Center, and \$1 million from the General Fund for the Forever Green Agricultural Initiative.

**Table 2 - Higher Education  
General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014-15</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
<b><u>Spending Changes</u></b>						
<b>Office of Higher Education</b>						
College Possible	-	750	750	-	-	-
<b>Agency Total</b>	-	<b>750</b>	<b>750</b>	-	-	-
<b>Minnesota State Colleges and Universities</b>						
Contract Compensation Costs	-	17,000	17,000	17,000	17,000	34,000
<b>Agency Total</b>	-	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>34,000</b>
<b>University of Minnesota</b>						
Bell Museum Debt Service	-	-	--	3,500	3,500	7,000
Forever Green	-	1,000	1,000	-	-	-
Invasive Species Center	-	3,400	3,400	-	-	-
Regenerative Medicine	-	4,500	4,500	4,350	4,350	8,700
<b>Agency Total</b>	-	<b>8,900</b>	<b>8,900</b>	<b>7,850</b>	<b>7,850</b>	<b>15,700</b>
<b>Total General Fund Spending Changes</b>	-	<b>26,650</b>	<b>26,650</b>	<b>24,850</b>	<b>24,850</b>	<b>49,700</b>

The Minnesota State Colleges and Universities received an additional \$17 million in FY 2015 from the General Fund for contract compensation costs. This appropriation is an extension of a \$17 million appropriation for FY 2014 that was enacted in the 2013 legislative session. The 2014 enactment makes the appropriation ongoing and increases the MnSCU base.

\$750,000 in FY 2015 was appropriated from the General Fund on a onetime basis for College Possible to expand precollege coaching and mentoring programs in Minnesota high schools. Enacted language prohibits use of the appropriation for the expansion and support of College Possible outside of Minnesota.

Other noteworthy provisions include:

- An initiative to provide oversight to study abroad programs offered or approved for credit in which the student travels outside the United States in connection with an educational experience;
- Authorizing the Office of Higher Education to enter into a distance education reciprocity agreement;
- Authorizing the Office of Higher Education to refinance parent and student loans, and requiring a report regarding the office's plans and proposed terms and conditions for operating the program;
- Resident tuition for honorably discharged veterans who enroll in graduate and professional programs at the University of Minnesota; and

- Authorizing the sale of wine and beer at the University of Minnesota TCF Bank Stadium. Without legislative action, the prior authorization to this effect would have expired July 1, 2014.

**ENVIRONMENT, ECONOMIC DEVELOPMENT, AND AGRICULTURE**

Overall, appropriations in this budget area increased by \$201.7 million in FY 2014-15 for nondedicated operating funds. General Fund appropriations in FY 2014-15 increased by \$61.2 million. Most of the appropriation changes enacted in the 2014

session were onetime appropriations and not included in the FY 2016-17 base.

Early in the 2014 Session, Chapter 145 was enacted to supplement the state’s Low Income Home Energy Assistance Program (LIHEAP). Due to the severely cold winter of 2013-2014 and a low supply of propane (which also drove up the price of the fuel), LIHEAP was projected to run out of federal funding before the end of the heating season. Chapter 145 provided a \$20 million onetime appropriation from the General Fund to the Department of Commerce to assist qualified households through the remainder of the 2013-2014 winter heating season.

<b>Table 3 - Environment, Economic Development and Agriculture General Fund Changes Compared to Forecast (dollars in thousands)</b>						
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b><u>Spending Changes</u></b>						
<b>Department of Natural Resources</b>						
Purchase School Trust Land	-	1,000	1,000	-	-	-
Local Aquatic Invasive Species						
Technical Assistance	-	400	400	-	-	-
Parks and Trails Operations Increase	-	1,600	1,600	-	-	-
Oberstar Memorial Trail	-	350	350	-	-	-
Mississippi Headwaters Board Increase	-	21	21	-	-	-
Lake Emily Water Study	=	<u>50</u>	<u>50</u>	=	=	=
<b>Agency Total</b>	-	<b>3,421</b>	<b>3,421</b>	-	-	-
<b>Metropolitan Council</b>						
Turtle Lake Water Level Study	-	75	75	-	-	-
<b>Agriculture Department</b>						
Food Safety Inspections Increase	-	350	350	350	350	700
County Fairs Arts Grants Increase	-	200	200	-	-	-
Second Harvest/Local Food Shelf Increase	-	2,000	2,000	-	-	-
Porcine Virus Research Grant	=	<u>200</u>	<u>200</u>	=	=	=
<b>Agency Total</b>	-	<b>2,750</b>	<b>2,750</b>	<b>350</b>	<b>350</b>	<b>700</b>



	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b>Board of Animal Health</b>						
Dog and Cat Breeder Registration	-	310	310	426	435	861
<b>Dept. of Employment &amp; Economic Development</b>						
Broadband Development Grants	-	20,000	20,000	-	-	-
Minnesota Initiative Foundations	-	2,850	2,850	-	-	-
Urban Initiative Board	-	650	650	-	-	-
Business Development Grants	-	2,200	2,200	-	-	-
Small Business Development Centers	-	500	500	-	-	-
Innovation Voucher Pilot Program	-	400	400	-	-	-
Job Skills Partnership Increase	-	475	475	-	-	-
Entrepreneurs Grants (WESA)	-	500	500	-	-	-
Workforce Housing Grant	-	627	627	1,373	-	1,373
North Dakota Oil Production Effect on MN	-	250	250	-	-	-
General Support Services Increase	-	500	500	875	875	1,750
MN Centers for Independent Living	-	450	450	-	-	-
City of Proctor Water Protection Grant	=	<u>150</u>	<u>150</u>	=	=	=
<b>Agency Total</b>	-	<b>29,552</b>	<b>29,552</b>	<b>2,248</b>	<b>875</b>	<b>3,123</b>
<b>Department of Labor and Industry</b>						
Labor Standards Development	-	250	250	-	-	-
Boiler Rulemaking	-	100	100	-	-	-
Increase Compliance & Enforcement (WESA)	=	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>200</u>
<b>Agency Total</b>	-	<b>450</b>	<b>450</b>	<b>100</b>	<b>100</b>	<b>200</b>
<b>Bureau of Mediation Services</b>						
Public Employee Relations Board	-	125	125	125	125	250
<b>Commerce Department</b>						
Low Income Home Energy Assistance Program (LIHEAP)	20,000	-	20,000	-	-	-
Gold Bullion Registration Reduction	<u>(350)</u>	=	<u>(350)</u>	=	=	=
<b>Agency Total</b>	<b>19,650</b>	-	<b>19,650</b>	-	-	-
<b>Housing Finance Agency</b>						
Challenge Grants for Technical School Campuses	-	2,200	2,200	-	-	-
Veterans Housing Grants	=	<u>250</u>	<u>250</u>	=	=	=
<b>Agency Total</b>	-	<b>2,450</b>	<b>2,450</b>	-	-	-
<b>Iron Range Resources &amp; Rehabilitation Board</b>						
School Consolidation Account	-	2,380	2,380	2,400	2,430	4,830
<b>Total General Fund Spending Changes</b>	<b>19,650</b>	<b>41,513</b>	<b>61,163</b>	<b>5,649</b>	<b>4,315</b>	<b>9,964</b>

Most funding changes in this budget area occurred in Chapter 312. Environment, Economic Development, and Agriculture budget highlights are described below. Unless noted, each change was enacted as part of Chapter 312.

### **Pollution Control Agency**

Funding for Select Committee on Recycling and the Environment (SCORE) grants to counties for assistance for their recycling programs was increased from \$14.3 million to \$18.3 million annually. This additional money was appropriated from the Environmental Fund. There were no General Fund appropriation changes.

### **Department of Natural Resources**

FY 2014-15 appropriations for all funds were increased by \$112 million, including:

- \$2 million from the Game and Fish Fund for grants to increase access for trap shooting at local sport shooting facilities, mostly due to the increase in demand at the facilities from a growing number of high school trap shooting teams;
- \$1.6 million from the General Fund for additional state parks operation;
- \$1 million from the General Fund to buy out the trust status of marginal School Trust Land;
- \$400,000 from the Game and Fish Fund for grants to local Let's Go Fishing organizations to provide community outreach and fishing opportunities to senior citizens, youth, and veterans; and
- \$350,000 from the General Fund for a new section of a state trail to be designated the James L. Oberstar Trail as a memorial to the late Congressman who died in early 2014.

- \$12.6 million from the Environment and Natural Resources Trust Fund for a variety of outdoors-related projects enacted in Chapter 226.
- \$92.3 million from the Outdoor Heritage Fund for restoration and enhancement projects enacted in Chapter 256.

### **Department of Agriculture**

FY 2014-15 appropriations for all funds were increased by \$5.1 million, including:

- \$2 million from the General Fund to Feeding America food banks in Minnesota to help distribute Minnesota-produced foods to food shelves;
- An additional \$350,000 per year from the General Fund for food safety inspections; and

### **Board of Animal Health**

Chapter 312 contained a new program requiring commercial dog and cat breeders to be licensed by the state. \$310,000 was appropriated from the General Fund in FY 2015 to supplement the fees raised by the program (estimated to be about \$95,000 per year) in order to fully fund the program.

### **Department of Employment and Economic Development (DEED)**

Appropriations for DEED were increased by \$31.4 million in FY 2014-15. Appropriations from the General Fund were increased by \$29.6 million in FY 2015. The majority of these increases were onetime. The increases include:

- \$20 million from the General Fund for broadband development grants;

- \$3.5 million from the General Fund for local Minnesota Initiative Foundations and the Urban Initiative Board to replenish revolving loan funds; and
- \$2.2 million from the General Fund for Rural Business Development Grants for infrastructure improvements to help initiate business and industrial parks.

**Housing Finance Agency**

\$2.2 million was appropriated from the General Fund to the Challenge Grant Program for targeted student housing in rural communities with technical colleges and low housing vacancy rates.

**Iron Range Resources and Rehabilitation Board (IRRRB)**

Chapter 150, the Omnibus Tax Act, created the school consolidation and cooperatively operated account in the Iron Range Resources and Rehabilitation Fund to help offset the construction and building maintenance costs associated with the consolidation of services among some of the school districts in the Iron Range area of Minnesota or other school projects approved by the IRRRB. Transfers will annually be made from the General Fund to the Iron Range Resources and Rehabilitation Fund to offset the costs of the account. The estimated transfer from the General Fund to this account is \$2.4 million in FY 2015. Redistributions from other IRRRB accounts will increase revenue to the school consolidation and cooperatively operated account as well.

Chapter 312 transferred \$7.1 million from the Minnesota Minerals 21st Century Fund to the IRRRB to be used for a business development project.

Chapter 312 also required the repayment of \$24.1 million to the Minnesota Minerals

**Women’s Economic Security Act**

Chapter 239, known as the Women’s Economic Security Act (WESA), contains a number of provisions in the areas of economic security, labor standards and wages, and employment protections. The fiscal effect of these provisions affect the Environment, Economic Development, and Agriculture; Judiciary; and State Departments and Veterans Affairs budgets. Specific provisions require equal pay certificates of compliance for businesses that contract with the state, pregnancy leave, safety leave, pregnancy accommodations, wage disclosure protection, and nursing mothers.

A total of \$2.5 million was appropriated to various agencies to implement the new policies and grant programs authorized in this chapter, including:

- \$674,000 in FY 2015 from the General Fund to the Department of Human Rights to implement a certificate of pay equity program.
- \$400,000 in FY 2014 from the General Fund to the Department of Management and Budget for a study of a possible new state retirement plan for people without access to an employer-sponsored retirement plan.
- To the Department of Employment and Economic Development: \$500,000 in FY 2015 from the General Fund for grants to promote and increase women-owned businesses, and \$500,000 in FY 2015 from the Workforce Development Fund for a high-wage, high-demand, nontraditional jobs program.
- To the Department of Labor and Industry: \$250,000 in FY 2015 from the Workforce Development Fund for Women Apprenticeships, and \$100,000 in FY 2015 from the General Fund for additional compliance and enforcement efforts related to the new provisions of this Act. The General Fund appropriation is ongoing and will be \$200,000 in the FY 2016-17 biennium.

21st Century Fund from future surpluses in the Workers' Compensation Assigned Risk Plan Account. Money from the 21st Century Fund was unallotted by the Governor in 2003 and 2009 as part of General Fund budget balancing plans in those years. Consistent with similar transfer in some previous budgets, Chapter 312 transferred \$10.5 million from an excess balance in the Workers' Compensation Assigned Risk Plan to the General Fund in FY 2015.

### Constitutionally Dedicated Funds

- Environment and Natural Resources Trust Fund (ENRTF): Chapter 226 appropriated \$29 million in FY 2015 from the ENRTF for various conservation and outdoor recreation projects as recommended by the Legislative-Citizens Commission on Minnesota Resources (LCCMR). Chapter 312 also made appropriations, including \$1.5 million for a Terrestrial Invasive Species Center at the University of Minnesota. This amount was added to a \$3.4 million appropriation from the General Fund, totaling \$4.9 million for the Center.
- Outdoor Heritage Fund (OHF): Chapter 256 appropriated \$109.3 million in FY 2015 from the OHF for several preservation and restoration projects as recommended by the Lessard-Sams Outdoor Heritage Commission.
- Clean Water Fund (CWF): Chapter 312 appropriated \$2.5 million in FY 2015 from the CWF, including \$900,000 for additional surface and drinking water grants through the Board of Water and Soil Resources and \$1.1 million for various water conservation projects and new water use plans aimed at restoring higher water levels for White Bear Lake.

- Parks and Trails Fund (PTF): Chapter 312 reallocated \$530,000 from a previous appropriation to provide \$200,000 of additional money to the Greater Minnesota Parks and Trails Commission and \$330,000 for a new section of the state Mesabi Trail between Giants Ridge and Tower.
- Arts and Cultural Heritage Fund (ACHF): Chapter 312 appropriated \$750,000 from the ACHF to the Minnesota Arts Board and \$225,000 to the Humanities Commission.

### **JUDICIARY**

Four chapters enacted during the 2014 session made changes to the FY 2014-15 Judiciary budget. The changes made in Chapter 312, the Omnibus Supplemental Finance Act, increased Judiciary spending in FY 2014-15 by \$31 million, all of which was from the General Fund. Chapter 252, the Claims Act, made a small appropriation of \$84,000 for individuals who have claims against the state.

Chapter 239, the Women's Economic Security Act, appropriated \$674,000 from the General Fund to the Department of Human Rights to administer the act. (See page 40 for more detail.) Chapter 269 established a process for compensating persons exonerated of a crime.

### **Judiciary and Corrections**

Chapter 312 increased the General Fund appropriation in FY 2014-15 for the Department of Corrections by \$30.1 million. Of this amount, \$16.2 million, \$1.9 million, and \$900,000 were ongoing operational increases for Correctional Institutions, Community Services, and Operations

**Table 4 - Judiciary**  
**General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014-15</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
<b><u>Spending Changes</u></b>						
<b>Department of Corrections</b>						
Corrections - Institutions Increase	-	16,200	16,200	16,200	16,200	32,400
Institutions, County Rental Beds	-	11,089	11,089	-	-	-
5th Degree Crim. Sexual Conduct Felony Exp.	-	-	-	14	35	49
Corrections - Community Services Increase	-	1,900	1,900	1,900	1,900	3,800
Victim Notification Program	-	50	50	-	-	-
Operations Support Increase	-	900	900	900	900	1,800
Corrections Claims Bill (Chapter 252)	=	<u>84</u>	<u>84</u>	=	=	=
<b>Agency Total</b>	-	<b>30,223</b>	<b>30,223</b>	<b>19,014</b>	<b>19,035</b>	<b>38,049</b>
<b>Private Detective Board</b>						
Military Member Expedited Licensure	=	<u>44</u>	<u>44</u>	=	=	=
<b>Agency Total</b>	-	<b>44</b>	<b>44</b>	-	-	-
<b>Peace Officers Standards and Training</b>						
Veteran De-Escalation Grants	=	<u>50</u>	<u>50</u>	=	=	=
<b>Agency Total</b>	-	<b>50</b>	<b>50</b>	-	-	-
<b>Department of Human Rights</b>						
Community Outreach Communities of Color	-	50	50	-	-	-
Women's Economic Security Act Compliance	=	<u>674</u>	<u>674</u>	<u>426</u>	<u>426</u>	<u>852</u>
<b>Agency Total</b>	-	<b>724</b>	<b>724</b>	<b>426</b>	<b>426</b>	<b>852</b>
<b>Total General Fund Spending Changes</b>	-	<b>31,041</b>	<b>31,041</b>	<b>19,440</b>	<b>19,461</b>	<b>38,901</b>

Support, respectively. A onetime \$11.1 million General Fund appropriation in FY 2015 was for the rental of correctional beds from counties to accommodate increased prison commitments.

Chapter 312 also appropriated \$50,000 in FY 2015 from the General Fund to the Peace Officer Standards and Training (POST) Board for de-escalation training, and \$50,000 in FY 2015 to the Department of Human Rights for community outreach

regarding the Minnesota Councils of Color. These were both onetime appropriations.

Imprisonment and Exoneration Remedies Act

Chapter 269 established a compensation process for persons who have been determined to be innocent of a crime for which they served a prison sentence. The act amends the postconviction relief statute to add a new provision, under which an individual may obtain a determination by the

court that the individual is eligible for compensation, based on exoneration. Exonerated persons are entitled to monetary damages of not less than \$50,000 for each year of imprisonment, and not less than \$25,000 for each year served on supervised release or as a registered predatory offender.

Chapter 269 appropriated \$3,000 from the General Fund for the expenses of a compensation panel to be established by the Supreme Court. The act provides that the panel forward a final damages award recommendation to the Commissioner of Management and Budget, who shall submit the amount of the final award to the Legislature for consideration during the next legislative session. If the necessary amount is appropriated by a future Legislature, the exonerated individual would receive compensation for time served in a Minnesota prison.

**STATE DEPARTMENTS AND VETERANS**

Several chapters made appropriation changes to the FY 2014-15 State Departments and Veterans budget area during the 2014 session including, primarily, Chapter 312 and Chapter 296, the Omnibus Retirement Act. Overall, the changes

enacted during the 2014 session increased spending by \$21 million, of which \$19.2 million was from the General Fund. Table 5 outlines the incremental General Fund changes to the FY 2014-15 budget enacted during the 2014 session.

**Legislative Coordinating Commission**

Chapter 312 included General Fund appropriations totaling \$395,000 in FY 2015 to the Legislative Coordinating Commission (LCC) for an increase to the operating budget, the establishment of the Legislative Water Commission, and compensation and expenses for the Permanent School Trust Fund Commission. Of this amount, \$334,000 was added to the LCC’s base budget. Chapter 311 made a onetime appropriation in FY 2015 of \$24,000 from the General Fund to the LCC to administer the task force on medical cannabis therapeutic research. (See page 30 for a discussion of medical cannabis legislation.)

**Department of Administration**

The Department of Administration received \$185,000 from the General Fund in Chapter 312 to pay for the administrative costs of the school trust lands director and staff. Chapter 182 adopted the recommendations of the Workers’ Compensation Advisory Council, including a change to the Department of

<b>Table 5 -State Departments and Veterans Budget General Fund Changes Compared to Forecast (dollars in thousands)</b>						
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b>Spending Changes</b>						
<b>Legislative Coordinating Commission (LCC)</b>						
Medical Cannabis	-	24	24	24	24	48
LCC Operating Increase	-	225	225	150	150	300
Water Commission	-	155	155	145	145	290
Permanent School Trust Fund Commission	-	15	15	15	15	30
<b>Total Legislative Coordinating Commission (LCC)</b>	-	<b>419</b>	<b>419</b>	<b>334</b>	<b>334</b>	<b>668</b>

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014-15</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
<b>Department of Administration</b>						
Permanent School Trust Fund Comm	-	185	185	185	185	370
Workers Comp Advisory Council	-	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>62</u>
<b>Totals - Department of Administration</b>	-	<b>216</b>	<b>216</b>	<b>216</b>	<b>216</b>	<b>432</b>
<b>MN Management &amp; Budget (MMB)</b>						
WESA Retirement Study	400	-	400	-	-	-
Exonerated Persons	-	3	3	3	3	6
PEIP Quotes for School Districts	-	<u>294</u>	<u>294</u>	-	-	-
<b>Total Minnesota Management &amp; Budget (MMB)</b>	<b>400</b>	<b>297</b>	<b>697</b>	<b>3</b>	<b>3</b>	<b>6</b>
<b>Department of Revenue</b>						
Tax Bill 1 Administrative Costs	1,000	-	1,000	-	-	-
Tax Bill 2 Administrative Costs	700	1,800	2,500	1,180	-	1,180
Study: Property Tax of Energy Producing Systems	-	<u>150</u>	<u>150</u>	-	-	-
<b>Total Department of Revenue</b>	<b>1,700</b>	<b>1,950</b>	<b>3,650</b>	<b>1,180</b>		<b>1,180</b>
<b>MN Amateur Sports Commission (MASC)</b>						
Childhood Obesity Pilot Project	-	<b>50</b>	<b>50</b>	-	-	-
<b>MN Historical Society</b>						
Farm America Repair/Maint & Audit Grant	-	<b>25</b>	<b>25</b>	-	-	-
<b>Board of Accountancy</b>						
Military Member Expedited & Temp Licensure	-	<b>44</b>	<b>44</b>	-	-	-
<b>Board of Architectural/Engineering</b>						
Military Member Expedited & Temp Licensure	-	<b>44</b>	<b>44</b>	-	-	-
<b>Board of Cosmetologist Examiners</b>						
Military Member Expedited & Temp Licensure	-	<b>20</b>	<b>20</b>	-	-	-
<b>Board of Barber Examiners</b>						
Military Member Expedited & Temp Licensure	-	<b>10</b>	<b>10</b>	-	-	-
<b>Pension Aid (Teachers Retirement Association - TRA)</b>						

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014-15</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016-17</u>
Pension Bill -St. Paul Teachers Association	-	-	-	7,000	7,000	14,000
Pension Bill -Duluth Merger into TRA	-	(346)	(346)	(346)	(346)	(692)
Pension Bill -Duluth Merger into TRA	=	<u>14,377</u>	<u>14,377</u>	<u>14,377</u>	<u>14,377</u>	<u>28,754</u>
<b>Total Pension Aid</b>	-	<b>14,031</b>	<b>14,031</b>	<b>21,031</b>	<b>21,031</b>	<b>42,062</b>
<b>Total General Fund Spending Changes</b>	<b>2,100</b>	<b>17,106</b>	<b>19,206</b>	<b>22,764</b>	<b>21,584</b>	<b>44,348</b>

Labor and Industry calculations of claim assessments for the Workers' Compensation Reinsurance Association. The Department of Administration is responsible for the state's Workers' Compensation Reinsurance Association premiums, which are a forecasted cost to the General Fund. The estimated cost of the change in Chapter 182 is \$31,000 per fiscal year, beginning in FY 2015.

#### **Department of Management and Budget (MMB)**

Chapter 239, the Women's Economic Security Act (WESA), directed the Commissioner of Management and Budget to report to the Legislature by January 15, 2015, on the potential for a state-administered retirement savings plan for those without access to automatic enrollment payroll deduction IRAs or other similar retirement savings plans. (See page 40 for more detail on WESA.) The act contains a onetime appropriation of \$400,000 from the General Fund in FY 2014 to conduct the study. Chapter 269 established a compensation process for persons who have been determined to be innocent of a crime for which they served a prison sentence. It appropriated \$3,000 per year, beginning in FY 2015, from the General Fund to the Commissioner for payment of awarded damages to claimants. (See page 42 for more detail on the enacted Imprisonment and Exonerations Remedies Act.) Chapter 312 provided \$294,000 in

onetime funding from the General Fund to MMB to comply with the requirements of the health insurance transparency act contained in Chapter 279. The health insurance transparency act requires a new process for school districts and charter schools to receive bids for health insurance on behalf of their employers. This onetime appropriation pays for MMB's additional costs of compliance with this new requirement.

#### **Department of Revenue (DOR)**

Chapters 150 and 308 appropriated \$3.7 million in FY 2015 from the General Fund to the Department of Revenue for the administrative costs of the Omnibus Tax Acts. Of this amount, \$150,000 in FY 2015 is for a study and analysis of the property taxation of energy producing systems in Minnesota, including both traditional and renewable energy sources. This report must be submitted to the Legislature by February 1, 2015.

#### **Other Spending Changes**

Chapter 312 appropriated \$50,000 from the General Fund to the Minnesota Amateur Sports Commission for a childhood obesity study, and \$25,000 from the General Fund to the Minnesota Historical Society for a grant to FarmAmerica for facility maintenance and audit costs. These are both onetime appropriations in FY 2015.



**Table 6 -- Professional Licensing Boards Required to Establish Military Member Expedited and Temporary Licenses**

**Health Licensing Boards**

- Board of Teaching
- Board of Behavioral Health and Therapy
- Board of Chiropractic Examiners
- Board of Dentistry
- Board of Dietetics and Nutrition Practice
- Board of Marriage and Family Therapy
- Board of Medical Practice
- Board of Nursing
- Board of Examiners for Nursing Home Administrators
- Board of Optometry
- Board of Pharmacy
- Board of Physical Therapy
- Board of Podiatric Medicine
- Board of Psychology
- Board of Social Work
- Office of Unlicensed Complementary and Alternative Health Care Practice

**Non-Health Licensing Boards**

- Board of Veterinary Medicine
- Board of Accountancy
- Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design
- Board of Assessors
- Board of Barber Examiners
- Board of Cosmetologist Examiners
- Board of Peace Officer Standards and Training
- Private Detective and Protective Agent Licensing Board

Chapter 312 requires certain professional licensing boards to issue expedited or temporary licenses or certifications to active duty military members, the spouses of active duty military members, and veterans who have left service. Many of the professional licensing boards affected by this provision include boards in other budget jurisdictions. (See Table 6 for a list of boards affected by this change.) Onetime appropriations totaling \$118,000 were made from the General Fund in FY 2015 to the Accountancy, Architectural/Engineering, Cosmetology, and Barber Boards for the rulemaking costs associated with complying with this requirement.

Chapter 312 appropriated \$750,000 from the Arts and Cultural Heritage Fund in FY 2015 to the State Arts Board for the President's Committee on the Arts and the Humanities' Turnaround Arts Initiative. This initiative is designed to help improve low-performing

schools, narrow the achievement gap, and increase student engagement through the arts. Minnesota was one of three states chosen by the federal government for the next phase of Turnaround Arts, and the state appropriation will be in addition to federal dollars.

Chapter 312 also appropriated \$125,000 in FY 2015 from the Arts and Cultural Heritage Fund to the Minnesota Humanities Center for the Veterans' Voices program. This initiative uses the humanities to call attention to the stories and contributions of veterans. Of this amount, \$25,000 was transferred to the Association of Minnesota Public Radio Stations for statewide programming to promote the Veterans' Voices program. An additional \$100,000 was appropriated in FY 2015 to the Minnesota Humanities Center to improve the cultural engagement of educators with at-risk K-12 student populations.

## **Omnibus Retirement Act**

Chapter 296, the Omnibus Retirement Act, contained various changes to state and local pension plans, including an increase to the employee and employer pension contribution rate, the full consolidation of the Duluth Teachers Retirement Fund Association (DTRFA) into the Teachers Retirement Association (TRA), and additional state aid to the St. Paul Teachers Retirement Fund Association (SPTRFA).

The pension contribution rate changes in Chapter 296 are as follows:

- An increase to the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) equal to a 0.5 percent increase for members and employers. This increase took effect on July 1, 2014. Members of the unclassified plan are included in this increase. Contributions are expected to increase by approximately \$12.7 million per year for both employees and employers.
- An increase to the MSRS Correctional State Employees Retirement Plan (MSRS-Correctional) equal to a 0.5 percent increase for members and a 0.75 percent increase for employers. This increase took effect on July 1, 2014. Contributions for employees will increase by approximately \$1 million per year and the employer contributions by approximately \$1.6 million per year.
- An increase to the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) equal to a 0.25 percent increase for members and employers. This increase takes effect on January 1, 2015. Contributions made by local governments will increase by approximately \$13 million per year.
- A modification of the PERA contribution stabilizer provision that makes any contribution rate increase or decrease under the mechanism effective on January 1 of the following calendar year.

The PERA and MSRS boards have statutory authority to require contribution increases. Any changes made by the board are reviewed by the Legislative Commission on Pensions and Retirement.

Chapter 296 mandated the full consolidation of the DTRFA into the TRA and required that it be completed by June 30, 2015, if approved by the DTRFA board of trustees and membership and by the TRA board of directors. Chapter 296 revised statutory references to the DTRFA, effective upon consolidation. The chapter also appropriated \$14.4 million annually from the General Fund to TRA to fund the consolidation beginning in FY 2015. The current annual General Fund appropriation to DTRFA of \$346,000 is repealed as of FY 2015.

Chapter 296 made the following changes to SPTRFA:

- Changed the \$14.0 million onetime FY 2014-15 General Fund appropriation to the SPTRFA from the 2013 session into an ongoing statutory appropriation beginning in FY 2016. This is in addition to the existing statutory General Fund appropriation of \$2.8 million per fiscal year. The state aid will cease on July 1, 2042, or when full funding is achieved, whichever date is earlier.
- Replaced the SPTRFA rolling 25-year amortization target date with a 2042 amortization target date. This means that the previous practice of rolling the targeted date for full funding back one year – so that the plans' contribution requirements were always computed under the assumption that full funding was 25 years in the future – is eliminated and replaced by a specific date. Using a rolling date kept the annual contributions payments low, but resulted in a situation where the unfunded liabilities of the plans were never paid off. TRA has not used the rolling date method and this change eliminated it from the SPTRFA calculations as well.

In Chapter 312, the Minnesota Racing Commission received a onetime appropriation of \$185,000 in FY 2014-15 for costs related to mediation and litigation, increased needs for regulatory counsel, and other costs related to regulatory challenges in the racing industry. This appropriation is from the racing and card playing regulation accounts in the Special Revenue Fund.

## TRANSPORTATION AND PUBLIC SAFETY

Changes to the Transportation and Public Safety budget total \$159.8 million for FY 2014-15, of which \$20.1 million, or 12.6 percent, is from the General Fund.

<b>Table 7 - Transportation and Public Safety General Fund Changes Compared to Forecast</b> <i>(dollars in thousands)</i>						
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b>Spending Changes</b>						
<b>Department of Transportation</b>						
Greater MN Transit increase	-	6,500	6,500	-	-	-
2014 Election Day free transit rides	-	32	32	-	-	-
Railroad grade crossing safety	-	2,000	2,000	-	-	-
Safe Routes to School grants	-	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>500</u>
<b>MnDOT Total</b>	-	<b>8,782</b>	<b>8,782</b>	<b>250</b>	<b>250</b>	<b>500</b>
<b>Metropolitan Council</b>						
Transit shelter improvements	-	500	500	-	-	-
2014 Election Day free transit rides	-	144	144	-	-	-
Suburban Transit Providers	-	250	250	-	-	-
I-35W Lake Street BRT Station	-	1,000	1,000	-	-	-
Snelling Ave BRT	-	1,000	1,000	-	-	-
LRT Safety - Approp shift to DPS	-	<u>(60)</u>	<u>(60)</u>	<u>(60)</u>	<u>(60)</u>	<u>(120)</u>
<b>Met Council Total</b>	-	<b>2,834</b>	<b>2,834</b>	<b>(60)</b>	<b>(60)</b>	<b>(120)</b>
<b>Department of Public Safety</b>						
LRT Safety - Approp Shift from Met Council	-	60	60	60	60	120
Capitol Security appropriation increase	-	2,000	2,000	2,000	2,000	4,000
Railroad/Pipeline Safety Account (TRSFR)	-	1,574	1,574	-	-	-
Youth Intervention Programs	-	500	500	-	-	-
Domestic Abuse Services/Shelter	-	500	500	-	-	-
Sexual Assault Prevention Grants	-	300	300	300	300	600
BCA Expungement	-	473	473	583	583	1,166
Disaster Assistance Contingency Acct (TRSFR)	-	3,000	3,000	-	-	-
Administrative Appropriation	-	<u>40</u>	-	<u>18</u>	-	<u>18</u>
<b>DPS Total</b>	-	<b>8,447</b>	<b>8,447</b>	<b>2,961</b>	<b>2,943</b>	<b>5,904</b>
<b>Total General Fund Spending Changes</b>	-	<b>20,063</b>	<b>20,063</b>	<b>3,151</b>	<b>3,133</b>	<b>6,284</b>

## Department of Transportation

### Multimodal

Chapter 312 included onetime General Fund spending increases of \$6.5 million for Greater Minnesota transit operations and \$2 million for improving railroad grade crossing safety on corridors involved in the transportation of oil or hazardous materials. An additional \$250,000 per year, beginning in FY 2015, was appropriated from the General Fund for noninfrastructure grants under the Safe Routes to School program.

In December 2013, after the November 2013 forecast projected a sufficient positive balance in the General Fund, the General Fund repaid \$15 million to the State Airports Fund. These funds were borrowed in 2008 as part of the General Fund budget balancing plan in that year. As a result of this repayment, Chapter 312 increased appropriations from the State Airports Fund by \$1 million in FY 2014 and \$3 million in FY 2015 for project-ready airport development and assistance grants.

### State Roads

Chapter 312 contained a number of onetime appropriations in FY 2014-15 from the Trunk Highway Fund for state road maintenance, program planning, and construction, totaling \$112.6 million, including:

- \$20 million for a supplement to the Department of Transportation's (MnDOT) snow and ice removal budget following a particularly extreme winter;
- \$10 million for other winter-related road repair;
- \$35 million for the Trunk Highway 14 turnback project in Steele and Waseca counties, of which \$21 million is a

transfer to the Trunk Highway Fund from the flexible highway account in the County State-Aid Highway Fund;

- \$31.5 million for the corridors of commerce program that was established in the 2013 session to fund state highway projects that are determined to improve commerce in the state, of which \$6.5 million in FY 2014 is only for projects outside of the metropolitan area; and
- \$13 million for various operations and maintenance improvements, such as roadway lighting LED equipment, changeable message signs, and snow and ice removal equipment.

Chapter 312 also included ongoing Trunk Highway Fund appropriations of \$5 million a year, beginning in FY 2014, for accelerated replacement of MnDOT snow plows; and \$505,000 a year, beginning in FY 2015, for costs related to new work zone safety initiatives.

Additionally, a onetime transfer of up to \$6 million was authorized from existing appropriations in the Trunk Highway Fund to the Stillwater Lift Bridge Endowment Fund. The interest generated from this amount will be used to maintain the former Stillwater Lift Bridge as a bicycle and pedestrian trail. This trail is scheduled to be completed in late 2016.

### Motor Vehicle Leasing Sales Tax

Chapter 312 modified the statutory distribution of motor vehicle lease sales tax revenues. These revenues are deposited in the General Fund, and the first \$32 million collected remains in the General Fund for nondedicated uses. Any remaining revenue is distributed equally between two funds:

- (1) the greater Minnesota transit account in the Transit Assistance Fund; and
- (2) the County State-Aid Highway Fund, to be used for eligible roads in the counties of Anoka, Carver, Dakota, Scott and Washington.

Chapter 117, enacted in the 2013 session, limited the County State-Aid Highway Fund allocation to \$9 million in each year in FY 2014 and FY 2015 (with the previous equal-share distribution to be resumed in FY 2016). Chapter 312 eliminated this cap for FY 2015 only, shifting \$12.7 million from the greater Minnesota transit account to the County State-Aid Highway Fund for the above counties, according to the February 2014 forecast projections for leasing sales tax revenues.

### **Metropolitan Council**

Chapter 312 contained onetime General Fund appropriations of \$2.8 million in FY 2015 for metropolitan transit operations and capital investments of the Metropolitan Council, of which:

- \$500,000 is for transit shelter improvements;
- \$250,000 is for operations and investments of metro-area suburban transit providers;
- \$144,000 is for foregone fare revenues resulting from the provision of free transit service on Election Day 2014; and
- \$2 million is for bus rapid transit (BRT) investments, of which \$1 million is specified for a BRT station on I-35W at Lake Street in Minneapolis.

### **Department of Public Safety**

#### Transportation Programs

Chapter 312 increased biennial spending for transportation-related programs of the Department of Public Safety (DPS) by \$13.4 million, of which the largest increase was for the Minnesota State Patrol. \$5.9 million in FY 2015 (and \$5.5 million annually thereafter) was appropriated from the Trunk Highway Fund to recruit, train, and equip 48 additional state troopers, and a \$2 million ongoing appropriation was made, beginning in FY 2015, from the General Fund to assign 29 additional staff, including four state troopers, to Capitol Complex Security.

Chapter 312 contained significant policy changes related to railroad and pipeline safety in the transport of oil and other hazardous substances, and a railroad and pipeline safety account was created in the Special Revenue Fund to fund these initiatives. The account received a onetime transfer in FY 2015 from the General Fund of \$1.6 million, and ongoing revenues of \$2.5 million that are annually collected as assessments on railroad and pipeline companies.

Chapter 312 also appropriated \$816,000 in FY 2015 from the driver services operating account in the Special Revenue Fund, to add additional staff to Driver and Vehicle Services to result in shorter wait times for the scheduling of drivers skill examinations. An additional \$46,000 was appropriated from the Special Revenue Fund for costs of a newly created Motor Vehicle Insurance Coverage Verification Task Force.

#### Criminal Justice and Emergency Management Programs

Chapter 312 increased FY 2014-15 appropriations for the criminal justice divisions in the Department of Public Safety

(DPS) by \$4.8 million from the General Fund and by \$19.2 million from the Special Revenue Fund.

The Office of Justice programs received \$1.0 million in FY 2015 in onetime appropriations from the General Fund: \$500,000 for youth intervention programs and \$500,000 for a domestic abuse shelter and related services designed to serve East African women. In addition, \$300,000 was appropriated from the General Fund for sexual assault prevention grants. This appropriation was added to the division's base budget.

The Bureau of Criminal Apprehension received \$473,000 in FY 2015 from the General Fund to implement the new expungement of criminal records procedures enacted in Chapter 246. The base increases to \$583,000 beginning in FY 2016.

Chapter 312 transferred \$3 million in FY 2015 from the General Fund to the Disaster Assistance Contingency Account to fund the state and local match for future federally declared disasters. (See sidebar for more detail.)

The Commissioner of Public Safety received \$1.3 million in FY 2015 from the Fire Safety Account in the Special Revenue Fund to provide for local reimbursement of firefighter training and education as determined by the Fire Service Advisory Council.

Finally, \$17.9 million was appropriated in FY 2014-15 to the commissioner from the 911 account in the Special Revenue Fund. Of this amount, \$11.9 million is for emergency communication networks operating expenses and \$6 million is for the Next Generation 911 Internet Protocol.

### **Disaster Assistance Contingency Account**

Chapter 312 created a new funding mechanism to pay for the immediate public costs associated with disaster relief after a disaster occurs in Minnesota. This new funding mechanism provides the Director of the Division of Homeland Security and Emergency Management in the Department of Public Safety with enhanced authority to make payments for costs arising from a disaster. Chapter 312 includes a onetime transfer of money into a specific account for payment of public costs from a disaster. The money transferred to the account is appropriated by statute. Typically, disasters fall into one of two primary categories. If the damage to an area where a disaster occurred meets certain size and scope thresholds, the area where the event occurred will be included in a Presidential disaster declaration issued by President of the United States.

The other type of disaster eligible for state funds is a disaster where a geographic area sustains damages equal to or exceeding 50 percent of the federal countywide threshold, but not at a sufficient level to generate a Presidential disaster declaration.

Typically, disaster areas included within a Presidential declaration are eligible for a federal reimbursement from the Federal Emergency Management Agency (FEMA) equal to 75 percent of the costs of state and local government expenses associated with the repair of public infrastructure, cleanup and debris removal in affected areas, and emergency protective measures to provide safety in the area. The remaining 25 percent of these costs, commonly referenced as the nonfederal share, have historically in Minnesota been borne by state appropriations or a combination of state appropriations and local resources. In recent years the state has appropriated the entire amount of the nonfederal share. Disaster areas that are not included in a federal declaration are not eligible for federal reimbursements, but remain eligible (based on state law) for state appropriations to assist in

*(See next page)*

### **Disaster Assistance Contingency Account (Continued)**

Historically, if the Legislature has not been session within several months after a disaster occurred, the Governor has typically called a special legislative session to request additional appropriations to pay for costs of the nonfederal share and other public costs attributable to the disaster.

Chapter 312 established a disaster assistance contingency account in the Special Revenue Fund and provided a statutory appropriation to the Commissioner of Public Safety from the account to pay for the nonfederal share of disaster assistance in areas included within future Presidential disaster declarations. Additionally, the funds in the account may also be used to pay for damages sustained by local units of government and American Indian tribes that are equal to or greater than 50 percent of FEMA's countywide threshold. Essentially, the account may be used to pay for the nonfederal share for federally declared disasters or for public disaster costs where a FEMA designation is not awarded. If the state and local costs of a particular disaster are less than the amount in the disaster assistance contingency account, Chapter 312 ensures that the Director of Homeland Security and Emergency Management has the resources to manage the disaster without requesting a special appropriation. If the costs are greater than the amount available in the contingency account, a special appropriation or a transfer to the account would be necessary to provide state funds for damages. In either situation, however, the new contingency account provides a threshold level of state funding that will allow the commissioner to begin to pay for public damages attributable to a disaster without the immediate need for new appropriations. This may reduce the need for future special legislative sessions to appropriate disaster funds before the next regular legislative session.

Chapter 312 made an initial onetime transfer of \$3 million from the General Fund to the disaster assistance contingency account in FY 2015. However, the new law also requires the Governor to include in all future biennial budget recommendations a recommended appropriation level for the disaster assistance contingency account to pay for anticipated disaster expenses. This amount must be sufficient to pay 100 percent of the nonfederal share of the costs of a Presidentially-declared disaster plus the amount needed to pay all eligible costs associated with a disaster area not included in a Presidential declaration. The Governor's budget recommendation for the FY 2016-17 biennium will be the first budget recommendation in which this new requirement is effect.

Chapter 312 also requires that any unexpended and unencumbered General Fund disaster assistance appropriations that would otherwise expire at the end of a biennium cancel to the disaster assistance contingency account. Therefore, any General Fund resources appropriated for disaster assistance that are not needed for their original purpose are returned to the disaster contingency account after they expire and can be used to fund the costs of a future disaster. Finally, Chapter 312 provides that funds that are transferred to the disaster contingency account do not lapse or cancel. Instead, they remain available in the account until appropriated.

#### Expungement

In addition, Chapter 246 amends the laws governing the expungement of criminal records. The act expands judicial authority to expunge juvenile records. It also increases the scope of statutory expungement to

include petty misdemeanor, misdemeanor, and specified low-level felony convictions. To implement these changes to the criminal justice recordkeeping system, \$473,000 was appropriated in FY 2015 to the Bureau of Criminal Apprehension (BCA) and \$45,000

to the Department of Human Services. The base was set at \$583,000 annually for the BCA and \$90,000 annually for the Department of Human Services. These appropriations are from the General Fund.

### TAX AIDS AND CREDITS

Chapters 150 and 308 made changes to the FY 2014-15 Tax Aids and Credits budget. These changes collectively increased projected General Fund spending by \$46.8 million in FY 2014-15 and \$88.0 million in FY 2016-17 over the spending amounts projected in the February forecast.

#### Agricultural Homestead Market Value Credit

Chapter 308 made both ongoing and onetime increases to tax aids and credits. The largest of these increases was to the agricultural homestead credit program. The Legislature increased the rate of the agricultural homestead market value credit. This change allows a maximum credit of

\$490 for agricultural homestead filers with a market value above \$115,000. Before this change, the credit reached a maximum \$345 for filers with a market value of \$115,000 and then phased out until the credit reached a minimum of \$230 for agricultural homesteads with market value over \$345,000. Because tax statements for payable 2014 were already established at the time this increase was enacted, a supplemental credit of up to \$205 per agricultural homestead was created for the current tax year to provide immediate relief. The supplemental credit will provide eligible taxpayers with a direct payment from the Department of Revenue by October 15, 2014, and will offset taxpayers' 2014 property tax liabilities. The supplemental credit will increase General Fund spending by \$16.9 million in FY 2015, and the ongoing changes to the agricultural homestead credit program will increase General Fund spending by \$29.9 million in FY 2016-17.

<b>Table 8 - Tax Aids and Credits</b>						
<b>General Fund Changes Compared to Forecast</b>						
<i>(dollars in thousands)</i>						
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014-15</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>
<b><u>Spending Changes</u></b>						
<b>Department of Revenue</b>						
Property Tax Refunds	-	24,600	24,600	1,440	1,290	2,730
City Aid	-	20	20	7,828	7,800	15,628
County Program Aid	-	740	740	-	-	-
Supplemental County Program Aid	-	-	-	4,500	3,000	7,500
County AIS Prevention Aid	-	4,500	4,500	10,000	10,000	20,000
Debt Service Aid - Lewis & Clark	-	-	-	2,200	2,200	4,400
Ag Market Value Homestead Credit	-	16,900	16,900	14,800	15,100	29,900
Border City Disparity Credit	-	-	-	2,200	2,300	4,500
Fire/EMS Volunteer Retention Aid	-	-	-	1,580	1,650	3,230
PILT	71	-	71	-	-	-
Transition Aid for Bus. Prod. Prop.	=	=	=	=	160	160
<b>Agency Total</b>	<b>71</b>	<b>46,760</b>	<b>46,831</b>	<b>44,548</b>	<b>43,500</b>	<b>88,048</b>
<b>Total General Fund Spending Changes</b>	<b>71</b>	<b>46,760</b>	<b>46,831</b>	<b>44,548</b>	<b>43,500</b>	<b>88,048</b>



### Aid to Local Governments

Chapters 150 and 308 also made notable increases to aid to local governments. Overall, local government aids increased by \$5.3 million in FY 2014-15 and \$47.5 million in FY 2016-17. This included a onetime increase of \$20,000 in penalty forgiveness in the first biennium for the city of Bluffton. Beginning in FY 2016, General Fund spending for aids to cities increased by \$7.8 million annually.

Additionally, Chapter 308 enacted a new aid program for counties to prevent the introduction or limit the spread of aquatic invasive species. The new aid program increased General Fund spending by \$4.5 million in FY 2015 and by \$10 million annually beginning in FY 2016. As with the three other local government aid programs, this aid is formula-based. Fifty percent of a county's aid is based on the county's share of watercraft trailer launches and 50 percent is based on the county's share of watercraft trailer parking spaces. Unlike the other aid programs, this is not general operating money, but instead must be used solely to prevent aquatic invasive species at all access sites within the county.

Chapter 150 also increased county program aid to Beltrami County for a ten-year period and provided a onetime increase to Mahanomen County. The increases begin in FY 2016 and will total \$7.5 million in FY 2016-17. Chapter 308 made a onetime appropriation of \$740,000 in FY 2015 to provide supplemental aid payments to counties whose 2014 aid was less than it received in 2013.

### Property Tax Refunds

Chapter 308 made a onetime increase of \$24.6 million in FY 2014-15 to all homestead credit refunds and renter's property tax refunds. Three percent was

added to the homestead credit refund based on taxes payable by homeowners in 2014, and six percent was added to the renter's property tax refund based on taxes payable in 2014 (for rent paid in 2013).

### Other Increases and Changes

Chapter 308 increased spending for the disparity reduction credit by \$2.2 million in FY 2016 and \$2.3 million in FY 2017. It also expanded the number of cities eligible to receive this credit by including the city of Ortonville, and increased the credit by reducing the maximum effective tax rate paid by commercial-industrial properties and apartments to 1.6 percent, down from 1.9 percent in current law.

Chapter 308 increased General Fund spending by \$3.2 million in FY 2016-17 for a three-year pilot program to improve volunteer recruitment and retention. The program will pay \$500 stipends to volunteer firefighters, volunteer ambulance attendants, and volunteer emergency medical responders in the specified pilot area. The aid will be paid to entities, including municipalities, emergency medical services providers, and nonprofit firefighting corporations, which will then pay the stipends to eligible volunteers. Chapter 308 also made a onetime payment of \$71,000 in FY 2015 to certain counties to correct the payment in-lieu of taxes (PILT) formula, modified in the 2013 session, for calculating payments for wildlife management lands.

Several property tax modifications were enacted in Chapter 308 that caused property tax refund interactions. As with other aid and credit changes, tax statements for payable (calendar year) 2014 have already been established, so these changes will affect spending beginning in FY 2016 (payable 2015). The changes, which will reduce General Fund spending by \$340,000

in FY 2016-17, include: extending the time for which a surviving spouse of a disabled veteran can continue to receive the veteran's property tax exclusion, authorizing the elimination of the Rice County hospital district after the sale of the hospital, increasing the levy authority for emergency medical services special taxing districts, and eliminating a subordinate service district in Helena Township.

Chapter 308 changed the taxation of solar energy generating systems by exempting them from property taxation and instead imposing a solar energy production tax of \$1.20 per megawatt-hour on any solar energy system used as a power source. This policy change has a negligible effect on the General Fund in FY 2016-17 for two reasons. First, current solar energy production in Minnesota is very small, at only 14 megawatts. Second, before this change was enacted, there was a one megawatt exemption under the property taxation method, and this exemption remains in effect for the new solar energy production tax. There is only one facility in operation in Minnesota that has a capacity in excess of one megawatt. Therefore, the fiscal effect of this provision is quite small. However, according to the Department of Commerce, state production capacity is expected to grow, which will increase production tax revenues and cause a greater property tax interaction as a result of this policy change.

### **Lewis and Clark Regional Water System**

Funding for the Lewis and Clark Regional Water System was enacted in two chapters. Chapter 295, the act that funded capital investment with direct General Fund appropriations, supported completion of the project with an appropriation of \$22 million. Chapter 308, the second Omnibus Tax Act, authorized local bonding authority, appropriated debt service aid, and authorized local sales taxes for the completion of the Lewis and Clark Regional Water System Project. The General Fund spending for the debt service aid is projected to increase by \$2.2 million each year beginning in FY 2016 to offset local debt service costs.

The Lewis and Clark Regional Water System was established as a federal project in a multistate area, including southwest Minnesota, to address water quality, supply, and infrastructure concerns. The system will use the Missouri River and a series of wells to tap into an aquifer adjacent to the Missouri River near Vermillion, South Dakota. When completed, the system will distribute treated water through several hundred miles of pipeline to parts of Minnesota, Iowa, and South Dakota. This project was originally anticipated to be funded with federal resources, but federal funding for the project has been limited in recent years and completion of the system in Minnesota is highly dependent upon local effort. Authorizations and appropriations enacted in Chapters 295 and 308 will reduce the local burden.

Chapter 295 provided a \$22 million conditional grant to the Lewis and Clark Joint Powers Board to pay for a portion of the construction of the project. The Commissioner of Management and Budget must determine that the project complies with the appropriate federal requirements and regulations and that a nonstate match of \$5 million is committed to the project before disbursing the funds to the board.

*(See next page)*

**Lewis and Clark Regional Water System  
(Continued)**

Chapter 308 authorized the governing bodies of the cities of Luverne and Worthington, and of Nobles and Rock Counties, to issue bonds up to an aggregate of \$45 million for land acquisition, design, engineering, and construction necessary to complete the Lewis and Clark Regional Water System. The debt service aid enacted in Chapter 308 provides for an aid distribution to the Lewis and Clark Joint Powers Board equal to: (1) the principal and interest on the local bonds issued minus the sum of (2) the combined adjusted net tax capacity for Nobles and Rock Counties for the assessment year prior to the aid payable year, multiplied by 1.5 percent, and (3) 50 percent of any federal aid received to fund the project in the calendar year. The General Fund spending increase associated with this debt service aid is \$2.2 million each year beginning in FY 2016. Debt service aid enacted in Chapter 308 is authorized until the earlier of January 1, 2039, or the date that the bonds have been paid or defeased.

Chapter 308 also authorized the city of Luverne and Nobles and Rock Counties to impose a local sales tax to fund the local share of debt service on the bonds for the Lewis and Clark Regional Water System. The city of Worthington currently imposes a local sales tax, which is scheduled to expire in 2019. Chapter 308 authorized Worthington to extend its local sales tax for the purpose of funding its share of the debt service on bonds for the project. Revenues in excess of the cost of the previously authorized projects under Worthington's current local sales tax must be used to pay Worthington's share of the debt service on the Lewis and Clark Project. The Lewis and Clark Joint Powers Board is required to determine and allocate the project cost based on the share of each local government's total adjusted net tax capacity. The board will certify to each city or county its share of the principal and interest due. Each city or county can meet its local contribution by any means already allowed to local governments; however, the local sales tax authorization under Chapter 308 is intended to supplement those existing local means.

**Appendix A; All Budget Areas**  
**All Funds Biennial Spending by Agency & Fund**  
*(dollars in thousands)*

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
<b>E-12 EDUCATION</b>				
<b>Department of Education</b>				
General Fund	15,444,317	16,588,359	53,700	16,642,059
General Fund Transfer Out	(79)	(70)	-	(70)
Special Revenue Fund	24,041	20,923	-	20,923
Endowment & Permanent School Fund	48,894	48,739	-	48,739
Federal Fund	1,524,037	1,572,579	544	1,573,123
Gift Fund	110	86	-	86
Arts & Cultural Heritage Fund	6,000	6,000	-	6,000
Environment & Natural Resource Fund	275	-	-	-
<b>Total Department of Education</b>	<b>17,047,595</b>	<b>18,236,616</b>	<b>54,244</b>	<b>18,290,860</b>
<b>Faribault Academies</b>				
General Fund	23,193	23,413	300	23,713
Special Revenue Fund	5,022	6,686	-	6,686
Endowment Fund	1	-	-	-
Federal Fund	512	656	-	656
Gift Fund	147	92	-	92
<b>Total Faribault Academies</b>	<b>28,875</b>	<b>30,847</b>	<b>300</b>	<b>31,147</b>
<b>Center for Arts Education</b>				
General Fund	13,461	13,546	-	13,546
General Fund Transfer Out	(4)	-	-	-
Special Revenue Fund	1,507	1,460	-	1,460
Gift Fund	1	-	-	-
Arts & Cultural Heritage Fund	1,384	1,860	-	1,860
<b>Total Center for Arts Education</b>	<b>16,349</b>	<b>16,866</b>	<b>-</b>	<b>16,866</b>
<b>Totals by Fund</b>				
General Fund	15,480,971	16,625,318	54,000	16,679,318
General Fund Transfer Out	(83)	(70)	-	(70)
Special Revenue Fund	30,570	29,069	-	29,069
Endowment & Permanent School Fund	48,894	48,739	-	48,739
Federal Fund	1,524,549	1,573,235	544	1,573,779
Gift Fund	258	178	-	178
Endowment Fund	1	-	-	-
Environment & Natural Resource Fund	275	-	-	-
Arts & Cultural Heritage Fund	7,384	7,860	-	7,860
<b>Total for Budget Area</b>	<b>17,092,819</b>	<b>18,284,329</b>	<b>54,544</b>	<b>18,338,873</b>

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
<b>HIGHER EDUCATION</b>				
<b>Office of Higher Education</b>				
General Fund	385,963	450,103	750	450,853
General Fund Transfer Out	(133)	(30)	-	(30)
Federal Fund	10,617	11,092	-	11,092
Special Revenue Fund	1,224	1,369	-	1,369
<b>Total Office of Higher Education</b>	<b>397,671</b>	<b>462,534</b>	<b>750</b>	<b>463,284</b>
<b>University of Minnesota</b>				
General Fund	1,090,688	1,167,898	8,900	1,176,798
Clean Water Fund	1,800	1,230	-	1,230
Outdoor Heritage Fund	-	1,000	-	1,000
Parks and Trails Fund	-	250	-	250
Environment and Natural Resources Fund	6,127	15,917	12,590	28,507
Federal Fund	15	-	-	-
Special Revenue Fund	44,714	44,720	-	44,720
<b>Total University of Minnesota</b>	<b>1,143,344</b>	<b>1,231,015</b>	<b>21,490</b>	<b>1,252,505</b>
<b>Minnesota State Colleges and Universities (MnSCU)</b>				
General Fund (1)	1,091,188	1,193,058	17,000	1,210,058
Environment and Natural Resources Fund	43	-	-	-
<b>Total MnSCU</b>	<b>1,091,231</b>	<b>1,193,058</b>	<b>17,000</b>	<b>1,210,058</b>
<b>Mayo Medical Foundation</b>				
General Fund	<b>2,702</b>	<b>2,702</b>	-	<b>2,702</b>
<b>Totals by Fund</b>				
General Fund	2,570,541	2,813,761	26,650	2,840,411
General Fund Transfer Out	(133)	(30)	-	(30)
Clean Water Fund	1,800	1,230	-	1,230
Outdoor Heritage Fund	-	1,000	-	1,000
Parks and Trails Fund	-	250	-	250
Environment and Natural Resources Fund	6,170	15,917	12,590	28,507
Federal Fund	10,632	11,092	-	11,092
Special Revenue Fund	45,938	46,089	-	46,089
<b>Total for Budget Area</b>	<b>2,634,948</b>	<b>2,889,309</b>	<b>39,240</b>	<b>2,928,549</b>
<b>TAXES - AIDS &amp; CREDITS</b>				
<u>General Fund</u>				
- Property Tax Refunds	1,000,040	1,114,788	24,600	1,139,388
- City Aid	850,507	935,118	20	935,138
- County Program Aid	322,671	372,495	740	373,235
- Other Aids and Credits	603,654	500,206	21,471	521,677
Subtotal General Fund:	<b>2,776,872</b>	<b>2,922,607</b>	<b>46,831</b>	<b>2,969,438</b>

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
General Fund Transfer Out	(5,633)	(8,490)	-	(8,490)
Highway User Tax Distribution Fund	15	14	-	14
Health Care Access Fund	752	688	-	688
State Airports Fund	-	2	-	2
Environmental Fund	-	2	-	2
Special Revenue Fund	1,219	1,212	-	1,212
<b>Total for Budget Area</b>	<b>2,773,225</b>	<b>2,916,035</b>	<b>46,831</b>	<b>2,962,866</b>
<b>HEALTH &amp; HUMAN SERVICES</b>				
<b>Department of Human Services</b>				
General Fund	10,398,192	11,128,404	101,946	11,230,350
General Fund Transfers Out	(282,719)	(304,519)	(2,099)	(306,618)
State Government Special Revenue Fund	6,832	8,609	-	8,609
Special Revenue Fund	945,744	924,964	(543)	924,421
Health Care Access Fund	599,065	1,285,512	(153,790)	1,131,722
Gift Fund	74	90	-	90
Federal Fund	11,968,827	14,615,053	237,774	14,852,827
Federal TANF Fund	362,657	354,378	548	354,926
<b>Total Department of Human Services</b>	<b>23,998,672</b>	<b>28,012,491</b>	<b>183,836</b>	<b>28,196,327</b>
<b>Department of Health</b>				
General Fund	143,899	154,154	7,356	161,510
General Fund Transfers Out	(560)	-	-	-
Medical Education Endowment Fund	108,833	159,682	-	159,682
State Government Special Revenue Fund	82,360	98,061	1,724	99,785
Special Revenue Fund	102,546	149,621	-	149,621
Environment & Natural Resource Fund	399	-	-	-
Clean Water Fund	4,540	10,836	300	11,136
Health Care Access Fund	36,841	62,316	(2,000)	60,316
Gift Fund	24	313	-	313
Environmental Fund	108	1,738	-	1,738
Remediation Fund	411	504	-	504
Federal Fund	480,523	474,231	2,350	476,581
Federal TANF Fund	24,862	23,426	-	23,426
<b>Total Department of Health</b>	<b>984,786</b>	<b>1,134,882</b>	<b>9,730</b>	<b>1,144,612</b>
<b>Disability Council</b>				
General Fund	1,052	1,228	-	1,228
Special Revenue Fund	11	9	-	9
Gift Fund	-	25	-	25
Federal Fund	132	-	-	-
<b>Total Disability Council</b>	<b>1,195</b>	<b>1,262</b>	<b>-</b>	<b>1,262</b>

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
<b>Ombudsperson for MH/DD</b>				
General Fund	3,316	3,522	150	3,672
<b>Ombudsperson for Families</b>				
General Fund	530	667	-	667
Special Revenue Fund	184	241	-	241
<b>Total Ombudsperson for Families</b>	<b>714</b>	<b>908</b>	<b>-</b>	<b>908</b>
<b>MNsure</b>				
Special Revenue Fund	29,948	-	-	-
Federal Fund	42,609	94,044	-	94,044
<b>Total Emergency Medical Services Board</b>	<b>72,557</b>	<b>94,044</b>	<b>-</b>	<b>94,044</b>
<b>Health-Related Boards</b>				
General Fund	5,673	5,482	-	5,482
State Government Special Revenue Fund	29,041	39,222	1,150	40,372
Special Revenue Fund	4,417	6,043	-	6,043
Gift Fund	5	2	-	2
Federal Fund	457	731	-	731
<b>Total Health-Related Boards</b>	<b>39,593</b>	<b>51,480</b>	<b>1,150</b>	<b>52,630</b>
<b>Transfer to Health Care Access Fund</b>				
General Fund	40,000	50,000	-	50,000
General Fund Transfers Out	(40,000)	(50,000)	-	(50,000)
<b>Total Transfer to HCAF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals by Fund</b>				
General Fund	10,592,662	11,343,457	109,452	11,452,909
General Fund Transfers Out	(323,279)	(354,519)	(2,099)	(356,618)
Medical Education Endowment Fund	108,833	159,682	-	159,682
State Government Special Revenue Fund	118,233	145,892	2,874	148,766
Special Revenue Fund	1,082,850	1,080,878	(543)	1,080,335
Environment & Natural Resource Fund	399	-	-	-
Clean Water Fund	4,540	10,836	300	11,136
Health Care Access Fund	635,906	1,347,828	(155,790)	1,192,038
Gift Fund	103	430	-	430
Environmental Fund	108	1,738	-	1,738
Remediation Fund	411	504	-	504
Federal Fund	12,492,548	15,184,059	240,124	15,424,183
Federal TANF Fund	387,519	377,804	548	378,352
<b>Total for Budget Area</b>	<b>25,100,833</b>	<b>29,298,589</b>	<b>194,866</b>	<b>29,493,455</b>
<b>JUDICIARY</b>				
<b>Supreme Court</b>				
General Fund	83,844	89,739	-	89,739
General Fund Transfers Out	(43)	-	-	-

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
Special Revenue Fund	6,338	6,838	-	6,838
Gift Fund	13	30	-	30
Federal Funds	7,444	7,226	-	7,226
<b>Total Supreme Court</b>	<b>97,596</b>	<b>103,833</b>	-	<b>103,833</b>
<b>Court of Appeals</b>				
General Fund	20,391	21,676	-	21,676
General Fund Transfers Out	(176)	-	-	-
Federal Funds	-	-	-	-
<b>Total Court of Appeals</b>	<b>20,215</b>	<b>21,676</b>	-	<b>21,676</b>
<b>District Courts</b>				
General Fund	470,282	504,081	-	504,081
General Fund Transfers Out	(1,978)	-	-	-
Special Revenue Fund	2,806	1,660	-	1,660
Federal Fund	8,590	25,256	-	25,256
Gift Fund	99	80	-	80
<b>Total District Courts</b>	<b>479,799</b>	<b>531,077</b>	-	<b>531,077</b>
<b>Legal Professions Board</b>				
Special Revenue Fund	<b>11,848</b>	<b>13,201</b>	-	<b>13,201</b>
<b>Guardian ad litem</b>				
General Fund	24,277	25,170	-	25,170
Special Revenue Fund	2,067	1,060	-	1,060
<b>Total Guardian ad litem</b>	<b>26,344</b>	<b>26,230</b>	-	<b>26,230</b>
<b>Tax Court</b>				
General Fund	1,645	2,058	-	2,058
General Fund Transfers Out	(100)	-	-	-
<b>Total Tax Court</b>	<b>1,545</b>	<b>2,058</b>	-	<b>2,058</b>
<b>Uniform Laws Commission</b>				
General Fund	<b>74</b>	<b>231</b>	-	<b>231</b>
<b>Judicial Standards Board</b>				
General Fund	<b>1,198</b>	<b>1,212</b>	-	<b>1,212</b>
<b>Peace Officer Standards &amp; Training Board</b>				
General Fund	-	-	50	50
Special Revenue Fund	8,164	8,440	(50)	8,390
<b>Total POST Board</b>	<b>8,164</b>	<b>8,440</b>	-	<b>8,440</b>
<b>Board of Public Defense</b>				
General Fund	132,557	144,435	-	144,435
Special Revenue Fund	2,852	30	-	30



<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
Federal Fund	676	-	-	-
Gift Fund	46	-	-	-
<b>Total Board of Public Defense</b>	<b>136,131</b>	<b>144,465</b>	-	<b>144,465</b>
<b>Private Detective Board</b>				
General Fund	233	240	44	284
<b>Department of Human Rights</b>				
General Fund	6,209	6,594	724	7,318
Special Revenue Fund	156	272	37	309
<b>Total Department of Human Rights</b>	<b>6,365</b>	<b>6,866</b>	<b>761</b>	<b>7,627</b>
<b>Department of Corrections</b>				
General Fund	913,216	968,801	30,223	999,024
General Fund Transfer Out	(114)	(70)	-	(70)
Special Revenue Fund	31,088	32,123	-	32,123
Federal Fund	9,493	6,952	-	6,952
Gift Fund	6	14	-	14
<b>Total Department of Corrections</b>	<b>953,689</b>	<b>1,007,820</b>	<b>30,223</b>	<b>1,038,043</b>
<b>Sentencing Guidelines Commission</b>				
General Fund	1,167	1,472	-	1,472
<b>Totals by Fund</b>				
General Fund	1,655,093	1,765,709	31,041	1,796,750
General Fund Transfers Out	(2,411)	(70)	-	(70)
Special Revenue Fund	65,319	63,624	(13)	63,611
Gift Fund	164	124	-	124
Federal Funds	26,203	39,434	-	39,434
<b>Total for Budget Area</b>	<b>1,744,368</b>	<b>1,868,821</b>	<b>31,028</b>	<b>1,899,849</b>
<b>TRANSPORTATION</b>				
<b>Transportation Department</b>				
General Fund	31,622	35,547	8,782	44,329
General Fund Transfers Out	(1,584)	(1,584)	-	(1,584)
County State Aid Highway Fund	1,002,562	1,219,181	(8,315)	1,210,866
Highway User Tax Distribution Fund	316	463	-	463
Municipal State Aid Street Fund	274,415	344,105	-	344,105
State Airports Fund	42,410	40,504	4,000	44,504
Transit Assistance Fund	45,684	111,096	-	111,096
Trunk Highway Fund	2,680,533	2,914,321	123,125	3,037,446
Trunk Highway Fund Transfers Out	-	-	(6,000)	(6,000)
Special Revenue Fund	95,445	324,474	285	324,759
State Government Special Revenue	16,942	18,900	-	18,900
Federal Fund	644,102	947,117	6,575	953,692
<b>Total Transportation Department</b>	<b>4,832,447</b>	<b>5,954,124</b>	<b>128,452</b>	<b>6,082,576</b>

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
<b>Metropolitan Council</b>				
General Fund	78,076	184,859	2,834	187,693
Transit Assistance Fund	412,139	481,033	-	481,033
<b>Total Metropolitan Council</b>	<b>490,215</b>	<b>665,892</b>	<b>2,834</b>	<b>668,726</b>
<b>Dept of Public Safety (Transportation)</b>				
General Fund	16,263	18,679	3,634	22,313
General Fund Transfer Out	(153)	-	(1,574)	(1,574)
Highway User Tax Distribution Fund	18,229	18,158	-	18,158
Trunk Highway Fund	170,782	175,257	5,949	181,206
Special Revenue Fund	133,828	170,993	4,832	175,825
State Government Special Revenue	2,741	2,812	-	2,812
Gift Fund	196	133	-	133
Federal Fund	62,072	119,350	598	119,948
<b>Total Public Safety (Transportation)</b>	<b>403,958</b>	<b>505,382</b>	<b>13,439</b>	<b>518,821</b>
<b>Department of Public Safety (Criminal)</b>				
General Fund	185,242	183,441	4,813	188,254
General Fund Transfer Out	1	-	(3,000)	(3,000)
State Government Special Revenue Fund	65,881	74,109	11,924	86,033
Special Revenue Fund	45,098	48,723	1,300	50,023
Federal Fund	206,669	80,159	-	80,159
Trunk Highway Fund	3,876	3,882	-	3,882
Gift Fund	53	54	-	54
Environmental Fund	136	138	-	138
<b>Total Public Safety (Criminal)</b>	<b>506,956</b>	<b>390,506</b>	<b>15,037</b>	<b>405,543</b>
<b>Repay State Airports Fund</b>				
General Fund	-	15,000	-	15,000
General Fund Transfer Out	-	(15,000)	-	(15,000)
<b>Total Repay Airports Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals by Fund</b>				
General Fund	311,203	437,526	20,063	457,589
General Fund Transfer Out	(1,736)	(16,584)	(4,574)	(21,158)
Environmental Fund	136	138	-	138
County State Aid Highway Fund	1,002,562	1,219,181	(8,315)	1,210,866
Highway User Tax Distribution Fund	18,545	18,621	-	18,621
Municipal State Aid Street Fund	274,415	344,105	-	344,105
State Airports Fund	42,410	40,504	4,000	44,504
Transit Assistance Fund	457,823	592,129	-	592,129
Trunk Highway Fund	2,855,191	3,093,460	129,074	3,222,534
Trunk Highway Fund Transfers Out	-	-	(6,000)	(6,000)
Special Revenue Fund	274,371	544,190	6,417	550,607
State Government Special Revenue	85,564	95,821	11,924	107,745
Gift Fund	249	187	-	187

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
Federal Fund	912,843	1,146,626	7,173	1,153,799
<b>Total for Budget Area</b>	<b>6,233,576</b>	<b>7,515,904</b>	<b>159,762</b>	<b>7,675,666</b>
<b>ENVIRONMENT &amp; ECONOMIC DEVELOPMENT</b>				
<b>Pollution Control Agency</b>				
General Fund	9,667	9,527	-	9,527
State Govt Special Revenue Fund	148	156	-	156
Special Revenue Fund	43,035	41,090	104	41,194
Environmental Fund	131,560	142,155	4,000	146,155
Remediation Fund	61,194	71,723	1,150	72,873
Gift Fund	161	-	-	-
Federal Funds	53,929	46,077	1,120	47,197
Env & Natural Resources Trust Fund	-	-	743	743
Clean Water Fund	47,855	57,436	(301)	57,135
<b>Total Pollution Control Agency</b>	<b>347,549</b>	<b>368,164</b>	<b>6,816</b>	<b>374,980</b>
<b>Department of Natural Resources</b>				
General Fund	168,423	172,594	3,421	176,015
General Fund Transfer Out	(15)	-	-	-
Natural Resources Fund	170,261	182,053	450	182,503
Game & Fish Fund	189,826	207,921	2,412	210,333
Special Revenue Fund	64,839	64,430	-	64,430
Remediation Fund	446	972	-	972
Gift Fund	2,935	3,116	-	3,116
Permanent School Fund	632	408	-	408
Federal Funds	30,662	38,591	808	39,399
Env & Natural Resources Trust Fund	38,402	22,504	12,630	35,134
Minnesota Future Resources	3	-	-	-
Outdoor Heritage Fund	128,798	106,112	92,313	198,425
Parks & Trails Fund	45,688	58,495	-	58,495
Clean Water Fund	17,345	30,787	-	30,787
<b>Total Department of Natural Resources</b>	<b>858,245</b>	<b>887,983</b>	<b>112,034</b>	<b>1,000,017</b>
<b>Board of Water and Soil Resources</b>				
General Fund	34,261	28,359	-	28,359
General Fund Transfer Out	(26)	-	-	-
Special Revenue Fund	10,343	8,063	-	8,063
Federal Funds	3,554	1,112	-	1,112
Env & Natural Resources Trust Fund	2,677	5,026	(13)	5,013
Outdoor Heritage Fund	15,262	47,397	16,422	63,819
Clean Water Fund	52,340	73,245	1,400	74,645
<b>Total Board of Water and Soil Resources</b>	<b>118,411</b>	<b>163,202</b>	<b>17,809</b>	<b>181,011</b>

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
General Fund	612	910	-	910
Natural Resources Fund	980	980	-	980
<b>Total MN Conservation Corps</b>	<b>1,592</b>	<b>1,890</b>	-	<b>1,890</b>
<b>Metropolitan Council Parks</b>				
General Fund	5,740	5,740	75	5,815
Natural Resources Fund	11,340	11,340	450	11,790
Env & Natural Resources Trust Fund	2,250	-	1,500	1,500
Parks & Trails Fund	31,904	33,774	-	33,774
Clean Water Fund	1,000	3,537	550	4,087
<b>Total Metropolitan Council Parks</b>	<b>52,234</b>	<b>54,391</b>	<b>2,575</b>	<b>56,966</b>
<b>Minnesota Zoological Board</b>				
General Fund	10,856	10,850	-	10,850
Natural Resources Fund	320	320	-	320
Special Revenue Fund	29,157	31,215	-	31,215
Gift Fund	6,204	3,972	-	3,972
Env & Natural Resources Trust Fund	-	-	380	380
Arts & Cultural Heritage Fund	2,263	4,255	-	4,255
<b>Total Minnesota Zoological Board</b>	<b>48,800</b>	<b>50,612</b>	<b>380</b>	<b>50,992</b>
<b>Department of Agriculture</b>				
General Fund	61,804	63,700	2,750	66,450
General Fund Transfer Out	(706)	(610)	-	(610)
Agricultural Fund	45,298	55,451	-	55,451
Special Revenue Fund	12,338	19,781	-	19,781
Remediation Fund	3,681	3,896	-	3,896
Gift Fund	47	56	-	56
Federal Funds	15,900	15,735	1,709	17,444
Env & Natural Resources Trust Fund	395	695	621	1,316
Arts & Cultural Heritage Fund	2,760	-	-	-
Clean Water Fund	6,359	16,375	-	16,375
<b>Total Dept of Agriculture</b>	<b>147,876</b>	<b>175,079</b>	<b>5,080</b>	<b>180,159</b>
<b>Animal Health Board</b>				
General Fund	9,662	9,720	310	10,030
Special Revenue Fund	584	333	95	428
Federal Funds	1,406	1,178	-	1,178
<b>Total Animal Health Board</b>	<b>11,652</b>	<b>11,231</b>	<b>5,485</b>	<b>11,636</b>
<b>Agriculture Utilization Research Inst.</b>				
General Fund	5,286	7,286	-	7,286
General Fund Transfer Out	-	(2,000)	-	(2,000)
<b>Total AURI</b>	<b>5,286</b>	<b>5,286</b>	-	<b>5,286</b>
<b>Science Museum</b>				
General Fund	2,136	2,158	-	2,158

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
Env & Natural Resources Trust Fund	131	-	900	900
<b>Total Science Museum</b>	<b>2,267</b>	<b>2,158</b>	<b>900</b>	<b>3,058</b>
<b>Transfer to Closed Landfill Inv. Fund</b>				
General Fund	-	10,000	-	10,000
General Fund Transfer Out	-	(10,000)	-	(10,000)
<b>Total Transfer to CLIF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Department of Commerce</b>				
General Fund	42,494	50,258	19,650	69,908
General Fund Transfer Out	(1,354)	(80)	-	(80)
Special Revenue Fund	61,168	83,299	400	83,699
Petroleum Tank Release Cleanup Fund	16,777	20,794	-	20,794
Worker's Compensation Fund	1,155	1,502	-	1,502
Federal Funds	284,912	325,071	-	325,071
<b>Total Department of Commerce</b>	<b>405,152</b>	<b>480,844</b>	<b>20,050</b>	<b>500,894</b>
<b>Public Utilities Commission</b>				
General Fund	11,583	12,898	-	12,898
General Fund Transfer Out	(17)	-	-	-
Special Revenue Fund	3,660	3,730	-	3,730
Federal Funds	91	-	-	-
<b>Total Public Utilities Commission</b>	<b>15,317</b>	<b>16,628</b>	<b>-</b>	<b>16,628</b>
<b>Employment and Economic Development</b>				
General Fund	107,344	177,129	29,552	206,681
General Fund Transfers Out	(2,162)	(100)	-	(100)
Workforce Development Fund	81,158	112,709	1,800	114,509
Special Revenue Fund	84,137	52,795	-	52,795
Petroleum Tank Release Cleanup Fund	25,129	15,865	-	15,865
Remediation Fund	2,197	1,941	-	1,941
Gift Fund	698	630	-	630
Federal Funds	507,904	575,961	-	575,961
<b>Total Employment and Economic Dev</b>	<b>806,405</b>	<b>936,930</b>	<b>31,352</b>	<b>968,282</b>
<b>Housing Finance Agency</b>				
General Fund (1)	88,816	101,496	2,450	103,946
Federal Funds	-	-	1,052	1,052
<b>Total Housing Finance Agency</b>	<b>88,816</b>	<b>101,496</b>	<b>3,502</b>	<b>104,998</b>
<b>Combative Sports Commission</b>				
Special Revenue	<b>185</b>	-	-	-
<b>Labor and Industry</b>				
General Fund	1,596	2,132	450	2,582
General Fund Transfers Out	(85)	-	-	-

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
Workforce Development Fund	1,739	2,058	250	2,308
Workers Compensation Special Fund	161,322	180,622	-	180,622
State Government Special Revenue	46,903	52,868	-	52,868
Special Revenue	10,651	12,360	-	12,360
Federal Funds	10,963	10,600	-	10,600
<b>Total Labor and Industry</b>	<b>233,089</b>	<b>260,640</b>	<b>700</b>	<b>261,340</b>
<b>Board of Mediation Services</b>				
General Fund	3,160	4,221	125	4,346
General Fund Transfers Out	(225)	-	-	-
<b>Total Board of Mediation Services</b>	<b>2,935</b>	<b>4,221</b>	<b>125</b>	<b>4,346</b>
<b>Workers' Compensation Court of Appeals</b>				
Workers' Compensation Fund	<b>3,021</b>	<b>3,616</b>	-	<b>3,616</b>
<b>Iron Range Resources and Rehabilitation</b>				
General Fund	1,030	912	2,380	3,292
General Fund Transfer Out	(1,030)	(912)	(2,380)	(3,292)
Iron Range Resources and Rehab Fund	63,509	111,968	-	111,968
Economic Protection Trust Fund	3,409	3,193	-	3,193
<b>Total Iron Range Resources &amp; Rehab</b>	<b>66,918</b>	<b>115,161</b>	-	<b>115,161</b>
<b>Public Facilities Authority</b>				
Special Revenue Fund	235	173	-	173
Clean Water Fund	12,962	62,553	-	62,553
<b>Total Public Facilities Authority</b>	<b>13,197</b>	<b>62,726</b>	-	<b>62,726</b>
<b>Explore Minnesota Tourism</b>				
General Fund	18,035	28,389	-	28,389
Special Revenue Fund	3,148	2,788	-	2,788
Federal Fund	19	-	-	-
<b>Total Explore Minnesota Tourism</b>	<b>21,202</b>	<b>31,177</b>	-	<b>31,177</b>
<b>MN Science and Technology Authority</b>				
General Fund	652	-	-	-
General Fund Transfer Out	(500)	-	-	-
Special Revenue Fund	533	-	-	-
Federal Funds	38	-	-	-
<b>Total MN Science &amp; Technology</b>	<b>723</b>	-	-	-
<b>Totals by Fund</b>				
General Fund	583,157	698,279	61,163	759,442
General Fund Transfer Out	(6,120)	(13,702)	(2,380)	(16,082)
State Govt Special Revenue Fund	47,051	53,024	-	53,024
Special Revenue Fund	324,013	320,057	599	320,656

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
Environmental Fund	131,560	142,155	4,000	146,155
Remediation Fund	67,518	78,532	1,150	79,682
Natural Resources Fund	182,901	194,693	900	195,593
Game & Fish Fund	189,826	207,921	2,412	210,333
Agricultural Fund	45,298	55,451		55,451
Gift Fund	10,045	7,774	-	7,774
Permanent School Fund	632	408	-	408
Petroleum Tank Release Cleanup Fund	41,906	36,659	-	36,659
Worker's Compensation Fund	165,498	185,740	-	185,740
Workforce Development Fund	82,897	114,767	2,050	116,817
Iron Range Resources and Rehab Fund	63,509	111,968	-	111,968
Economic Protection Trust Fund	3,409	3,193	-	3,193
Federal Funds	909,378	1,014,325	4,689	1,019,014
Env & Natural Resources Trust Fund	43,855	28,225	16,761	44,986
Minnesota Future Resources	3	-	-	-
Outdoor Heritage Fund	144,060	153,509	108,735	262,244
Clean Water Fund	137,861	243,933	1,649	245,582
Parks & Trails Fund	77,592	92,269	-	92,269
Arts & Cultural Heritage Fund	5,023	4,255	-	4,255
<b>Total for Budget Area</b>	<b>3,250,872</b>	<b>3,733,435</b>	<b>201,728</b>	<b>3,935,163</b>
<b>STATE DEPARTMENTS &amp; VETERANS</b>				
<b>Legislature</b>				
General Fund	123,958	149,816	419	150,235
General Fund Transfer Out	(1)	-	-	-
Health Care Access Fund	-	256	-	256
Special Revenue Fund	146	300	-	300
Federal Fund	33	594	-	594
Env & Natural Resources Trust Fund	782	1,377	109	1,486
Outdoor Heritage Fund	797	1,075	585	1,660
Arts & Cultural Heritage Fund	43	25	-	25
Clean Water Fund	13	30	-	30
Parks & Trails Fund	7	13	-	13
Gift Fund	(21)	-	-	-
<b>Total Legislature</b>	<b>125,757</b>	<b>153,486</b>	<b>1,113</b>	<b>154,599</b>
<b>Governor's Office</b>				
General Fund	6,371	6,706	-	6,706
Special Revenue Fund	1,326	1,440	-	1,440
<b>Total Governor's Office</b>	<b>7,697</b>	<b>8,146</b>	<b>-</b>	<b>8,146</b>
<b>State Auditor</b>				
General Fund	16,457	4,195	-	4,195
Special Revenue Fund	1,355	1,462	-	1,462
<b>Total State Auditor</b>	<b>17,812</b>	<b>5,657</b>	<b>-</b>	<b>5,657</b>

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
<b>Attorney General</b>				
General Fund	37,113	44,250	-	44,250
General Fund Transfer Out	(3)	-	-	-
State Government Special Revenue Fund	3,782	5,008	-	5,008
Special Revenue Fund	18,652	18,326	-	18,326
Federal Fund	2,093	2,468	-	2,468
Environmental Fund	-	290	-	290
Remediation Fund	25	259	-	259
<b>Total for Attorney General</b>	<b>61,662</b>	<b>70,601</b>	<b>-</b>	<b>70,601</b>
<b>Secretary of State</b>				
General Fund	11,317	12,743	-	12,743
Special Revenue Fund	4,384	6,000	-	6,000
Federal Fund	299	-	-	-
<b>Total Secretary of State</b>	<b>16,000</b>	<b>18,743</b>	<b>-</b>	<b>18,743</b>
<b>Campaign Finance &amp; Public Discl Bd</b>				
General Fund	1,587	2,000	-	2,000
Special Revenue Fund	2,122	2,422	-	2,422
<b>Total Campaign Fin &amp; Public Discl Bd</b>	<b>3,709</b>	<b>4,422</b>	<b>-</b>	<b>4,422</b>
<b>Investment Board</b>				
General Fund	278	278	-	278
Special Revenue Fund	6,573	6,634	-	6,634
<b>Total Investment Board</b>	<b>6,851</b>	<b>6,912</b>	<b>-</b>	<b>6,912</b>
<b>Administrative Hearings</b>				
General Fund	602	738	-	738
Workers Compensation Special Fund	13,773	14,500	-	14,500
<b>Total Administrative Hearings</b>	<b>14,375</b>	<b>15,238</b>	<b>-</b>	<b>15,238</b>
<b>MN.IT Services</b>				
General Fund	11,999	4,862	-	4,862
General Fund Transfer Out	(346)	(30)	-	(30)
Special Revenue Fund	19,439	18,914	-	18,914
Clean Water Fund	93	-	-	-
Federal Fund	250	8	-	8
<b>Total MN.IT Services</b>	<b>31,435</b>	<b>23,754</b>	<b>-</b>	<b>23,754</b>
<b>Administration Dept</b>				
General Fund	42,193	48,766	216	48,982
General Fund Transfer Out	(674)	(30)	-	(30)
Special Revenue Fund	79,412	90,175	-	90,175
Arts & Cultural Heritage Fund	17,782	19,013	-	19,013
Federal Fund	8,449	2,923	-	2,923
Gift Fund	724	4	-	4



<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
<b>Total Administration Dept</b>	<b>147,886</b>	<b>160,851</b>	<b>216</b>	<b>161,067</b>
<b>Capitol Area Architect &amp; Planning Bd</b>				
General Fund	611	683	-	683
Special Revenue Fund	-	17	-	17
<b>Total Cap Area Architect &amp; Planning Bd</b>	<b>611</b>	<b>700</b>	<b>-</b>	<b>700</b>
<b>MN Management &amp; Budget (MMB)</b>				
General Fund	48,158	66,925	697	67,622
General Fund Transfer Out	(13,260)	(17,966)	-	(17,966)
Special Revenue Fund	22,521	20,798	-	20,798
<b>Total MN Management &amp; Budget</b>	<b>57,419</b>	<b>69,757</b>	<b>697</b>	<b>70,454</b>
<b>MMB Nonoperating</b>				
General Fund	(18,013)	(31,125)	-	(31,125)
General Fund Transfer Out	(8,930)	114,727	15	114,742
State Government Special Revenue Fund	-	800	-	800
Trunk Highway Fund	43	1,200	-	1,200
Workers Compensation Fund	-	200	-	200
Federal Fund	17,254	-	-	-
<b>Total MMB Nonoperating</b>	<b>(9,646)</b>	<b>85,802</b>	<b>15</b>	<b>85,817</b>
<b>Campaign Finance</b>				
General Fund	3,085	2,766	-	2,766
General Fund Transfer Out	(3,085)	(2,766)	-	(2,766)
<b>Total Campaign Finance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue Dept</b>				
General Fund	273,655	277,240	3,650	280,890
General Fund Transfer Out	(9,965)	(50)	-	(50)
Health Care Access Fund	2,738	3,498	-	3,498
Special Revenue Fund	8,437	7,284	-	7,284
Highway Users Tax Distribution Fund	3,432	4,366	-	4,366
Environmental Fund	545	606	-	606
<b>Total Revenue Dept</b>	<b>278,842</b>	<b>292,944</b>	<b>3,650</b>	<b>296,594</b>
<b>Amateur Sports Commission</b>				
General Fund	470	532	50	582
Special Revenue Fund	121	98	-	98
<b>Total Amateur Sports Commission</b>	<b>591</b>	<b>630</b>	<b>50</b>	<b>680</b>
<b>Black Minnesotans Council</b>				
General Fund	585	784	-	784
General Fund Transfer Out	(5)	-	-	-
Special Revenue Fund	245	28	-	28
Gift Fund	8	37	-	37
<b>Total Black Minnesotans Council</b>	<b>833</b>	<b>849</b>	<b>-</b>	<b>849</b>

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
<b>Chicano Latino Affairs Council</b>				
General Fund	557	750	-	750
Special Revenue Fund	73	-	-	-
<b>Total Chicano Latino Affairs Council</b>	<b>630</b>	<b>750</b>	<b>-</b>	<b>750</b>
<b>Asian-Pacific Council</b>				
General Fund	485	708	-	708
Special Revenue Fund	35	18	-	18
Gift Fund	3	6	-	6
<b>Total Asian-Pacific Council</b>	<b>523</b>	<b>732</b>	<b>-</b>	<b>732</b>
<b>Indian Affairs Council</b>				
General Fund	866	1,124	-	1,124
General Fund Transfer Out	(10)	-	-	-
Special Revenue Fund	6	-	-	-
Arts & Cultural Heritage Fund	1,711	1,900	-	1,900
Federal Fund	139	80	-	80
<b>Total Indian Affairs Council</b>	<b>2,712</b>	<b>3,104</b>	<b>-</b>	<b>3,104</b>
<b>Gambling Control Board</b>				
Special Revenue Fund	<b>5,197</b>	<b>7,038</b>	<b>-</b>	<b>7,038</b>
<b>Racing Commission</b>				
Special Revenue Fund	<b>3,811</b>	<b>3,954</b>	<b>185</b>	<b>4,139</b>
<b>Historical Society</b>				
General Fund	45,832	47,672	25	47,697
Special Revenue Fund	1,170	-	-	-
Arts & Cultural Heritage Fund	20,865	33,745	-	33,745
<b>Total Historical Society</b>	<b>67,867</b>	<b>81,417</b>	<b>25</b>	<b>81,442</b>
<b>Humanities Center</b>				
General Fund	474	542	-	542
Arts & Cultural Heritage Fund	3,150	3,250	225	3,475
<b>Total Humanities Center</b>	<b>3,624</b>	<b>3,792</b>	<b>225</b>	<b>4,017</b>
<b>Arts Board</b>				
General Fund	14,635	15,028	-	15,028
Special Revenue Fund	7	2	-	2
Federal Fund	1,762	1,530	-	1,530
Arts & Cultural Heritage Fund	45,290	53,566	750	54,316
Gift Fund	74	80	-	80
<b>Total Arts Board</b>	<b>61,768</b>	<b>70,206</b>	<b>750</b>	<b>70,956</b>
<b>Military Affairs Dept</b>				
General Fund	31,189	54,078	-	54,078

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
General Fund Transfer Out	(19)	(20)	-	(20)
Special Revenue Fund	1,821	2,551	-	2,551
Federal Fund	109,689	218,076	-	218,076
<b>Total Military Affairs Dept</b>	<b>142,680</b>	<b>274,685</b>	-	<b>274,685</b>
<b>Veterans Affairs Dept</b>				
General Fund	116,365	129,736	-	129,736
General Fund Transfer Out	(89,858)	(93,970)	-	(93,970)
Special Revenue Fund	164,925	171,608	-	171,608
Federal Fund	40,574	26,650	-	26,650
Gift Fund	966	1,006	-	1,006
<b>Total Veterans Affairs Dept</b>	<b>232,972</b>	<b>235,030</b>	-	<b>235,030</b>
<b>Accountancy Board</b>				
General Fund	779	1,323	44	1,367
<b>Architecture, Engineering Board</b>				
General Fund	1,252	1,548	44	1,592
<b>Barbers Board</b>				
General Fund	471	634	10	644
<b>Cosmetologists Board</b>				
General Fund	2,092	2,692	20	2,712
<b>MN State Retirement System-Pensions</b>				
General Fund	7,524	7,896	-	7,896
<b>Local Pension Aids</b>				
General Fund	82,754	111,254	14,031	125,285
<b>Totals by Fund</b>				
General Fund	865,701	967,144	19,206	986,350
General Fund Transfers Out	(126,156)	(105)	15	(90)
Special Revenue Fund	341,778	359,069	185	359,254
Health Care Access Fund	2,738	3,754	-	3,754
Environmental Fund	545	896	-	896
Remediation Fund	25	259	-	259
State Government Special Revenue	3,782	5,808	-	5,808
Worker's Compensation Fund	13,773	14,700	-	14,700
Highway User Tax Distribution Fund	3,432	4,366	-	4,366
Trunk Highway Fund	43	1,200	-	1,200
Gift Fund	1,754	1,133	-	1,133
Env & Natural Resources Trust Fund	782	1,377	109	1,486
Outdoor Heritage Fund	797	1,075	585	1,660
Clean Water Fund	106	30	-	30
Parks & Trails Fund	7	13	-	13

<b>Budget Area/Agency/Fund</b>	<b>FY 2012-13 Spending</b>	<b>FY 2014-15 February Forecast</b>	<b>2014 Legislative Changes*</b>	<b>Current FY 2014-15 Budget</b>
Arts & Cultural Heritage Fund	88,841	111,499	975	112,474
Federal Funds	180,542	252,329	-	252,329
<b>Total for Budget Area</b>	<b>1,378,490</b>	<b>1,724,547</b>	<b>21,075</b>	<b>1,745,622</b>
<b>DEBT SERVICE/OTHER</b>				
<b>Debt Service</b>				
General Fund	415,056	1,252,740	1,252	1,253,992
General Fund Transfer Out	(374,045)	(1,206,835)	(1,252)	(1,208,087)
Debt Service Fund	1,490,341	1,980,524	1,252	1,981,776
<b>Total Debt Service:</b>	<b>1,531,352</b>	<b>2,026,429</b>	<b>1,252</b>	<b>2,027,681</b>
<b>Capital Projects &amp; Grants</b>				
General Fund (1)	44,552	212,355	198,748	411,103
Trunk Highway Fund	17,500	-	7,950	7,950
<b>Total Capital Projects &amp; Grants:</b>	<b>62,052</b>	<b>212,355</b>	<b>206,698</b>	<b>419,053</b>
<b>Cancellations &amp; Other</b>				
General Fund	23,523	(19,920)	-	(19,920)
General Fund Transfer Out	4	-	-	-
<b>Total Cancellations &amp; Other:</b>	<b>23,527</b>	<b>(19,920)</b>	<b>-</b>	<b>(19,920)</b>
<b>Totals by Fund</b>				
General Fund	483,131	1,445,175	200,000	1,645,175
General Fund Transfer Out	(374,041)	(1,206,835)	(1,252)	(1,208,087)
Trunk Highway Fund	17,500	-	7,950	7,950
Debt Service Fund	1,490,341	1,980,524	1,252	1,981,776
<b>Total for Budget Area</b>	<b>1,616,931</b>	<b>2,218,864</b>	<b>207,950</b>	<b>2,426,814</b>
<b>GRAND TOTAL</b>				
<b>ALL BUDGET AREAS</b>	<b>61,826,062</b>	<b>70,449,833</b>	<b>957,024</b>	<b>71,406,857</b>
* The 2014 Legislative Changes column also contains Federal Funds changes that have been approved by the Legislative Advisory Commission.				
Note: (1) Total does not match the Consolidated Fund Statement (CFS). In certain cases, fund totals and appropriations reflected in the CFS have been adjusted to reflect General Fund appropriation made by the Legislature. See page 2 for explanation.				

**APPENDIX B**  
**CAPITAL INVESTMENT DETAIL**  
*(dollars in thousands)*

AGENCY AND PROJECT	Fund	General Fund Chapter 295	Bonding Chapter 294	Total
<b>Administration</b>				
Capitol Restoration - Continuation		-	126,300	126,300
Statewide CAPRA (Asset Preservation)		1,000		1,000
Minnesota Hmong-Lao Veterans Memorial		-	450	450
Workers Memorial		-	250	250
<b>Administration Total</b>		<b>1,000</b>	<b>127,000</b>	<b>128,000</b>
	<b>GF</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
	<b>Bond</b>	<b>-</b>	<b>127,000</b>	<b>127,000</b>
<b>Agriculture</b>				
Laboratory Sample/Testing Storage Room		-	203	203
Aitkin county Fairgrounds Food Service Building		325	-	325
<b>Agriculture Total</b>		<b>325</b>	<b>203</b>	<b>528</b>
	<b>GF</b>	<b>325</b>	<b>-</b>	<b>325</b>
	<b>Bond</b>	<b>-</b>	<b>203</b>	<b>203</b>
<b>Amateur Sports Commission</b>				
Southwest Regional Sports Center, Marshall		-	4,298	4,298
National Sports Center Tournament Fields Complex, Blaine		-	3,200	3,200
Asset Preservation - National Sports Center, St. Paul		-	475	475
Mighty Ducks Ice Arenas HVAC Systems Renovations		1,500	-	1,500
<b>Amateur Sports Commission Total</b>		<b>1,500</b>	<b>7,973</b>	<b>9,473</b>
	<b>GF</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>
	<b>Bond</b>	<b>-</b>	<b>7,973</b>	<b>7,973</b>
<b>Board of Soil and Water Resources</b>				
Reinvest In Minnesota (RIM) Reserve Program		-	6,000	6,000
Local Government Roads Wetland Replacement Program		-	2,000	2,000
<b>BWSR Total</b>	<b>Bond</b>	<b>-</b>	<b>8,000</b>	<b>8,000</b>
<b>Corrections</b>				
Department Wide Asset Preservation		-	5,500	5,500
Shakopee Perimeter Security Fence		-	5,381	5,381
St. Cloud New Intake Health Services		18,000		18,000
Northeast Regional Correctional Center (NERCC)			1,000	1,000
<b>Corrections Total</b>		<b>18,000</b>	<b>11,881</b>	<b>29,881</b>
	<b>GF</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>
	<b>Bond</b>	<b>-</b>	<b>11,881</b>	<b>11,881</b>
<b>Education</b>				
Red Lake School Loan - Design, Construct, Renovate Existing Facilities		-	5,491	5,491

<b>AGENCY AND PROJECT</b>	<b>Fund</b>	<b>General Fund Chapter 295</b>	<b>Bonding Chapter 294</b>	<b>Total</b>
Library Accessibility and Improvement Grants(Bagley, Jackson, Perham)		-	2,000	2,000
<b>Education Total</b>		-	7,491	7,491
	<b>GF</b>	-	2,000	2,000
	<b>Bond</b>	-	7,491	7,491
<b>Employment and Economic Development</b>				
Business Development Public Infrastructure		-	4,000	4,000
Innovative Business Development Infrastructure		500	-	500
Alexandria - Jefferson High School Redevelopment		-	1,400	1,400
Chatfield Center for the Arts and Potter Auditorium Remodeling		-	5,352	5,352
Clara City Street and Utility Infrastructure for Development		-	748	748
Cosmos Municipal Center		-	600	600
Duluth NorShor Theatre Renovation		6,950	-	6,950
Duluth Wade Stadium Design		2,300	-	2,300
Fosston Street, Water and Sewer Infrastructure Improvements		-	400	400
Grand Rapids Reif Regional Performing Arts Center Renovations		-	3,897	3,897
Hanover Historic Bridge Restoration		-	78	78
Hermantown Regional Health and Wellness Center Studies		250	-	250
Lake Elmo Water Supply System		-	3,500	3,500
Lake Superior-Poplar River Water Pipeline and Plant Construction		1,110	-	1,110
Litchfield Power Generation Improvements		-	250	250
Mankato Civic Center Addition		14,500	-	14,500
Minneapolis Brian Coyle Center		-	330	330
Minneapolis - Hennepin Center for the Arts		-	550	550
Minneapolis Nicollet Mall Revitalization		-	21,500	21,500
Park Rapids Regional Arts Center		-	2,500	2,500
Red Wing Levee Road, Waterfront, Utilities, Infrastructure Improvements		-	1,560	1,560
Rochester Civic Center Expansion		35,000	-	35,000
Sandstone Business Park Public Infrastructure/Utilities		200	-	200
Spirit Mountain/Duluth Design Construct Water Transport from St. Louis River		3,400	-	3,400
St. Cloud Convention Center Expansion		11,560	-	11,560
St. Paul Minnesota Children's Museum Expansion and Renovation		7,485	6,515	14,000
St. Paul Minnesota Public Media Commons		-	9,000	9,000
St. Paul Ordway for the Performing Arts		-	4,000	4,000
St. Paul Palace Theater Renovation		-	5,000	5,000
Thief River Falls Airport Eliminate Waste Water Ponds/City Connection		-	650	650

<b>AGENCY AND PROJECT</b>	<b>Fund</b>	<b>General Fund Chapter 295</b>	<b>Bonding Chapter 294</b>	<b>Total</b>
Thief River Falls Public Infrastructure Improvements		-	800	800
Virginia US Hwy 53 Relocation of Utilities and Trails		-	19,500	19,500
<b>Employment and Economic Development Total</b>		<b>83,255</b>	<b>92,130</b>	<b>175,385</b>
	<b>GF</b>	<b>83,255</b>	-	<b>83,255</b>
	<b>Bond</b>	-	<b>92,130</b>	<b>92,130</b>
<b>Historical Society</b>				
Oliver H. Kelley Farm Historic Site Visitor Center		-	10,562	10,562
Historic Sites Asset Preservation		-	1,440	1,440
County and Local Historic Preservation Grants		1,400		1,400
<b>Historical Society Total</b>		<b>1,400</b>	<b>12,002</b>	<b>13,402</b>
	<b>GF</b>	<b>1,400</b>	-	<b>1,400</b>
	<b>Bond</b>	-	<b>12,002</b>	<b>12,002</b>
<b>Housing Finance Agency</b>				
Housing Infrastructure Bonds(\$6.4 annual GF Debt Service)	MHFA	-	80,000	80,000
Public Housing Rehabilitation		-	20,000	20,000
<b>Housing Finance Agency Total</b>		-	<b>100,000</b>	<b>100,000</b>
	<b>MHFA</b>	-	<b>80,000</b>	<b>80,000</b>
	<b>Bond</b>	-	<b>20,000</b>	<b>20,000</b>
<b>Human Services</b>				
MN Security Hospital St. Peter Campus Design, Construct, Remodel Facilities		-	56,317	56,317
MSOP St. Peter Campus Design, Remodel, Construct Facilities		-	7,405	7,405
System-wide Asset Preservation		-	3,000	3,000
Early Childhood Facilities		-	6,000	6,000
Harriet Tubman Center East, Maplewood		-	720	720
Hennepin County St. David's Center Expansion		-	3,750	3,750
Remembering With Dignity-State Hospitals or RTCs - Unmarked Graves		-	195	195
St. Paul Dorothy Day Center		-	6,000	6,000
St. Louis County Arrowhead EO and Range Mental Health Building		-	3,000	3,000
<b>Human Services Total</b>		-	<b>86,387</b>	<b>86,387</b>
	<b>Bond</b>	-	<b>86,387</b>	<b>86,387</b>
<b>Iron Range Resources and Rehabilitation</b>				
Giant's Ridge Event Center		3,800	-	3,800
<b>Iron Range Resources and Rehabilitation Total</b>		<b>3,800</b>	-	<b>3,800</b>
	<b>GF</b>	<b>3,800</b>	-	<b>3,800</b>
<b>Metropolitan Council</b>				
Metropolitan Regional Parks		-	4,000	4,000
Transitway Capital Improvement Program(Bottineau, Gateway, Snelling)		-	15,000	15,000
Minneapolis Park and Recreation Board Preservation		-	8,500	8,500

<b>AGENCY AND PROJECT</b>	<b>Fund</b>	<b>General Fund Chapter 295</b>	<b>Bonding Chapter 294</b>	<b>Total</b>
Metropolitan Cities Wastewater Inflow & Infiltration Abatement Grants		-	2,000	2,000
Fridley Springbrook Nature Center		-	5,000	5,000
Inver Grove Heights Heritage Village Park		-	2,000	2,000
Maplewood Fish Creek Natural Greenway Land Acquisition		-	318	318
Oakdale Mud Lake Trail and Boardwalk - ADA Compliance and Access		-	150	150
St. Paul Como Park Transportation and Access Improvements		-	5,400	5,400
Washington & Dakota Counties Regional Trail/Bridge - Hastings		-	1,600	1,600
West St. Paul North Urban Regional Trail Bridge		-	2,000	2,000
<b>Metropolitan Council Total</b>		-	<b>45,968</b>	<b>45,968</b>
	<b>Bond</b>	-	<b>45,968</b>	<b>45,968</b>
<b>Military Affairs</b>				
Asset Preservation		-	2,000	2,000
Brooklyn Park Addition/Renovation Design		-	1,244	1,244
<b>Military Affairs Total</b>		-	<b>3,244</b>	<b>3,244</b>
	<b>Bond</b>	-	<b>3,244</b>	<b>3,244</b>
<b>Minnesota State Colleges and Universities (MnSCU)</b>				
HEAPR (Asset Preservation)	GO	-	42,500	42,500
Metro State University Science Education Center Construction	GO-UF	-	35,865	35,865
Bemidji State U-Memorial, Decker, Sanford, Hagg Sauer Renov/Demo/Design	GO-UF	-	13,790	13,790
Lake Superior College-Allied Health Wing Revitalization/Renovation	GO-UF	-	5,266	5,266
Minneapolis CTC Workforce Program Phase 2 Renovation	GO-UF	-	3,600	3,600
Saint Paul College - Culinary Arts and CNC/Machine Renovation	GO-UF	-	1,500	1,500
Mn State College SE Technical - Welding, Science, Classroom Renovation	GO-UF	-	1,700	1,700
Central Lakes College Staples - Campus Rightsizing Renovations	GO-UF	-	4,234	4,234
Minnesota State Univ, Mankato-Clinical Sciences Facility Construction	GO-UF	-	25,818	25,818
Minnesota State CTC Moorhead - Transportation Center Addition	GO-UF	-	6,544	6,544
Rochester CTC - Memorial, Plaza Post Demo, Art Hall Renovation	GO-UF	-	1,000	1,000
Century College-Digital Fab, Kitchen Space & Solar Panel System Renovation	GO-UF	-	2,020	2,020



<b>AGENCY AND PROJECT</b>	<b>Fund</b>	<b>General Fund Chapter 295</b>	<b>Bonding Chapter 294</b>	<b>Total</b>
Northland CTC, Thief River Falls - Aviation Maintenance Addition	GO-UF	-	5,864	5,864
NHED-Four Campuses-Science, Classrooms, Biomass Renovation, Demo	GO-UF	-	3,344	3,344
Winona State University - Education Village, Phase I Renovations	GO-UF	-	5,902	5,902
St Cloud State University-Student Health & Academic Renovation	GO-UF	-	865	865
<b>Minnesota State Colleges and Universities Total</b>		-	<b>159,812</b>	<b>159,812</b>
	GO-UF	-	<b>39,104</b>	<b>39,104</b>
	<b>Bond</b>	-	<b>120,708</b>	<b>120,708</b>
<b>Minnesota State Academies</b>				
New Residence Hall Design, Construct, Furnish, Equip		-	10,654	10,654
Asset Preservation		-	700	700
<b>Minnesota State Academies Total</b>	<b>Bond</b>	-	<b>11,354</b>	<b>11,354</b>
<b>Natural Resources</b>				
Asset Preservation		-	10,000	10,000
Buildings and Facilities Development		-	2,000	2,000
Flood Hazard Mitigation		7,500	4,500	12,000
Dam Repair/Reconstruction/Removal		-	6,500	6,500
Reforestation and Stand Improvement		-	2,963	2,963
Vermilion State Park Development		-	14,000	14,000
RIM Critical Habitat Match		-	2,000	2,000
Fish Hatchery Improvements		-	2,000	2,000
Trails Acquisition and New Development		-	17,667	17,667
Central Minnesota Regional Parks		-	500	500
Grant County Trail-Elbow Lake to Pomme de Terre Lake		-	100	100
East Grand Forks-Red River Recreational Area Utilities Improvement		-	250	250
Fort Snelling Upper Post		-	500	500
Fountain Lake Restoration		7,500	-	7,500
Lake Zumbro Reclamation		-	500	500
<b>Natural Resources Total</b>		<b>15,000</b>	<b>63,480</b>	<b>78,480</b>
	<b>GF</b>	<b>15,000</b>	-	<b>15,000</b>
	<b>Bond</b>	-	<b>63,480</b>	<b>63,480</b>
<b>Perpich Center For Arts Education</b>				
Perpich Center Asset Preservation		-	2,000	2,000
<b>Perpich Center for Arts Education Total</b>	<b>Bond</b>	-	<b>2,000</b>	<b>2,000</b>
<b>Pollution Control Agency</b>				
Capital Assistance Program		-	2,625	2,625
<b>Pollution Control Agency Total</b>		-	<b>2,625</b>	<b>2,625</b>
	<b>Bond</b>	-	<b>2,625</b>	<b>2,625</b>

<b>AGENCY AND PROJECT</b>	<b>Fund</b>	<b>General Fund Chapter 295</b>	<b>Bonding Chapter 294</b>	<b>Total</b>
<b>Public Facilities Authority</b>				
State Matching Funds for USEPA Capitalization Grants		-	12,000	12,000
Big Lake Sanitary District(Cloquet) - Sewer Connection Project		-	4,500	4,500
Koochiching County - Rainy and Crain Lake Voyager's Sewer Projects		-	8,567	8,567
Lewis and Clark Regional Water System		22,000	-	22,000
Oslo Watermains, Sewers, Infrastructure Study, Engineering		275	-	275
Rice Lake East Calvary Water Main Replacement		-	1,168	1,168
Truman Storm Sewer Flood Mitigation Project		-	1,425	1,425
<b>Public Facilities Authority Total</b>		<b>22,275</b>	<b>45,993</b>	<b>68,268</b>
	<b>GF</b>	<b>22,275</b>	<b>-</b>	<b>22,275</b>
	<b>Bond</b>	<b>-</b>	<b>45,993</b>	<b>45,993</b>
<b>Public Safety</b>				
Cottage Grove, Woodbury, MNSCU, Health and Emergency Response Building		-	1,460	1,460
Cyrus Public Safety Center		225	-	225
Maplewood East Metro Safety Training Center		-	1,650	1,650
Montgomery Public Safety Facility		-	220	220
St. Louis County Sheriff's Rescue and Storage Facility		-	700	700
<b>Public Safety Total</b>		<b>225</b>	<b>4,030</b>	<b>4,255</b>
	<b>GF</b>	<b>225</b>	<b>-</b>	<b>225</b>
	<b>Bond</b>	<b>-</b>	<b>4,030</b>	<b>4,030</b>
<b>Transportation</b>				
Local Bridge Replacement Program(Franklin Bridge 11.750)		20,743	12,257	33,000
Local Road Improvement Fund Grants(Armstrong Blvd, TCAAP, 77th Street)		30,000	24,356	54,356
Greater MN Transit Assistance		-	1,500	1,500
Highway/Rail Grade Crossing Warning System		-	2,000	2,000
Willmar Headquarters Supplemental Funding	THF	-	4,370	4,370
Little Falls Truck Station Supplemental Funding	THF	-	3,580	3,580
Safe Routes to Schools		1,000	-	1,000
Port Development Assistance		-	2,000	2,000
Chisholm/Hibbing Range Regional Airport		-	5,000	5,000
International Falls - Koochiching County Airline Terminal Expansion		-	2,200	2,200
<b>Transportation Total</b>	<b>Total</b>	<b>51,743</b>	<b>57,263</b>	<b>109,006</b>
	<b>GF</b>	<b>51,743</b>	<b>-</b>	<b>51,743</b>
	<b>GO-TF</b>	<b>-</b>	<b>[36,613]</b>	<b>[36,613]</b>
	<b>THF-Cash</b>	<b>-</b>	<b>7,950</b>	<b>7,950</b>
	<b>Bond</b>	<b>-</b>	<b>49,313</b>	<b>49,313</b>

<b>AGENCY AND PROJECT</b>	<b>Fund</b>	<b>General Fund Chapter 295</b>	<b>Bonding Chapter 294</b>	<b>Total</b>
<b>University of Minnesota</b>				
Higher Education Asset Preservation and Replacement(HEAPR)		-	42,500	42,500
Tate Sciences and Teaching Renovation		-	56,700	56,700
Campus Wellness Center		-	10,000	10,000
Research Laboratory Improvement Fund		-	8,667	8,667
Chemical Sciences and Advanced Materials Building - Duluth		-	1,500	1,500
<b>University of Minnesota Total</b>		-	<b>119,367</b>	<b>119,367</b>
<b>Veterans Affairs</b>				
Asset Preservation		-	2,000	2,000
Minneapolis Campus Deep Tunnel Repairs/Waterproofing		-	700	700
Edina All Veterans Memorial		225	-	225
North St. Paul Military Veterans Park Memorial Design and Construct		-	100	100
<b>Veterans Affairs Total</b>		<b>225</b>	<b>2,800</b>	<b>3,025</b>
	<b>GF</b>	<b>225</b>	<b>-</b>	<b>225</b>
	<b>Bond</b>	<b>-</b>	<b>2,800</b>	<b>2,800</b>
<b>Zoological Gardens</b>				
Heart of the Zoo - II		-	5,000	5,000
Asset Preservation/Exhibit Renovations(Discovery Bay)		-	7,000	7,000
<b>Zoological Gardens Total</b>		<b>-</b>	<b>12,000</b>	<b>12,000</b>
	<b>Bond</b>	<b>-</b>	<b>12,000</b>	<b>12,000</b>
<b>Management and Budget</b>				
Bond Sale Expense		-	900	900
<b>Management and Budget Total</b>		<b>-</b>	<b>900</b>	<b>900</b>
<b>Cancellations and Reductions</b>				
Authorization Reductions for Forty Four Projects		-	10,849	10,849
<b>Cancellations and Reductions Total</b>		<b>-</b>	<b>10,849</b>	<b>10,849</b>
<b>Financial Summary, Chapters 294 and 295, 2014 Regular Session</b>				
		<b>General Fund</b>	<b>Bonding</b>	<b>Total</b>
<b>Total Projects Authorized</b>		198,748	983,903	1,182,651
<b><u>Funding Sources for Projects:</u></b>				
General Obligation Bonds		-	856,849	856,849
General Obligation Bonds - User Financed		-	39,104	39,104
Housing Finance Agency Bonds - General Fund Debt Service		-	80,000	80,000
General Fund Cash		198,748	-	198,748

Trunk Highway Fund Appropriation	-	7,950	7,950
Cancellation of Previously Authorized General Obligation Bonds	-	(10,849)	(10,849)
<b>Chapter 294 and 295 Totals</b>	<b>198,748</b>	<b>973,054</b>	<b>1,171,802</b>
<b><u>Open and Standing Appropriations:</u></b>			
Transfer to State Bond Fund for Debt Service from General Fund-Chapter 294	1,252	-	1,252
<b>Total Funding for Capital Investment Projects in 2014 Session</b>	<b>200,000</b>	<b>973,054</b>	<b>1,173,054</b>

**Appendix C**  
**Nongeneral Fund Expenditure Changes**  
**2014 Legislative Session**

*(dollars in thousands)*

<b>Expenditure Changes by Fund, by Chapter (Agency)</b>	<b>FY 2014-15</b>
<b>Special Revenue Fund</b>	
Chapter 239 - Women's Economic Security Act (Dept. Human Rights)	37
Chapter 312 - Supplemental Budget Bill (POST)	(50)
Chapter 312 - Supplemental Budget Bill (Dept. of Transportation)	285
Chapter 312 - Supplemental Budget Bill (Dept. of Public Safety)	6,132
Chapter 312 - Supplemental Budget Bill (Pollution Control Agency)	104
Chapter 312 - Supplemental Budget Bill (Board of Animal Health)	95
Chapter 312 - Supplemental Budget Bill (Dept of Commerce)	400
Chapter 312 - Supplemental Budget Bill (Racing Commission)	185
Forecast Changes and End of Session Adjustments	(543)
<b>Subtotal Special Revenue Fund</b>	<b>6,645</b>
<b>Health Care Access Fund</b>	
Forecast Changes and End of Session Adjustments	<b>(155,790)</b>
<b>State Government Special Revenue Fund</b>	
Chapter 235 - Advanced Practiced Nurse (Health-Related Boards)	377
Chapter 285 - Synthetic Drugs Oversight (Health-Related Boards)	5
Chapter 291 - Increased Per Diem (Health-Related Boards)	410
Chapter 291 - Prescription Monitoring Program (Health-Related Boards)	210
Chapter 311 - Medical Cannabis Bill (Department of Health)	100
Chapter 312 - Supplemental Budget Bill (Department of Health)	1,624
Chapter 312 - Supplemental Budget Bill (Health-Related Boards)	148
Chapter 312 - Supplemental Budget Bill (Dept. of Public Safety)	11,924
<b>Subtotal State Government Special Revenue Fund</b>	<b>14,798</b>
<b>Natural Resources Fund</b>	
Chapter 312 - Supplemental Budget Bill (Dept. of Natural Resources)	450
Chapter 312 - Supplemental Budget Bill (Metro Parks)	450
<b>Subtotal Natural Resources Fund</b>	<b>900</b>
<b>Game &amp; Fish Fund</b>	
Chapter 312 - Supplemental Budget Bill (Dept. of Natural Resources)	<b>2,412</b>
<b>Environmental Fund</b>	
Chapter 312 - Supplemental Budget Bill (PCA)	<b>4,000</b>

<b>Remediation Fund</b>	
Chapter 312 - Supplemental Budget Bill (PCA)	<b>1,150</b>
<b>Environment &amp; Natural Resources Trust Fund</b>	
Chapter 226 - Aquatic Invasive Species Research (U of MN)	12,590
Chapter 226 - LCCMR Bill (PCA)	743
Chapter 226 - LCCMR Bill (DNR)	12,630
Chapter 226 - LCCMR Bill Adjustment (BWSR)	(13)
Chapter 226 - LCCMR Bill (Metro Parks)	1,500
Chapter 226 - LCCMR Bill (Minnesota Zoo)	380
Chapter 226 - LCCMR Bill (Dept of Agriculture)	621
Chapter 226 - LCCMR Bill (Science Museum)	900
Chapter 226 - LCCMR Bill (LCCMR)	109
<b>Subtotal Environment &amp; Natural Resources Trust Fund</b>	<b>29,460</b>
<b>Outdoor Heritage Fund</b>	
Chapter 256 - Outdoor Heritage Fund Bill (DNR)	92,313
Chapter 256 - Outdoor Heritage Fund Bill (BWSR)	16,422
Chapter 256 - Outdoor Heritage Fund Bill (LSOHC)	585
<b>Subtotal Outdoor Heritage Fund</b>	<b>109,320</b>
<b>Clean Water Fund</b>	
Chapter 312 - Supplemental Budget Bill (Department of Health)	300
Chapter 312 - Supplemental Budget Bill (PCA)	(301)
Chapter 312 - Supplemental Budget Bill (BWSR)	1,400
Chapter 312 - Supplemental Budget Bill (Met Council)	550
<b>Subtotal Clean Water Fund</b>	<b>1,949</b>
<b>Arts &amp; Cultural Heritage Fund</b>	
Chapter 312 - Supplemental Budget Bill (Humanities Commission)	225
Chapter 312 - Supplemental Budget Bill (Arts Board)	750
<b>Subtotal Arts &amp; Cultural Heritage Fund</b>	<b>975</b>
<b>County State Aid Highway Fund</b>	
Chapter 312 - Supplemental Budget Bill (Dept. of Transportation)	<b>(8,315)</b>
<b>Workforce Development Fund</b>	
Chapter 239 - Women's Economic Security Act (DEED)	500
Chapter 239 - Women's Economic Security Act (Dept Labor & Industry)	250
Chapter 312 - Supplemental Budget Bill (DEED)	1,300
<b>Subtotal Workforce Development Fund</b>	<b>2,050</b>

<b>Trunk Highway Fund</b>	
Chapter 294 - Capital Investment Bill (Dept. of Transportation)	7,950
Chapter 312 - Supplemental Budget Bill (Dept. of Transportation)	117,125
Chapter 312 - Supplemental Budget Bill (Dept. of Public Safety)	5,949
<b>Subtotal Trunk Highway Fund</b>	<b>131,024</b>
<b>State Airports Fund</b>	
Chapter 312 - Supplemental Budget Bill (Transportation)	<b>4,000</b>
<b>Debt Service Fund</b>	
Chapter 294 - Capital Investment Bill	<b>1,252</b>
<b>Federal TANF Fund</b>	
Chapter 312 - Supplemental Budget Bill (Human Services)	<b>548</b>
<b>Federal Fund</b>	
LAC and Forecast Adjustment Expenditures	<b>252,530</b>
<b>Total Nongeneral Fund Expenditures</b>	<b>398,908</b>

**Appendix D**  
**List of 2014 Session Laws with Changes to the FY 2014-15 Budget**

<b>Chapter Number</b>	<b>File Number</b>	<b>Description</b>
145	HF 2374	Appropriations for the low-income home energy heating assistance (LIHEAP) program
150	HF 1777	First Omnibus Tax Act
182	HF 2658	Appropriations to adopt Workers' Compensation Advisory Council recommendations
211	HF 3014	Appropriations for the Public Employment Relations Board
226	HF 1874	Environment and Natural Resources Trust Fund appropriations
235	SF 511	Advanced Practice Registered Nurse Licensure
239	HF 2536	Women's Economic Security Act
246	HF 2576	Appropriations related to the expungement of criminal records
252	HF 3241	Appropriations for claims against the state
256	HF 1926	Outdoor Heritage Fund Appropriations
269	HF 2925	Appropriations compensating exonerated persons
279	HF2180	Requirements for health insurance coverage for school district employees
285	HF 2446	Appropriations related to the regulation of synthetic drugs
291	HF 2402	Omnibus Health and Human Services Policy Bill
294	HF 2490	Capital improvement appropriations from bonds
295	HF 1068	Capital improvement appropriations from the General Fund balance
296	HF 1951	Omnibus Retirement Act
305	SF 2065	Appropriations for high pressure boiler rulemaking
308	HF 3167	Second Omnibus Tax Act
311	HF 2470	Appropriations related to the medical cannabis registry program
312	HF 3172	Omnibus Supplemental Finance Act

For detailed language of each act, please see: <https://www.revisor.mn.gov/laws/?view=session&year=2014&type=0>



